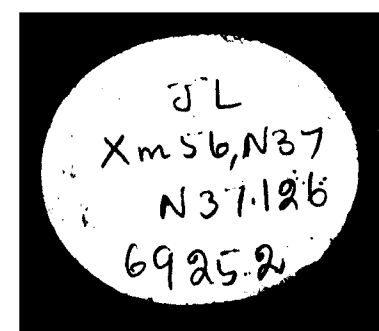




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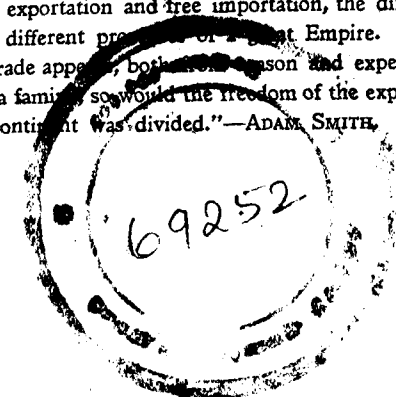
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THE ECONOMIST

"Were all nations to follow the liberal system of free exportation and free importation, the different States into which a great continent was divided would so far resemble the different provinces of a great Empire. As among the different provinces of a great Empire the freedom of the inland trade appears, both from reason and experience, not only the best palliative of a dearth, but the most effectual preventative of a famine, so would the freedom of the exportation and importation trade be among the different States into which a great continent was divided."—ADAM SMITH.



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Economic Danger Signals

THERE is more than purely conventional reason for pausing at the New Year to assess the economic outlook for the nation and the world. There is a very real crescendo of activity during the autumn months, inspired by the harvest at the beginning of the season and by Christmas at the end. But in the New Year there is always a sharp reaction; the curve of British unemployment usually reaches its annual peak in January, and the economic prospect for the year depends on the pace of recovery from this turning-point.

Anybody who attempts this New Year to assess the outlook for 1937 must first of all take account of the truly astonishing recovery which Great Britain has enjoyed in the past four years. Last year has shown as rapid progress as any of its predecessors. The total of employment in December was almost 5 per cent. higher than it had been twelve months before. What is more, the labour force of the nation is being even more effectively used than the bare figures of employment would show; for *The Economist* Index of Business Activity, which is a measure of the whole economic tempo of the nation, has been some 7 per cent. higher in the latest three months than in the same period of last year. Perhaps the most encouraging aspect of the last year has been the extent to which recovery has spread to many of the basic industries which ever since the war have been among the most depressed. The production of steel in the United Kingdom, for example, was more than 18 per cent. higher in 1936 than in 1935. Moreover, imports of iron and steel increased while exports fell off, so that the domestic consumption was no less than 27 per cent. higher. These are astonishing figures when the period is as short as a year and the circumstances

those of already well-established recovery. Of the four great erstwhile depressed industries—coal, cotton, iron and steel, and shipbuilding—the two latter must now be struck off the list. The Special Areas have experienced some improvement, but in most of them it has served to lighten the blackness of their outlook only to the darkest shade of grey, and there are other districts, such as parts of Lancashire, which are hardly behindhand in depression. But these are the exceptions. The greater part of the country is prosperous to a degree it does not realise and would not have believed possible four years ago.

It is the current fashion to ascribe the bulk of this continued recovery to the Government's re-armament programme. In fact, it is difficult to assess how much truth there is in this contention. The actual expenditure of the Government on armaments clearly does not measure the total effect of the programme, since Government contractors all over the country are investing capital in additional plant and enlarging their labour force to cope with official orders. But even if every pound spent by the Treasury on re-armament is multiplied by five before its final effect is expended, the resulting expenditure hardly amounts to 5 per cent. of the national income. Perhaps a fairer way is to consider what fraction of the *increase* in national income may be due to re-armament. If we assume that the whole of the speed-up in the rate of recovery since 1934 is due to the programme (an unduly generous assumption), it still accounts for less than half of last year's improvement. Other factors have clearly been at work.

These other factors initiated recovery four years ago and gave it impetus long before even the first of the

White Papers on Defence. They have found their most striking manifestation in an amazing increase in the purchasing power of the consuming public; and the statistics which bear upon this are still among the most striking in the list—such figures as a 13½ per cent. increase in the annual production of new motor-cars or a 9 per cent. increase in one year in the total number of cars in use. Entirely apart from re-armament, it is clear that we are experiencing a boom of the classical type. All the classical features, with one exception, are present: rapidly rising prices (*The Economist* index of the prices of primary products has risen by nearly 20 per cent. in twelve months); incipient labour shortages; increasing wages; buoyant security markets; new issues of questionable quality; an increase in speculation; an expansion in credit (bank advances are 12 per cent. higher than a year ago); a rapidly growing volume of investment in fixed capital. The only element missing is a rise in interest rates. Without re-armament the boom, though less impressive, would still have been a boom.

How long will it last? That is perhaps the most difficult question of all to answer. So far as the current activity of industry is dependent upon re-armament, it will last as long as re-armament lasts. How long that will be, nobody knows; but it will at least outlive 1937. In so far as the boom is dependent upon other factors, the answer cannot be so simple. It can only be said that no reversal of the upward trend is yet in sight. The long-

heralded decline in residential building has not yet arrived (though it is doubtless on its way), and other forms of building are still increasing. There is little prospect of a sharp rise in interest rates. On the whole, the pacific aspect of recovery can be promised another twelve months of life, though the prophecy is not made with any undue confidence.

With re-armament certain, and the non-armament boom likely to continue, the outlook for 1937 seems bright. But it is a somewhat garish brightness. For with every month that passes the fraction of recovery which depends on munitions of war enlarges, and that is neither remunerative nor permanent. Moreover, even if re-armament be left on one side, it is a characteristic of all booms that in their later stages they come to depend more and more upon the volatile capital-goods industries and less and less upon the steady consumers' trades. That is happening in Great Britain now. The optimistic outlook for 1937 must therefore be qualified. The economic historian of the future may very well decide that the sound recovery of the middle 'thirties passed over into an unstable boom about the beginning of 1937. The danger of the New Year is not so much that the process of recovery may come to an end as that it may get out of control and create a situation that will sooner or later end in a fresh catastrophe. A steady pace now would be the best safeguard against a dangerous reaction.

Germany's Responsibility

SINCE Christmas Eve all eyes have again been on Germany. Chancelleries, Foreign Offices and editorial corridors have been humming with rumours of an impending demonstration by the Nazi rulers of the Third Reich; but nothing has yet happened. HERR HITLER spent a quiet holiday at Berchtesgaden, only emerging this week for the State funeral of GENERAL VON SEECKT and the colloquy of Nazi chiefs which followed it. But Europe still watches Berlin with apprehension, since it does not know the Nazi Government's reply to the urgent requests made by the French and British Governments just before Christmas for genuine German collaboration to prevent the supply of arms and "volunteers" to either side in the Spanish conflict. And European apprehension will increase if the Nazi Government, as is feared in Paris, merely play for time by an equivocal reply which leaves them free to continue intervention.

The Spanish question, however, is not the sole or even the chief cause of anxiety. Though the German answer has yet to be made public, and though GENERAL FRANCO's new assault on Madrid is said to be timed for the New Year, the Nazi directors of German foreign policy may well pause to ponder the extent to which both Germany and Europe may become involved in the Spanish struggle if they persist in buttressing GENERAL FRANCO's position. Russia, their one hated foe, has this week agreed to renounce intervention and to collaborate in supervising an international arrangement to prevent it. There is much evidence that persistent German intervention—and any aid to either side in Spain from a totalitarian State must be accounted intervention—will have to reckon before long with French intervention, to say no more of Russian. Moreover, though it is reported that Berlin has been threatening Rome with a renewal of Nazi activity in Austria if Rome now fails to support it, such support can scarcely be reliable.

But there are more disturbing grounds for the apprehension now felt about Germany. As the German winter has advanced, the voices of Germany's rulers have risen in a crescendo of complaint against the comity of nations. GENERAL GOERING, DR. SCHACHT, HERR HESS and DR. GOEBBELS, with the entire German Press which the latter dragoons, have been manufacturing complaints against other nations for the alleged economic victimisation and political ostracism of Germany, and then demanding fresh sacrifices from German citizens in the name of defence against such victimisation. As a famous editor of this journal wrote, nearly seventy years ago: "No orator ever made an impression by appealing to men as to their plainest physical wants, except when he could allege that those wants were caused by someone else's tyranny." HERR HITLER's recent unilateral denunciation of the international waterway clauses of the Versailles Treaty came before the ink was dry on separate voluntary agreements on the subject between Germany and her neighbours. Abrupt unilateral repudiation was preferred to peaceful change. Thus was the last manacle of Versailles struck from the limbs of the Third Reich. Thereafter, its rulers have had either to conjure up grievances against the outside world in order to absolve themselves from responsibility for Germany's present plight, or else to keep flogging the whipping-boys of Versailles. They have elected to do both; but the device is transparent.

For nearly four years HERR HITLER and his associates have enjoyed unchallengeable control of Germany's economic and political destinies. The day is fast approaching when, as the FUEHRER promised, if he had not abolished unemployment and realised the aspirations of the German people, they could crucify him. How does the balance-sheet stand?

Germany enters 1937 with unemployment virtually abolished, but by measures which few observers, German or foreign, could have imagined in 1933. The Nazis' totalitarian State has catalogued industrial workers on

numbered cards—a species of internal passport. The slogan "guns, not butter" has been realised with painful precision. Rationing has already begun for many conventional necessities. Money wages have not been increased, although retail prices have risen; and the great gulf between the production of consumption goods and that of armaments, buildings, roads, machinery, etc., has steadily widened. Troubles with the peasants over supplies have broken out. The Reich army has been increased from the Versailles level to about 1,000,000 in 1937. A big air force has been created under the presiding genius of GENERAL GOERING; and an expanded navy, concentrated as yet on submarines, is being built. Labour camps provide large public works at nominal labour cost; the Jews have been disfranchised; and the concentration camps remain.

On the purely financial side, the huge cost of re-armament has been superimposed on those trading and exchange difficulties which have beset every commercial country since the onset of the Great Depression. Germany's overseas trade has been placed under rigid controls to ensure that the scheduled supplies of war materials take precedence of materials for civil industries. Hence the need for a programme of self-sufficiency in foodstuffs, for bilateral barter and exchange clearing agreements with smaller States, and for the control of German private capital abroad. So far has this control proceeded that non-disclosure of German funds abroad can now be punished by death.

Such is the balance sheet with which Germany enters 1937. It would be idle to pretend that, on the political side, the Nazis have not satisfied the ardent aspirations of the great majority of German citizens. But 1937 also opens with acute economic tension. The bill for the Herculean achievements of the last four years is falling due. Finance by mortgaging the future seems to have

reached its limit; and on all sides DR. SCHACHT's foreign clients are being attracted away from Germany's orbit by rising prices and expanding markets elsewhere.

How, if at all, can Germany be helped? In spite of the dissolution of the Colonial League by HERR HITLER on the eve of HERR VON RIBBENTROP's arrival as German Ambassador in London a few weeks ago, the Nazi leaders—as well as DR. SCHACHT—have once more broken out in an insistent demand for colonies. The argument is that Germany would then be able to buy her raw materials from regions in which her own currency was valid, and would thus avoid exchange difficulties. But even if we could all hand over some territory to Germany, the problems of compensation for capital sunk in such colonies as would immediately yield Germany the materials she requires could not be solved without whole-hearted German collaboration, both political and economic, with the other trading nations. For a loan would be necessary for Germany; and a big one. What Treasury would to-day guarantee the principal and interest of such a loan? Without that guarantee, who would lend to the Germany of 1937? The Nazi leaders cannot have it both ways. They cannot both eat their cake by complete autarky and preserve it by international collaboration.

Thus, grave decisions must be taken in Berlin or Berchtesgaden within the next few days or weeks. Whether HERR HITLER will decide to dress the German window by effecting a preliminary clean-up, or whether he will decide that his lot is cast by Destiny with that of the Party fanatics, none can say. If he makes the latter choice, he will probably seek diversions for his people in foreign adventure, which may be perilous both for Germany and Europe. We can only hope that his four years of responsibility for Germany will not end in such irresponsibility.

The Newspaper Industry—I

The Changing Newspaper

No nation can afford to treat its Press merely as an industry, demanding attention from the State only when it gets into difficulties. The provision of news is a public service as essential as the supply of food or power. Moreover, the Press has an influence on politics and even, in a still wider sphere, on the national culture as a whole. It is a social organ as well as an industry. In Great Britain, least of all countries, can the sociological importance of the newspaper be forgotten; for the dense concentration of population in a small country with easy internal communications has led to the building up of gigantic circulations for individual newspapers. Both the merits and the defects of the Press appear in Great Britain in concentrated form.

So seriously are these political and social aspects of the newspaper regarded that its industrial importance is overshadowed. To many people the fact that the Press is subject to the mercenary constraints of all industries appears in some way discreditable. Newspaper proprietors are criticised for attempting to make profits out of their trade. But the making of profits differs only in degree from the avoidance of losses, and the most censorious would be constrained to admit that, until the community decides to subsidise the provision of news, a newspaper must normally take care to make both ends meet. Little excuse is, therefore, needed for devoting this article, and two subsequent articles, in the main to the British Press as an industry. Space compels a further limitation to the newspaper industry; the

variety and heterogeneity of the periodical Press almost defy orderly description.

The British newspaper has been changing rapidly in the post-war decades. It is appropriate, in the first issue of *The Economist* in its new dress, to mention first the striking changes in the outward appearance of British newspapers. The average reader, who sees his paper day by day and never has occasion to consult back files, almost certainly does not appreciate the magnitude of the change. The new type faces adopted by many newspapers about three years ago are only the most obvious of the innovations. Even *The Times*, most conservative of metropolitan journals in this matter, is experimenting with double-column headlines. As for the popular papers, a copy of only two years ago already looks queerly old-fashioned. The fundamental idea of "lay-out"—that a page should appear typographically attractive, entirely irrespective of its content—is little more than a novelty, but already it dominates the large-circulation papers to the detriment, sometimes, of the balance of the news.

These changes in typography are merely the surface indications of changes in the more fundamental character of a newspaper. Broadly speaking, there are four services which the editorial part of a newspaper can perform for its readers: it can give them the news, i.e. the current happenings; it can give its opinions on the news; it can explain and interpret the news; and it can give them entertaining reading which may or

may not have direct relation to the news. The primitive newspaper confined itself to the first two functions; the last two are innovations of the Northcliffe era. For many years the development of "features" (the fourth function) was particularly rapid, and there are very few newspapers to-day which do not actively concern themselves with the diversion of their readers, even if it be only with cross-word puzzles or with whimsical essays on golf. The most recent tendency among the popular newspapers, however, is towards the explanation and interpretation of the news they print. No newspaper is now complete without its corps of "experts" who can append to each news item an estimate of its significance and meaning. This tendency arises, of course, directly out of the complexity of the issues in economics and in international affairs which nowadays occupy the centre of the stage.

The widening of the scope of newspapers has been accompanied by an expansion in their size. This again may be hardly perceptible to the average reader, but it is striking if the newspaper of to-day be compared with its predecessor of only five years ago. The increase in average size must be something of the order of three or four pages a day for most newspapers. Accompanying this increase in average size has gone a steady tendency towards the concentration of circulation in a small number of large newspapers. There have been no actual large-scale amalgamations since the *News Chronicle* was born of the *Daily News* and the *Daily Chronicle* in the summer of 1930. But the large-circulation metropolitan newspapers have, on the whole, gained in circulation at the expense of other journals. Thus the combined circulation of ten national morning papers increased by 7½ per cent. between 1930 and 1935, while the combined circulation of thirty provincial morning papers fell by 5½ per cent. in the same period. This change is partly, perhaps mainly, due to the aggressive canvassing tactics which the *Daily Herald* adopted after 1930 to secure its place among the leaders and which it thereby imposed on all its rivals. Some support for this view can be found in the fact that the London evening newspapers, which have not indulged in canvassing or in the mass distribution of Dickens's works, have lost circulation. But other reasons have been adduced for this loss of ground by the evenings. It has been suggested that it is due in part to the more direct competition of broadcast news, and also to the declining interest in horse-racing. *The Daily Telegraph* is a standing challenge to the theory that canvassing is necessary for the maintenance or increase of circulation. This newspaper, which reduced its price from 2d. to 1d. in 1930, has since increased its circulation fivefold without any of the adventitious devices of the mass-circulation papers. Another fact which tends to show that canvassing is not omnipotent is the slight decline in the combined circulations of the Sunday newspapers, which canvass as diligently as any. The Sunday newspapers, however, in spite of their higher price, still keep the largest circulations in the country, three of them together selling nearly seven million copies every Sunday.

The advent of large newspapers and monster circulations has definitely brought the Press within the charmed circle of Big Business. Moreover, it has also made it a semi-monopoly, in which competition is virtually limited to the existing newspapers. Only one full-scale national newspaper has been established since the war, and that one, the *Daily Herald*, was built on a considerable foundation and assisted by the substantial goodwill to be derived from its official connection with the Labour Party. Even then it is rumoured that a sum of the order of £2,000,000 had to be spent before the paper reached a self-supporting position. There are very few industries which impose an entrance fee as high as this.

In these circumstances, the chief competitive interest of the industry centres on the groupings and regroupings of the existing units. A few years ago the dominant tendency seemed to be towards the utmost integration of function. There were two large groups which controlled every process from the manufacture of newsprint to the publication of every variety of newspaper and periodical. More recently, however, there have been some signs of a reversal of this tendency. The connection between the Rothermere group and the newsprint firm of Bowater's was broken some years ago, although the Rothermere group still retains its Newfoundland properties, which are integrated as far back as the timber reserves themselves. Last year the other large group, the Berry group, disposed of its control of Edward Lloyd, the newsprint firm. Even after these slimming operations, however, these two groups are still very ramified. The Berry group, for example, owns three London morning papers, six Sunday papers and thirteen important provincial dailies, as well as over 160 periodical publications. The Rothermere group has, in London, two mornings, two Sundays and one evening, as well as a string of provincial evening papers. These two are the largest "Press trusts," indeed the only organisations which penetrate every part of the field. There are, however, several other companies owning chains of papers. These include, for example, the "Starmer group," with interests particularly in the North of England, and the "Inveresk group," whose provincial papers are to be found both in the Midlands and the North. Both of these groups once had London morning papers, the *Westminster Gazette* and the *Daily Chronicle* respectively, but both have been swallowed up in the *News Chronicle*.

Apart from these examples of integration, every possible variety of business organisation can be found, from the cluster of two or three newspapers, together with a number of weekly periodicals (e.g. Odham's Press), to the single newspaper operating in dignified isolation (e.g. *The Times*). Perhaps the most frequent form of organisation is for a morning and evening newspaper to run in double harness, occasionally with a Sunday paper added. The Beaverbrook group almost qualifies as a trust, since it includes not only the *Daily Express*, the *Sunday Express* and the *Evening Standard* but also certain periodical and newsprint interests. It is also worthy of note that this group sometimes operates in alliance, commercial as well as political, with the Rothermere interests.

It is thus neither a simple nor a small industry which lives by the purveying of news. Its complexity will be forcibly impressed upon any inquirer who attempts to unravel the inter-relations or to locate the ultimate control of one of the big groups. As for size, statistics cannot be quoted for the newspaper industry as distinct from the production of periodicals. But the two together employed in 1931 more persons than either the manufacture of bricks and tiles or brewing, and had a net output in 1930 greater than iron and steel, shipbuilding or boots and shoes, and nearly as great as either cotton spinning and weaving or the woollen and worsted industry. Moreover, it is a highly concentrated industry, and in the three cities of London, Manchester and Glasgow it is one of the most important of all industries. Lastly, it is a rapidly expanding industry, its personnel having grown by 41 per cent. between 1921 and 1931.*

Having thus given a few of the salient dimensions of the industry and sketched a few of its outstanding features, we shall proceed in the next article to examine the ways and means of newspaper production.

* Many of these figures will be found in PEP Broadsheet No. 58, dated September 24, 1935, and entitled "The State of the Press," which contains a most convenient collection of statistics bearing on the industrial aspects of the Press.

The Budget Problem

THE appearance of the Treasury returns for the first nine months of the financial year provides the traditional opportunity for the first preliminary forecast of the eventual results of the year, as they will appear on March 31st. This year, with the additional problem of estimating expenditure on the Defence programme, the prophecy is even less easy than usual.

The progress of revenue and expenditure is shown in the following tables:—

REVENUE (EXCLUDING SELF-BALANCING ACCOUNTS)						
(£ million)						
	Year's Receipts			Nine Months' Receipts		
	Actual, 1935-36	Estimated, 1936-37	Estimated Inc. (+) or Dec. (-)	To Dec. 31, 1935	To Dec. 31, 1936	Inc. (+) or Dec. (-)
Customs	196.6	207.5	+ 10.9	148.3	158.9	+ 10.6
Excise	106.7	110.0	+ 3.3	82.9	84.3	+ 1.4
Motor Duties	5.0	5.0	—	1.5	1.8	+ 0.3
Income Tax	238.1	259.0	+ 20.9	79.9	77.0	- 2.9
Surtax	51.0	56.5	+ 5.5	9.3	9.4	+ 0.1
Estate, etc., Duties	87.9	89.0	+ 1.1	65.1	63.1	- 2.0
Stamps	25.8	27.0	+ 1.2	15.6	18.7	+ 3.1
Other Taxes	2.1	1.6	- 0.5	0.2	0.2	—
Total Tax Revenue	713.2	755.5	+ 42.3	402.8	413.3	+ 10.5
Non-tax Revenue	39.7	42.9	+ 3.2	33.2	30.0	- 3.2
Total Revenue	752.9	798.4	+ 45.5	436.0	443.3	+ 7.3

EXPENDITURE (EXCLUDING SELF-BALANCING ACCOUNTS)						
(£ million)						
	Year's Issue			Nine Months' Issue		
	Actual, 1935-36	Estimated, 1936-37*	Estimated Inc. (+) or Dec. (-)	To Dec. 31, 1935	To Dec. 31, 1936	Inc. (+) or Dec. (-)
Interest and Management of the National Debt ..	211.5	224.0	+ 12.5	179.0	178.8	- 0.2
Payments to N. Ireland ..	7.2	7.5	+ 0.3	3.9	4.8	+ 0.9
Exchequer	5.6	3.2	- 2.4	2.6	1.9	- 0.7
Other Cons. Fund Services ..	1.1	0.6	- 0.5	1.1	0.4	- 0.7
Post Office Fund	136.9	179.8	+ 42.9	95.1	126.7	+ 31.6
Supply Services—Army, Navy and Air ..	375.1	382.8	+ 7.7	268.2	269.5	+ 1.3
Civil and Revenue Votes (exc. Post Office)	737.5	797.9	+ 60.4	550.0	582.1	+ 32.1
Total Ordinary Expenditure	737.5	797.9	+ 60.4	550.0	582.1	+ 32.1

* Budget Estimates. Supplementary Estimates have already been presented for £34.0 million, which is £8.4 million more than the margin allowed in the Budget.

The two most encouraging revenue items are the increased collections from Customs duties and from stamps. Under both heads an increased revenue was expected, but whereas the Customs was expected to produce £10.9 millions more in the full year, it has already produced £10.6 millions more than in the same period of last year. Stamps have done even better, for there is an actual increase of £3.1 millions in nine months, as against an estimated increase of £1.2 millions in the full year. These are, of course, indications of the accelerated pace of industrial activity during the past year. Death duties are £2 millions below last year's collection, although an increase of £1.1 millions was expected in the year. This item is subject to the incidence of mortality among millionaires, and there is still time for the estimate to be realised. The decline of £2.9 millions in Income Tax receipts is of no particular importance. A large part of the collection of Income Tax in the first nine months of the year is made up of the half-yearly instalments due on the personal schedules on July 1st. The payments due on July 1, 1936, were part of the assessments for the year 1935-36, and, in comparison with the previous year's July receipts, they would be lower by the amount of the concessions on allowances made by the Chancellor in his 1935 Budget. There is no indication yet of the effect of the changes in Income Tax made in the 1936 Budget, upon which this year's revenue largely depends.

Revenue as a whole shows an increase of £7.3 millions. Expenditure, however, is £32.1 millions higher. The

deficit at the beginning of the last quarter of the year is therefore, at £138.9 millions, £24.8 millions higher than last year at this time. This result, as can be seen from the Expenditure table, is entirely due to the expenditure on the Defence services. A large increase was, of course, to be expected. What is quite encouraging is that the increase has not been larger. For the whole year, the Budget allowed for an increased expenditure of £42.9 millions. Actually, in nine months, the increase has been £31.6 millions, or rather less than a proportionate share of the estimate. Defence expenditure is, of course, increasing steadily, and the average monthly rate of expenditure will be higher in the next three months than hitherto. But it seems unlikely that it will greatly exceed the Budget estimate. Defence expenditure in the four quarters of the calendar year 1936 has been, respectively, £41.8 millions, £37.5 millions, £41.2 millions and £48.1 millions. To realise the Budget estimate, £53.1 millions must be spent between now and March 31st. Moreover, Supplementary Estimates have been issued for £8.4 millions more than the £25.6 millions for which provision was made in the Budget, and if expenditure is to reach the total thus foreshadowed, it will have to amount to £61.5 millions in the next three months. There is thus room for quite a considerable speeding-up in defence expenditure before last April's Budget figures are exceeded. In any case, it seems unlikely that expenditure will exceed the Budget figure by more than the £8.4 millions of unforeseen Supplementaries.

The Budget problem is thus whether revenue will show a corresponding excess over the estimates. Customs, Excise and Stamps will all help; Death duties may not hinder as much as now seems probable. Everything therefore depends on the Income Tax. But the indications are that, if there is a deficit, it will be no larger than the debt reduction which will be accomplished out of the allocation for interest and management of the National Debt (which is being under-spent as usual). And it is by no means impossible that there may be a small surplus.

More Employment in Britain

WE have all been greatly preoccupied in recent years with the unemployment caused by the trade cycle and by technological progress. Yet all the time a steady and far-reaching shift of labour from declining to expanding industries has been going on; and the demand for labour in the expanding industries has been strong enough, over the long period, to reabsorb not only the periodically appearing "cyclical" unemployment but also the "technological" unemployment resulting from labour-saving inventions. In the main this long-term shift of labour has been from the manufacturing and primary industries towards transport, distribution and the secondary trades. It is a reflection, in fact, of the gradual rise in the world's standard of living which enables more and more resources to be used for the production of goods and services over and above the bare necessities of life.

The progress of this change in Great Britain is clearly discernible in the annual figures published by the Ministry of Labour showing the distribution by trades of the insured and employed populations respectively. These figures—which do not, of course, cover the uninsured trades—show that the total of insured persons rose by 19 per cent. between 1923 and 1936, and the total of employed persons by 17.6 per cent. (compared with only 11.7 per cent. between 1923 and 1935). The great shift of labour between different trades which was meanwhile proceeding may be traced in broad outline in the following table. This table shows the total of persons employed in the different groups, expressed as a percentage of the total of persons employed throughout the country; the figure 49.3, for instance, opposite

"manufacturing" in the first column indicates that 49.3 per cent. of the total employed population were employed in manufacturing industries in 1923.

Industry Group	Percentages of the total number of insured persons, aged 16-64, in employment in different industry groups at the end of June				
	1923	1929	1932	1935	1936
Fishing	0.2	0.2	0.2	0.2	0.2
Mining and Quarrying	12.8	8.9	7.0	6.5	6.1
Manufacturing	49.3	49.4	45.9	46.9	47.4
Building and Contracting	7.2	8.2	8.2	9.1	9.3
Transport and Distribution	18.2	20.9	24.2	22.9	22.6
Gas, Water and Electricity Supply	1.6	1.4	1.6	1.6	1.7
Miscellaneous Services	4.8	5.7	6.7	6.9	6.9
Commerce, Banking, Insurance and Finance	2.1	2.0	2.3	2.3	2.2
National and Local Government Services	3.8	3.3	3.9	3.6	3.6
All Industries and Services	100.0	100.0	100.0	100.0	100.0

It will be seen from this table that there is a long-term shift in progress from the mining and manufacturing industries towards building, transport, distribution and general services. The influence of the upward swing of the trade cycle, however, which is most marked in the manufacturing industries, has been so strong that in the last few years the long-term trend has in some respects been temporarily reversed. Indeed, the different effect which the trade cycle has on different groups of industries is most remarkable:—

Industry Group	Approximate increases (+) or decreases (—) in the numbers of insured persons in employment			Total Increase (+) or Decrease (—) 1923-36
	1923-29	1929-32	1932-36	
Fishing	+ 3,750	— 1,180	+ 4,330	+ 6,900
Mining and Quarrying	— 298,750	— 279,920	+ 16,790	— 558,880
Manufacturing	+ 507,930	+ 823,550	+ 927,270	+ 2,258,750
Building and Contracting	+ 194,690	— 70,840	+ 268,240	+ 392,090
Transport and Distribution	+ 472,710	+ 128,360	+ 210,560	+ 811,630
Gas, Water and Electricity Supply	+ 390	+ 2,360	+ 37,700	+ 40,390
Miscellaneous Services	+ 145,390	+ 41,480	+ 131,430	+ 318,300
Commerce, Banking, Insurance, and Finance	+ 7,420	+ 8,720	+ 20,280	+ 36,420
National and Local Government Services	+ 130	+ 25,290	+ 31,940	+ 57,360
All Industries and Services	+1,033,660	— 983,340	+1,664,180	+1,734,480

During the recovery years 1923-29 there was a heavy drop of employment in mining and quarrying (mostly, of course, coal-mining), but a rise in all other groups, including a rise of over 500,000 in manufacturing. In the "downswing" of 1929-32 there was a continued fall in mining and quarrying, a continued rise in transport and distribution, miscellaneous services, etc., but a drop of 823,530 in manufacturing. And finally in 1932-36 there was a rise in all categories, including a rise of 927,270 in manufacturing. This instability of employment in the manufacturing trades is, of course, a reflection of the well-known fact that cyclical unemployment hits the heavy "capital-goods" trades with exceptional severity.

The shift of labour between industries may be illustrated in more detail. It is impossible to give figures of absolute employment in each industry for successive years since 1923, owing to the administrative changes made in 1927; but in the two tables below the Ministry of Labour index number, which compares employment in each year with the base year 1923, is shown together with the absolute number of persons employed in 1936. In the first table are declining industries, i.e. those with fewer persons employed in 1936 than 1923:—

(INDEX NUMBER. JUNE, 1923=100)						
Industry	Number employed in June, 1936	1929	1932	1933	1934	1935
Coal-mining	621,715	74.0	52.7	54.3	53.0	54.3
Boots and shoes	117,767	93.1	85.6	89.1	89.4	90.6
Cotton	351,166	109.0	79.8	85.2	81.9	78.4
Iron and steel	144,014	89.6	54.0	62.7	79.2	77.0
Woollen and worsted	198,599	85.2	70.7	82.2	74.9	78.2
Shipbuilding and ship repairing	114,507	106.9	46.4	45.3	55.5	61.5
Dock, harbour, etc.	115,862	87.9	83.8	82.5	86.7	85.5
Railway (non-permanent)	146,494	76.1	65.6	60.4	69.9	73.8
National Govt.	115,936	72.5	69.9	64.3	63.5	69.6

Employment in coal-mining, it will be seen, again declined last year after a slight recovery, and there were in June, 1936, only 620,000 persons employed in coal-mining compared with 1,200,000 in June, 1923. Every other "declining" trade, however, showed an absolute rise on the year; and in the case of iron and steel and shipbuilding the rise was remarkable. Employment in the general engineering industry, which has for years appeared in the list of declining industries, moved in 1936 above the 1923 level, and this industry consequently now has to be classed as "expanding."

The following table shows the changes in the expanding industries (i.e. those employing more persons in June, 1936, than in June, 1923):—

(INDEX NUMBER. JUNE, 1923=100)						
Industry	Number employed in June, 1936	1929	1932	1933	1934	1935
Elec. cables, etc.	141,755	139.3	158.5	168.0	189.3	203.1
Motors, etc.	285,183	134.4	114.4	127.9	143.2	149.9
Furniture, etc.	130,374	135.2	126.9	130.6	140.9	145.1
Metal industries	232,445	123.2	112.6	123.2	136.6	148.7
Food industries	116,099	122.0	120.0	130.2	131.2	131.8
Hosiery	109,225	121.2	118.9	121.3	126.1	124.2
Printing, etc.	260,255	119.7	122.1	123.0	122.5	121.9
Drink	102,702	111.7	101.7	106.8	108.8	108.4
Tobacco	189,451	109.9	107.5	110.9	107.0	107.5
Bread, etc.	153,483	96.2	100.3	104.5	101.7	108.4
Public works	177,047	136.0	188.9	159.6	154.7	159.7
Building	910,727	126.8	108.2	118.8	132.5	141.5
Tramway & bus	188,467	147.5	167.0	168.2	170.2	176.3
Distributive	1,859,715	136.9	149.0	153.5	155.4	155.3
Road transport	188,241	136.0	138.5	139.7	147.0	150.6
Professional services	382,646	136.3	141.8	149.8	156.7	162.9
Local govt.	151,859	115.6	126.2	131.9	138.0	142.2
General engineering	514,996	105.8	77.3	78.4	87.7	91.0

There were thus very substantial advances in employment between 1935 and 1936 in motors (which includes aircraft), the metal industries, public works, and general engineering; and the steady advance of building, road transport, the distributive trades, hotels, etc., and many minor expanding trades was continued. Electric cables, etc., motors, public works and trams and buses now employ over 70 per cent. more persons than in 1923; and the metal industries, furniture, building, the distributive trades, road transport (other than bus or tram), hotels, etc., employ over 50 per cent. more. The distributive trades alone have now absorbed into employment about 700,000 persons since 1923.

The total of persons employed in all expanding industries in June, 1936, was 8,982,529, an increase of 42.8 per cent., or about 2,700,000 persons since June, 1923. On the average, therefore, the expanding industries have been absorbing persons into employment at the rate of over 200,000 a year since 1923. The total of persons employed in all declining industries in June, 1936, was 2,648,631, a fall of 26.5 per cent., or about 1,000,000 persons since June, 1923. And the total employed in all industries and services was 11,631,160 in June, 1936, an increase of 17.6 per cent., or about 1,700,000 since June, 1923. Between June, 1935, and June, 1936, alone the increase was nearly 600,000.

In the whole period of 13 years, therefore, our expanding industries have absorbed into employment a number of persons equal to the total of (1) all those losing employment in industries suffering from a fall in demand; (2) all those losing employment as a result of technological progress; and (3) 1,700,000 additional persons. The total insured population has increased by rather over 2,000,000 during the 13 years; so that we are actually left with about 300,000 more unemployed at the end of the period than at the beginning.

How many of those finding employment in the expanding trades have come from the declining ones? The increase in employment in the expanding trades has been about 700,000 greater over the 13 years than the increase in the insured population. At least 700,000, therefore, out of the 1,000,000 losing employment in the declining trades must have found jobs in the expanding ones. It would be reasonable to guess that actually about 800,000 or 900,000 came from the declining trades and the remaining 1,800,000 or so from the increase in population. In any case the figures show that the power of our economic system to absorb labour over the long period is still very great.

Notes of the Week.

The Economist's New Dress.—At New Year three years ago *The Economist*, moving with the times, said farewell to a Gothic title which had appeared, both on and within the cover, for nearly a century. To-day, a process which began three years ago is carried to what we may hope—save for minor alterations—will prove to be a long-lasting completion. As we remark in our special weekly article on p. 3—itsself a new regular feature—the British public has become type-conscious during the last decade. It demands cleaner typography and clearer lay-out; a truce with Gothic and heavy glowering type-faces. It knows why it wants all this: easier and more pleasurable reading, in a busier and busier world. To no journal, perhaps, is easier reading more important than to *The Economist* which, perforce in these days, must give its busy (often harassed) readers both news and comment, facts and figures, from a field as wide as the world, and on almost all topics which vex, interest, or concern mankind. From now onwards this journal appears in a more serviceable, more handsome cover; it is printed on better and whiter paper; editorial matter is presented in narrower columns with wider margins; and "leading articles," properly so-called, together with the special weekly economic article of general interest, are set differently from those of a technical nature. The chief typographical improvement is the setting of titles and article-headings in bold "upper and lower case" type, instead of, as hitherto, in solid capitals, i.e. "upper case." It has been demonstrated in psychological tests that the eye reads an "upper and lower case" line more quickly and easily than a solid "upper case" line. The type-face chosen for the new headings of articles, sections of the paper, and correspondence is the "Perpetua," cut by Mr Eric Gill. The changes are confined to the manner of *The Economist's* presentation to its readers. And we would ask any of our regular readers whom the new format of *The Economist* shocks, because it is strangely new, to take last week's and this week's issues in his hand, to compare the two, and to decide which makes for easier reading.

Housing and Building.—There is still no sign of a really serious setback in building activity. The latest Ministry of Health return shows that the record number of 339,538 houses were built in the year ended September 30, 1936. There was a large increase in municipal building during the year, and very little decline in building by private enterprise, as the following figures show:—

HOUSES PROVIDED IN ENGLAND AND WALES IN THE HALF-YEAR ENDING MARCH 31, 1933, AND IN EACH SUBSEQUENT HALF-YEAR					
Half-year ending	Number of Houses provided by				Total Number of Houses
	Local Authorities		Private Enterprise		
	With State Assistance	Without State Assistance	With State Assistance	Without State Assistance	
March 31, 1933	23,503	735	1,187	79,556	104,981
September 30, 1933	24,474	501	1,269	87,088	113,332
March 31, 1934	29,399	1,466	1,644	120,781	153,290
September 30, 1934	20,280	2,197	937	136,965	160,379
March 31, 1935	14,143	4,973	202	149,409	168,727
September 30, 1935	18,542	5,887	28	125,660	149,917
March 31, 1936	27,220	908	194	146,621	174,943
September 30, 1936	36,539	217	112	127,727	164,595

It will be seen that a high level of house-building activity was still being maintained in the second six months of the year ended last September. The number of houses built by private enterprise in that six months was

actually slightly higher than in the six months ended September, 1935. Meanwhile, municipal building had doubled since the previous year, and was proceeding at the rate of 75,000 houses a year.

What light do these figures throw on building prospects and the future of British recovery? Municipal building is certain to maintain the rate of 75,000 houses a year until September, 1938; for slum-clearance activity will not slacken in the last two years of the Five-Year Plan. Probably it will increase, or at least continue beyond 1938. It will be possible therefore for private house-building to fall by 40,000 houses a year without bringing the total below 300,000. And at present there is little sign of such a fall. At the same time, building other than house-building is still expanding. Nevertheless, the "building plans approved" figures, which concern the future, and not, like the above figures, the past, have shown a distinct fall in the last few months. For November the total was £9,678,000, compared with £10,762,000 for November, 1935. Plans for dwelling-houses had fallen from £7,761,000 to £6,410,000, while plans for other buildings had risen from £3,093,000 to £3,267,800. These figures, however, do not cover the whole country, and must consequently be treated with caution. Sir Harold Bellman seems justified in saying, in his review of the housing outlook published this week, that "we may not be remote from some falling-off—though probably not a precipitous decline—in building by unassisted private enterprise." Such a falling-off, however, need not necessarily imply a fall in total building activity.

The "Overcrowding" Act.—How far is building under the so-called "Overcrowding" Act likely to help in maintaining the total level of building activity? The first Appointed Day under the Act is January 1, 1937, and it applies to 1,282 local authorities. April 1, 1937, will be the Appointed Day for a further 36 authorities; and a new order, just issued, gives July 1, 1937, for 159 more. Thus 96 per cent. of all the local authorities will bring the first part of the Act into force during 1937. On the first Appointed Day it will simply become illegal to allow new overcrowding to develop. No time limit has yet been fixed for the abolition of existing overcrowding; although a full survey has been made and plans have in many cases been prepared. It is, consequently, as yet impossible to estimate the number of houses which will be built under the overcrowding programme, and the tentative estimate of 200,000, given by Sir Kingsley Wood, must be regarded as only an informal guess. Probably building under the Overcrowding Act, as opposed to the slum-clearance programme, will be small in the next 12 months. But the plans now in preparation should provide a valuable reserve against the time when a really sharp fall in building activity begins to threaten. To some extent also the tempo of the programme—though the need to press on with it is as great as ever—will have to depend on the movement of building costs. These are at present rising, though only slightly; and they are not likely to stop rising while the re-armament programme continues.

New Laws this Week.—Besides the above provisions of the "Overcrowding" Act, several major legislative enactments and provisions came into force on January 1st. The most important is the Public Order Act, which emerged from Parliament before the adjournment in much the same form as that in which it was originally introduced. The Act makes the wearing of political

uniforms illegal, prohibits quasi-military organisations, and regulates political processions and meetings. Another law which came into force on January 1st is the Employment of Women and Young Persons Act. This empowers the Home Secretary, upon the application of the owner of a factory, to make an order permitting the employment of women and young persons of 16 or over on a system of shifts of not more than eight hours each between 6 a.m. and 10 p.m. on Monday to Friday, and between 6 a.m. and 2 p.m. on Saturday. The Act lays down a prescribed procedure by which the workers are consulted before any application is granted. Finally, according to a regulation made in 1931, all motor-cars are legally compelled from January 1st to be fitted with windscreens of non-splinterable glass. This provision is intended to reduce road danger, and it is expected to increase demand both for glass and for motor-cars as a whole.

* * *

Higher Wages and Fewer Strikes.—The British trade union movement seems to have carried bargaining skill to a high pitch in the past year. Strikes have been few, and increases in wages many. Important increases were made in coal-mining, railway, building and engineering wages in the first part of the year; and in December 100,000 cotton workers secured a rise of about 5 per cent., and 200,000 wool workers a rise of 10 per cent. The total changes in wages for the first 11 months of the year reported to the Ministry of Labour resulted in a net increase of about £422,000 a week in the full-time rate of wages of 3,520,000 workers and in a net decrease of £150 a week in those of 500 workers. Nevertheless, the "aggregate duration in working days of all disputes in progress" in the first 11 months of 1936 was actually less than in the first 11 months of 1935. Both employers and unions, in fact, would seem to have considerably developed the technique of finding a compromise without a strike. Threats of strikes have been no less frequent in the present upward movement of trade than may be considered normal, but actual major strikes have been substantially fewer. Both the United States and France could here learn a lesson from Great Britain in the benefits of orderly collective bargaining.

* * *

The Bacon Muddle.—After the breakdown in the arrangements for 1937 (upon which we commented last week), the Bacon and Pigs Marketing Boards have been hard at work seeking means to induce farmers to support the Pigs Marketing Scheme. If this support is not forthcoming the pig producers will forfeit the advantage of a sheltered market; for, although the Board of Trade is continuing to regulate imports for the time being, it cannot legally do so if the marketing scheme finally ceases to exist. Meanwhile, there appears to be little foundation for the belief that the crisis will mean dearer bacon. The requisite pigs are already in existence, and any subsequent shortage can be made good by relaxing the import quotas. On the other hand, the Bacon Board has taken steps to prevent any sudden increase in home supplies. Although the curers may now buy pigs on the open market, they are unable to deal with any farmer who is not registered under the Pigs Marketing Scheme. Moreover, producer-curers have been warned that they must not exceed the quotas already allotted to them. It will not be possible, therefore, for the curers to take advantage of the present situation to exceed their normal output by curing imported carcasses. But, even if bacon prices show little alteration in the immediate future, the plain man will still be left wondering why so much energy should be expended to keep in being a scheme which producers themselves are unwilling to support.

* * *

Italy and Britain.—A comic interlude has been going on for some time between Italy and Britain; but it has been on the *coulisse*. For weeks past, credible reports of a documentary "understanding" between

the two Mediterranean Powers have been circulating; and the activities of their respective Ambassadors have lent credence to rumours. Apparently, while His Majesty's Government have not yet decided to recognise *de jure* Italy's conquest of Abyssinia—indeed, they cannot until they have also contrived to get the League to withdraw the Ethiopian credentials—they have concluded an agreement with Signor Mussolini whereby the respective preoccupations of British and Italians in the Mediterranean and Red Seas are allayed. The Italians have clearly much to gain by this. Italy remains economically weak; she needs capital for Ethiopia; and she will need double and treble as much if she has continuously to prepare for a possible war in both seas with Great Britain. She has had to witness the rapid crystallisation of French, British, Russian and Turkish interests in the Mediterranean, first over "sanctions," and then over Spain. We give the Duce credit for nursing no desire to be dragged along at the tail of whatever mad dog unlooses general war in Europe. Germany has become deeply involved in Spain and North Africa. It is very important for Britain that a joint Italo-German occupation of these Western Mediterranean outposts—for such must be the outcome of support for General Franco—should be avoided. Thus, the news that the romantic Count Rossi has already quitted the Balears for Rome, and that no new Italian supplies are being sent to Spain, may indicate the lines along which an Anglo-Italian agreement will run.

* * *

The Powers and Spain.—We still await the German and Italian replies to the French and British representations requesting genuine and complete non-intervention in Spain. But the favourable reply by Russia on Wednesday, and the reported Anglo-Italian understanding referred to above, have combined to emphasise the counsels of caution which, by all accounts, are pressing in upon Herr Hitler. Last week-end the "Palos," a German tramp steamer on the Portuguese-Spanish service, was ordered to heave to by Spanish Government vessels within the three-mile-limit off Bilbao. When she refused she was stopped by a shell across her bows, and taken into Bilbao, where her cargo was found to consist mainly of field telephone sets. A German cruiser was sent to Bilbao, and eventually the Defence Committee released the "Palos," but *minus* her cargo; nor have the German Government as yet proceeded to such extreme measures—in view of their recognition of General Franco's forces as the Government of Spain—as might have been expected. No new shipments of volunteer "blond Moors" are reported this week; and in Spain the Government forces seem to be rendering General Franco's communications hazardous. In the north, to the north-east of Madrid, and down in Teruel, the Government forces have advanced again; and Madrid itself has been quiet, save for a rebel bombardment of the capital on Christmas Day. These events give colour to the reports that Italy will content herself with a reply which approves "in principle of the French and British representations," but leaves the onus of responsibility for calling-off the intervention in Spain to Germany.

* * *

Two Naval Treaties Expire.—The last day of 1936 saw the expiry of the most successful of all post-war disarmament agreements—the Washington Treaty of 1922 and the London Naval Treaty of 1930. Only the rules of international law, governing the conduct of submarines in war, contained in Part IV of the London Treaty, now remain in force; and the way is once again open for a race in naval armaments. Such a race would offer its most serious problems in the Pacific rather than in the Atlantic ocean. The Washington treaties gave Japan effective supremacy in naval tonnage in the Far East, and further secured her immunity from attack by prohibiting the fortification of naval bases except on the Japanese mainland. Britain

was allowed no naval base nearer to Japan than Singapore, and the United States none nearer than Hawaii. The signatories to the treaty did not foresee the development of imperialism in Japan, or the annexation of large parts of China by Japanese armies. To-day, the situation is again in the melting pot. Will Japan fortify Formosa, and her mandated islands? Will the United States retain naval control of the Philippines, develop her Trans-Pacific air bases for military purposes, and fortify the Aleutian Islands? Will Britain fortify Hongkong? Will Japan deliberately enter on a naval construction race in which all the odds are on her competitors? The proposal to maintain merely the non-fortification clause of the dead treaty has, naturally, been rejected by the United States, to whom the merits of the treaty were in the other clauses; and Japan is so far indifferent. A new naval limitation is obviously desirable for all parties, but the growing links between Far Eastern and European politics increase the difficulty of obtaining a Pacific settlement.

* * *

Happy Ending in China.—The tragi-comedy played at Sianfu has definitely come down, in its last act, on the farcical side. President Chiang Kai-shek is safe and sound again at Nanking. What is more, the Young Marshal has flown after him in order to square the account by taking his turn at putting his head in the lion's mouth. He was sentenced on Thursday to ten years' imprisonment and was expected to be pardoned on Friday. These gracious acts have been accompanied by a courtly correspondence. Marshal Chang writes to President Chiang to confess that "I have committed this impudent and criminal act" because "I am naturally rustic, surly and unpolished." And the President writes to the Marshal that he proposes to retain him in his service because he has behaved like a proper Chinese gentleman in correcting a mistake as soon as it was realised. But what does it all mean? One thing, at any rate, is clear: President Chiang Kai-shek has become, and remains, a tremendous figure in the eyes of his fellow-countrymen. Their anxiety for his safety during his detention was evident, and at Shanghai the demonstrations of joy at his release were overwhelming. His formal resignation on his return was at once refused, and his position as Prime Minister and Generalissimo is much stronger than before these events. Another bout of chaos in China has been averted; but, if we are to take Chinese words and gestures at their face value, there has not been a mere return to the *status quo*. The bonds of Chinese national unity have been drawn notably tighter; and this, no doubt, has a bearing upon the future relations of China with Japan. It remains to be seen whether the Young Marshal's Manchurian troops will still be kept in the North-West on the ungenial work of fighting the Chinese Communists, or whether some kind of united national front has been arranged behind the scenes.

* * *

Christmas Goodwill in America.—Christmas in the United States came as a fitting climax to a remarkable year. The Presidential election, which was to have been the bitterest in the history of the country, had proved mild as milk, compared with the strong liquor of the Cleveland-Blaine election. The return of Roosevelt had been pictured as the prelude to a death struggle between the industrialist Bourbons and the Rooseveltian Robespierres. Yet in the last weeks of the year the industrialists seemed to be eagerly anticipating the demands of a Government supported by a record popular majority; and the Government in its turn seems to be divesting itself of its extremist prophets. Mr Tugwell left his plans to "Make Over America," and joined the American Molasses Company. The lion and the lamb ceased to argue which was which and which were t'other, and at least pretended to lie down together. In short, the era of good feelings returned. There are signs, to be sure, of impending struggle. Mr

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**SKANDINAVISKA
KREDITAKTIEBOLAGET**

Lewis is striking his way towards an industrial unionism, a Labour Party, and perhaps even the Presidency. The Securities and Exchange Commission is becoming "tough." Its Chairman, Mr Landis, has reminded the bankers that, rightly or wrongly, they were blamed for the false boom of 1929, and that after the 1936 election they had better not be responsible for another speculative bubble. Nobody can say just how much of the good feelings of the Christmas days were attributable to a record flow of dividends, whose growth was stimulated by the undistributed profits tax. But Christmas, 1936, saw the United States basking in the sunshine of prosperity for the first time since the depression began, after the President had carried his greetings in person to the South American Republics on a genuine mission of peace. It is the world's good fortune that, at so critical a time in its history, a powerful America should once more be arising, dedicated to social justice at home and peace abroad.

* * *

Re-armament in the Dominions.—Great Britain is not the only part of the Commonwealth which is modernising and extending its defence equipment. The most striking instance of Dominion re-armament is presented by Australia, whose total defence expenditure in 1936-37 is estimated at £8,809,000. This is £1,792,000 more than in 1935-36 and £5,615,000 more than in 1932-33, and it represents approximately 10.8 per cent. of the Federal Budget. Part of the defence expenditure, however, is financed from a trust fund built up recently out of Budget surpluses. Other Dominions have made relatively smaller provision for defence. New Zealand's estimated expenditure of £1,264,000 (an increase of £250,000 on the amount spent in 1935-36) represents about 4 per cent. of the total Budget. The proportion of defence votes to the Canadian Federal Budget is about the same, and to the South African Union Budget a little less. Of course, these percentages are not exactly comparable, owing to the complications of federalism and to different methods of accounting. There are to-day clear signs, even in Canada, whose local defence problem is dominated by the neighbourhood of the United States, that increased world dangers are reacting on the public and political attitude towards defence outlay. Early in December it was announced that the South African Cabinet had approved its Defence Minister's plan for training a thousand air pilots in five years. This is understood to imply a force of at least 500 military planes, which would bring South Africa definitely among the second-rank air Powers of the world. Both in South Africa and in Australia it is part of official policy to render the country more independent of outside resources for materials and machines of war. The expense figures of the Dominions may individually be small compared with those of the Great Powers. In the aggregate, how-

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ever, they make a considerable difference, not only to the security of the Commonwealth, but also to the demand for aeroplanes, arms and equipment in the British economic and political zone.

* * *

Australo-Japanese Trade War.—A truce has been called in the trade war which opened last May between Japan and Australia. After protracted haggling, a *modus vivendi* has been reached for a period of eighteen months to June, 1938. Australia will import 102,500,000 square yards a year of Japanese textile fabrics, divided equally between cotton and rayon piece goods. Calico for bagmaking, imports of which have averaged 17,500,000 square yards during the last three years, is to enter duty free. Duty on the other fabrics is cut by roughly one-half from the emergency levels fixed last May. Japan will import 800,000 bales of wool from Australia during the eighteen months' period. Both countries will remove the special discriminations imposed during the trade war. An ostensible motive for the original determination of the Australians to cut down Japanese imports was the protection of their market for Lancashire textiles, which are higher priced and of better quality than the Japanese. It is difficult to see how this aim will be advanced if Japan accepts the tacit Australian invitation to send goods of better quality at higher prices. Such a development of Japanese competition would be no more popular in Lancashire than the lowering of the tariffs on Japanese goods effected by the new agreement, though Lancashire continues to enjoy a substantial preference over her competitors in the Australian market.

* * *

A Projected Tube Extension.—For many residents in the northern districts of London there is interest in the news that, in conjunction with the extension of the Highgate Tube to join the High Barnet and Edgware lines of the London and North-Eastern Railway, London Transport has decided to construct a new line from Edgware to near Elstree. The L.N.E.R. Edgware Station will be closed, and the L.N.E.R. line will be diverted into the existing Tube station at Edgware, whence the new Elstree line will start. It will thus be possible to run trains to Elstree both *via* Highgate and *via* Golders Green. The land for the new extension was acquired by London Transport some time ago, and, indeed, one object of the new line is to extend the tube out beyond the present built-up areas to open land, where there will be room for the new carriage sheds required as a result of the L.N.E.R. electrification. This scheme raises one important point of principle, namely, the advisability of imposing some limitation on London's growth into the country, and there have already been local protests. Through lack of unified control, fresh building demands tube extensions, and the extended tube in turn brings still more new houses. This is really a question for Government policy; it has already been raised from another standpoint by Mr Malcolm Stewart in his memorandum on the Special Areas.

* * *

A further point to be considered is the capacity of the existing tubes to carry this new traffic without penalising

passengers from the inner areas. Already the Highgate line is served by a maximum of only 14 trains per hour to Charing Cross, against 24 on the Edgware line. From the City line 14 per hour proceed on to the Edgware line and only 7 to Highgate; but Highgate could have another 7 City trains if there were a sufficient demand for them. In fact, Highgate's service to Charing Cross suffers for the benefit of Golders Green and Edgware; but the Golders Green passenger to town, nevertheless, is liable to find his trains already full on their arrival from Edgware. In two years' time the Highgate link on to the L.N.E.R. and the electrification of the latter lines will be complete, as well as the Finsbury Park extension of the Great Northern and City tube. A complete overhauling of the service over the whole system will then be necessary, and it is arguable that the Golders Green section should surrender some of its Charing Cross trains for the benefit of the extended Highgate tube. Certainly the present inadequate Highgate service cannot be left as it is. Ultimately the quadrupling of the Charing Cross-Camden Town section may need to be considered. The whole question is complex, but a new Bill is coming before the House in connection with some of these works, and North London Members should certainly press for an expression of opinion on both the question of London's growth and on the adequacy of the existing lines to carry a reasonable volume of traffic.

* * *

The Price of Bread.—By a decision of the Joint Price Committee of the London bakers' associations the price of bread in London was raised from 8½d. to 9d. per 4-lb. loaf on Monday last. Changes in the price of the "staff of life" are now governed by arrangements first made eleven years ago. Following an inquiry into London bakers' costs in 1925, the Food Council drew up a scale relating the price of bread to that of flour. After allowing a basic price to cover certain standard costs, the maximum price of bread was to vary by ½d. per quarter (4-lb.) loaf with every variation of 4s. in the price of a sack of standard "straight-run" flour. A simple calculation shows that the scale was based on the assumption that 96 4-lb. loaves could be made from a 280-lb. sack of flour. As this estimate was admittedly rather high, the scale was not over-generous to the bakers, but it was observed voluntarily in the London baking trade from November, 1925, to March, 1930. Slightly higher prices were then charged until November, 1931, when the bakers reverted to the old scale pending the report of a committee of the Food Council. This committee recommended in 1932 that, while a variation of 4s. in the price of flour should continue to be related to a variation of ½d. in the price of the quarter loaf, the basic price should be slightly modified in the bakers' favour. This revised scale has been voluntarily observed in London—and has served as a standard for the rest of the country—ever since. When the London price of flour exceeds 39s. per sack (including the quota payment under the Wheat Act) the bakers are entitled to raise the price of the quarter loaf to 9d., and this they have just done. Actually, the price of flour in the London district is now around 41s. per sack, and in view of the trend of wheat prices is likely to go still higher. When it passes the 43s. mark, yet another ½d. will be added to the price of the quarter loaf.

* * *

Gambling in Commodities.—The boom in primary products has scarcely been interrupted by the Christmas holidays. Quotations have been driven up during the past fortnight with slight consideration for the underlying supply-demand position. In fact, the spectacle provided by a number of commodity markets suggests not a little gambling fever. Rubber, wheat, linseed oil, copper, lead and spelter (as we show in our reports on commodity markets) have all recorded a substantial rise during the past fortnight. Some increase in prices was admittedly justified by the increase in world demand and by the short-term inelasticity of supplies, especially where existing productive capacity is fully employed.

But the steep advance in recent weeks has undoubtedly been accentuated by fears on the part of consumers and by the intervention of the speculator anxious to snatch a quick profit. It is impossible to say how far such a movement is likely to go on. But there have been signs of uneasiness among operators during the last few days, and on Wednesday a perceptible reaction occurred both in the commodity and the share markets. This may have been partly due to the closing of speculative commitments at the year end; but a longer interval for breather-taking would certainly do the markets no harm.

* * *

Rising Commodity Prices.—The extent of the advance in the prices of primary products in recent weeks is shown by the rise of 8.7 per cent. in *The Economist's* index number for primary products. That this movement is not confined to this country is revealed by the simultaneous rise in the index of quotations for raw materials and crude foodstuffs in the United States:—

SEPTEMBER 18, 1931 = 100

Date	Economist Indices		Price of Gold (sterling)	U.S.A. Irving Fisher	France, Statistique Générale	Italy, Milan Chamber of Commerce	Germany, Statistisches Reichsamt
	British Complete Index (sterling)	Primary Products (sterling)					
1932 July 27th	99.5	103.5	84.1	136.9	88.3	91.3	88.5
1933 July 26th	108.1	120.6	124.7	145.7	100.9	89.7	86.2
1934 July 18th	109.5	124.8	136.7	162.4	113.2	81.4	83.2
1935 July 31st	112.7	126.7	146.2	165.6	120.2	75.9	98.2
1936 Jan. 29th	118.1	131.7	145.7	165.6	121.8	82.3	95.1
Feb. 26th	117.4	132.8	145.0	166.0	121.7	85.2	95.2
Mar. 25th	117.4	133.9	144.3	165.8	119.6	85.2	95.3
Apr. 29th	117.3	132.8	143.2	165.8	119.2	85.0	95.4
May 27th	115.5	130.1	140.5	164.3	117.7	85.2	95.4
June 24th	116.2	133.2	147.0	163.2	119.8	84.1	95.7
July 22nd	118.7	140.4	157.2	163.4	120.6	86.6	96.1
Aug. 19th	119.4	141.9	163.2	162.7	121.9	88.8	95.9
Sept. 30th	121.8	144.5	159.6	165.0	122.5	102.1	95.8
Oct. 28th	123.6	145.7	161.1	167.1	123.7	105.3	95.9
Nov. 11th	125.0	148.9	167.8	167.1	124.8	106.9	95.9
Nov. 25th	126.3	150.9	172.0	167.2	124.8	108.9	96.3
Dec. 9th	128.2	157.0	179.5	166.7	125.6	108.9	96.3
Dec. 30th	131.3	163.9	187.3	166.7	127.4*	111.9*	...

* These figures relate to December 23rd.

The world-wide rise in the prices of primary products is also reflected in the more rapid upward movement of *The Economist's* complete index, and the Irving Fisher and Statistique Générale indices for the United States and France respectively. Besides raw materials, these three indices also include a number of semi-finished and manufactured articles which are not subject to violent changes in price.

* * *

But while the general trend of commodity prices has been steeply upwards in recent weeks, movements lacked uniformity. This is shown by the variations of the group indices which comprise *The Economist's* complete index of wholesale prices:—

	Economist INDEX (1927 = 100)			
	Sept. 18, 1931	Nov. 25, 1931	Dec. 9, 1936	Dec. 30, 1936
Cereals and meat	64.5	81.8	83.2	86.4
Other foods.....	62.2	64.0	65.2	65.6
Textiles.....	43.7	66.3	66.4	67.5
Minerals.....	67.4	90.0	92.3	95.4
Miscellaneous...	65.8	78.4	79.6	81.2
Complete index	60.4	76.3	77.5	79.3
1913 = 100.....	83.1	105.0	106.6	109.1
1924 = 100.....	52.2	65.9	66.9	68.5

The rise since December 9th has been most marked in the cereals and minerals groups, containing wheat and non-ferrous metals respectively. The rise of the index for textiles was influenced by the increase in the price of cotton yarn and cloth following the recent wage concessions to operatives.



7, CHANCERY LANE, LONDON

Christmas Shopping.—National expenditure on consumption goods, such as food, drink, tobacco, clothing and furniture varies directly with changes in the national income. And, since Britain has regained a wide measure of prosperity, the steady increase in retail purchases is scarcely surprising. The shopping season opened well this winter. Sales rose rapidly in October and November. According to the official returns, published in this week's *Board of Trade Journal*, the money value of retail sales in November showed an increase of 6.5 per cent. over the corresponding period last year. The improvement was well spread geographically and between the various categories of merchandise. With the exception of piece-goods, there was an increase in turnover in all the commodities shown separately in the returns. While detailed information of sales in December, when the shopping season is normally at its height, is not yet available, it appears that the Constitutional issue caused a sharp drop of purchases during the first half of the month. Indeed, the *crise de confiance* apparently affected sales in all districts and all classes of commodities. But this hesitancy gave way immediately upon the accession of King George VI. The bulk of the deferred purchases were probably made during the last few days before the holiday, and the total pre-Christmas trade appears by all indications to have been a record. The temporary dislocation of trade early in December has certainly not affected the rising trend of expenditure on consumption goods.

* * *

Record Postal Traffic.—Not merely retail trade but postal traffic reached a record at Christmas. The Post Office reports that over 200,000,000 letters and 5,500,000 parcels were handled on December 23rd and December 24th compared with 183,000,000 letters and 4,500,000 parcels last year. About 45,500,000 letters compared with about 39,000,000 last year, were posted between December 18th and December 24th in the following 12 towns alone: Manchester, Birmingham, Glasgow, Liverpool, Edinburgh, Leeds, Bristol, Newcastle-on-Tyne, Sheffield, Cardiff, Nottingham and Coventry. The number of parcels delivered from the same centres was actually 75 per cent. higher than in 1935. Over 370,000 telegrams were handled by the Central Telegraph Office on Christmas Eve, compared with 325,000 in 1935 and 195,000 in 1934. Telephone traffic also showed a large increase. Throughout the country, between 75,000 and 80,000 additional men were engaged by the Post Office during the period. The Christmas postal figures as a whole this year show a sharp rise, which contrasts with the gradual but steady rises of other years since 1931. The steepness of the rise is no doubt due to the very great increase in employment during 1936.

THE REVENUE

I.—AN ACCOUNT of the TOTAL REVENUE of the UNITED KINGDOM, in the undermentioned periods of the Year ending March 31, 1937, as compared with the corresponding periods of the preceding year.

	Estimate for the Year 1936-37	Quarter from October 1 to December 31, 1936, compared with the corresponding Quarter of the preceding Year				Period from April 1, 1936, to December 31, 1936, compared with the corresponding Period of the previous year			
		Quarter ending Dec. 31, 1935	Quarter ending Dec. 31, 1936	Increase	Decrease	Period ending Dec. 31, 1935	Period ending Dec. 31, 1936	Increase	Decrease
Ordinary Revenue									
Inland Revenue—									
Income Tax	£ 259,000,000	£ 26,579,000	£ 29,817,000	£ 3,238,000	£ ...	£ 78,876,000	£ 76,966,000	£ ...	£ 2,910,000
Sur-Tax	56,500,000	3,460,000	3,500,000	40,000	...	9,289,000	9,400,000	140,000	...
Estate, etc., duties	89,000,000	18,450,000	20,980,000	2,510,000	...	65,070,000	63,070,000	...	2,000,000
Stamps	27,000,000	5,880,000	8,290,000	2,410,000	...	15,590,000	18,710,000	3,120,000	...
Excess Profits Duty and Corporation Profits Tax	750,000	...	...	...	...	...	...	...	...
Land Tax and Mineral Rights Duty	750,000	30,000	20,000	...	10,000	160,000	150,000	...	10,000
Total Inland Revenue	433,000,000	54,399,000	62,587,000	8,198,000	10,000	169,956,000	168,296,000	3,280,000	4,920,000
Customs and Excise—									
Customs	207,525,000	50,689,000	54,604,000	3,915,000	...	148,328,000	158,910,000	10,582,000	...
Excise	110,000,000	31,000,000	32,400,000	1,400,000	...	82,900,000	84,300,000	1,400,000	...
Total Customs and Excise	317,525,000	81,689,000	87,004,000	5,315,000	...	231,228,000	243,210,000	11,982,000	...
Motor Vehicle Duties (Exchequer share)	5,000,000	400,000	585,000	185,000	...	1,504,000	1,805,000	301,000	...
Post Office (Net receipt)	11,256,000	5,750,000	3,950,000	...	1,800,000	11,700,000	10,000,000	...	1,700,000
Crown Lands	1,350,000	410,000	420,000	10,000	...	1,050,000	...	...	...
Receipts from Sundry Loans	5,000,000	633,202	716,799	83,597	...	3,641,441	3,634,767	...	6,674
Miscellaneous Receipts	25,250,000	5,743,206	3,028,300	...	2,714,906	16,844,926	15,298,047	...	1,546,879
Total Ordinary Revenue	798,381,000	149,024,408	158,291,099	13,791,597	4,524,906	435,924,367	443,293,814	15,543,000	8,173,553
Self-Balancing Revenue				£9,266,691	Net Increase			£7,369,447	Net Increase
Post Office	69,344,000	17,000,000	18,900,000	1,900,000	...	47,500,000	52,200,000	4,700,000	...
Motor Vehicle Duties apportioned to Road Fund	26,500,000	2,151,000	2,378,000	227,000	...	9,043,000	9,531,000	488,000	...
Total Self-Balancing Revenue	95,844,000	19,151,000	21,278,000	2,127,000	...	56,543,000	61,731,000	5,188,000	...
Total	894,225,000	168,175,408	179,569,099	15,918,597	4,524,906	492,467,367	505,024,814	20,731,000	8,173,553
				£11,393,691	Net Increase			£12,557,447	Net Increase

II.—AN ACCOUNT showing the RECEIPTS into and ISSUES out of the EXCHEQUER in the Period ending December 31, 1936, as compared with the corresponding period of the preceding year.

RECEIPTS	Estimate for the year 1936-37	Period ending Dec. 31, 1935	Period ending Dec. 31, 1936	ISSUES	Estimate for the year 1936-37	Period ending Dec. 31, 1935	Period ending Dec. 31, 1936
Ordinary Revenue, as shown in Account I	£ 798,381,000	£ 435,924,367	£ 443,293,814	Ordinary Expenditure	£ 224,000,000	£ 179,634,098	£ 178,840,872
Self-Balancing Revenue as shown in Account I	95,844,000	56,543,000	61,731,000	Interest and Management of National Debt	7,500,000	3,918,678	4,751,246
Total Revenue	894,225,000	492,467,367	505,024,814	Payments to Northern Ireland Exchequer	3,200,000	2,626,540	1,931,241
Temporary Advances Repaid—				Other Consolidated Fund Services	600,000	1,126,817	420,529
Road Fund	...	...	...	Post Office Fund	...	...	...
Under the Cattle Industry (Emergency Provisions) Act, 1935	1,050,000	...	...	Total	235,300,000	186,704,133	185,949,888
Money Raised by Creation of Debt—				Supply Services—			
(a) For Capital Expenditure Issues—				Army, Navy and Air Votes	188,204,000	95,050,000	128,700,000
Under the Post Office and Telegraph (Money) Acts, 1931 and 1935	7,550,000	9,600,000	...	Civil and Revenue Votes (excluding Post Office)	382,765,000	268,195,899	269,504,179
(b) For other issues—				Total, Supply Services (excluding Post Office)	570,969,000	363,245,899	396,204,179
By Treasury Bills	3,017,610,000	2,751,223,000	...	Total Ordinary Expenditure	806,269,000	549,950,032	582,148,067
By National Savings Certificates	18,200,000	18,400,000	...	Self-Balancing Expenditure			
By 2½ per Cent. Funding Loan, 1956-61	30,964,439	71,700,015	...	Post Office	69,344,000	47,500,000	52,200,000
By 1 per Cent. Treasury Bonds, 1939-41	4,950,000	...	...	Road Fund	26,500,000	9,043,000	9,531,000
By 2½ per Cent. Funding Loan, 1952-57	...	55,821,242	...	Total Self-Balancing Expenditure	95,844,000	56,543,000	61,731,000
(c) Ways and Means Advances	987,630,000	1,154,710,000	...	Total Expenditure	902,113,000	606,493,032	643,879,067
Repayments—				Temporary Advances—			
In respect of Suez Canal drawn Shares	...	...	...	Road Fund, under Section 27 of the Finance Act, 1928	4,954,000	5,501,000	...
In respect of Issues under Land Settlement (Facilities) Acts, 1919 and 1921	102,516	103,054	...	Under the Cattle Industry (Emergency Provisions) Acts, 1934 and 1935	1,050,000	...	...
	4,530,524,322	4,566,582,125	...	Issues to meet Capital Expenditure—			
				Under the Post Office and Telegraph (Money) Acts, 1931 and 1935	7,550,000	9,600,000	...
				Redemption of Debt—			
				Treasury Bills paid off	2,951,020,000	2,748,125,000	...
				Principal of National Savings Certificates paid off	20,200,000	20,100,000	...
				Principal of National Savings Bonds paid off	35,144	52,402	...
				Principal of Treasury Bonds paid off	10,113,000	42,000,000	...
				Ways and Means Advances Repaid	921,615,000	1,088,975,000	...
				New Sinking Fund (1928) (Finance Acts, 1928 and 1936)	6,242,283	6,458,757	...
				Issues under Section 1 (1) of the North Atlantic Shipping Act, 1934	1,058,175	370,772	...
				Issues under Section 4 (3) of the British Shipping (Assistance) Act, 1935	207,200	1,754,625	...
				Issues to National Debt Commissioners to Reduce Debt—			
				Suez Canal Drawn Shares Repayments	...	...	...
Balances in Exchequer on April 1st	1935	1936		Balances in Exchequer—	Dec. 31, 1935	Dec. 31, 1936	
Bank of England	£ 2,100,996	£ 2,119,161		Bank of England	£ 1,947,332	£ 2,004,245	
Bank of Ireland	438,965	611,217		Bank of Ireland	579,117	491,635	
					4,533,064,283	4,569,312,503	

Treasury, December 31, 1936.

Mem.—			
Floating Debt, outstanding March 31, 1936	782,170,000	† Estimated Expenditure as per Financial Statement (H.C. 77)	797,897,000
Add:—			
Supplementary Estimates	33,972,000		
Less:—			
Provision made in the Budget	25,600,000		
Total Floating Debt outstanding			
	835,995,000		837,200,000
Net Increase	£68,815,000		806,269,000

* Includes £22,000 the proceeds of which were not carried to the Exchequer within the period of the account.

Employment in December.—On December 14th employment reached a new high level. The number of insured persons in employment in Great Britain, exclusive of agricultural workers, was 11,132,000—a figure 12,000 more than that on November 23rd and 503,000 more than a year ago. On the day of the count, however, weather conditions were unfavourable and outdoor employment was in abeyance in certain industries. Contrary to the usual trend in December, consequently, the number of unemployed on the registers increased by 5,117 to 1,628,719; but this total was still 239,846 less than a year earlier. The rise in unemployment, further, is partly attributable to the inclusion of agricultural workers, who have become entitled to benefit since November 5th. The incidence of unemployment by industries is shown below:—

Industrial Group	Dec. 16, 1935	Nov. 23, 1936	Dec. 14, 1936
Coal mining	190,027	161,652	146,729
Iron and steel manufacturing	33,659	24,020	22,699
Engineering	78,928	47,265	50,580
Metal goods manufacture	42,795	30,831	31,073
Shipbuilding and repairing	57,630	40,158	39,835
Motor vehicles, cycles and aircraft	127,675	119,289	123,256
Public works contracting	159,571	145,980	171,725
Building	77,279	57,123	52,270
Cotton	7,438	6,848	8,428
Hosiery	30,085	25,462	28,871
Tailoring	16,035	16,705	18,628
Boot and shoe	13,148	9,814	12,419
Pottery, earthenware, etc.	8,884	6,039	8,941
Stone quarrying, etc.	...	16,896	25,155
Agriculture	6,900	5,861	9,068
Fishing	78,736	78,133	71,400
Hotel, boarding house, etc., service	211,684	186,915	175,402
Distributive trades	43,888	34,525	34,700
Shipping service	46,719	40,752	42,895
Dock, harbour, etc., service	...	...	...
All persons registered	1,868,565	1,623,602	1,628,719

The effect of the adverse weather conditions was most marked in the building and contracting industries, where unemployment increased by nearly 30,000, and in agriculture, where the increase was 8,259. Seasonal influences accounted for the decline in employment in the pottery, boot and shoe and hosiery industries. In coal mining, iron and steel manufacture, the motor vehicle and aircraft industry, cotton manufacture, tailoring and the distributive trades an improvement in employment was recorded. The returns of the various administrative areas show that unemployment declined in London, the South-Western and North-Western districts and in Wales, but registered an increase in all other districts.

Cheap Milk for Jarrow.—A scheme, similar to that recently applied in Rhondda, for the supply of milk at 2d. per pint to expectant and nursing mothers, and to children under school age, was inaugurated at Jarrow on Friday of this week. Each consumer in the three categories is allowed one pint per day at the reduced price; there is no means test and the milk is delivered to the consumer's house in pint bottles. The scheme is financed jointly by the Milk Marketing Board and the Commissioner for the Special Areas, the dairymen being allowed a margin of 8d. per gallon above the Milk Board's wholesale price. In view of the burden of unemployment in Jarrow and the fact that the death rate is 15 per 1,000—against 11.7 for the whole of England and Wales—there must be nothing but praise for this new departure.

London's Boundaries.—With the recent publication of "London Statistics," another memorial has been erected to the failure of the last (1923) Royal Commission on London Government to bring order out of the chaos of the 110 local authorities in Greater London. There are two problems to be solved; first, the economies to be derived from extending the administration of local services beyond the boundary of the L.C.C., which was drawn over eighty years ago; and secondly, the financial problem arising from the fact that the rateable value from which the Council derives its income is now declining with the fall in the resident population. So long, however, as the day population continues to increase, it is difficult to reduce the cost of public services. Nearly

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half-a-million people work daily in the City, where at night the residents number less than 10,000. The London ratepayers provide parks, streets and bridges for double their own number, and flat comparisons of the rates levied give a misleading impression of relative burdens:—

	Estimated Mid-1935 Population	Rates made 1935-36	Rateable Value	Rateable Value per head of population	Total Rates Levied	Rates levied per head
London	4,185,200	s. d. 10 9-35	£ 61,330,832	14-66	33,070,000	£ 7-90
Extra-London	4,289,700	10 8-01	37,680,552	8-77	20,080,000	4-68
Greater London	8,474,900	10 8-84	98,991,384	11-68	53,150,000	6-27

Although Londoners may pay the same rate in the pound, the average rateable value is much higher than in extra-London at £14.66, compared with £8.77, per head of population. The average amount of rates payable in London is £7 18s. per annum—a figure which is £3 4s. 6d. a year more than that payable by the average Extra-London resident. There is a strong case for re-drawing the boundaries of the metropolis on grounds of equity alone, quite apart from the economies in administration. Opposition from vested interests deserves no greater weight than was given to the vestry boards, whose powers were transferred to the London County Council in 1888.

Petrol and the Car.—The price of petrol is so important a constituent in the cost of running a car that variations in its price may have a vital influence on international road transport developments. How widely its price varies in different countries is shown by a comparison given in the Imperial Economic Committee's "Survey of the Trade in Motor Vehicles." In the United States, for example, the average price of petrol in 1934, exclusive of tax, was 7.79d. per gallon, against 9.25d. per gallon in the United Kingdom. The duty per gallon in the United States was then only 2.97d. compared with 8d. in this country. The "all in" cost of petrol in this country, at 17.25d. per gallon, was thus 60 per cent. higher than across the Atlantic, an important factor in the predominance of the high-powered car. In many countries it is even higher. In Berlin the cost of petrol at the end of 1934 was 3rd. per gallon, inclusive of a duty of 17.5d. In Paris, where the duty was then 22.5d., petrol cost 29.5d. per gallon. Total automobiles in use in the world in 1935 were no less than 37.3 millions, against 35.0 millions in 1929. More than 70 per cent. of the vehicles were in the United States, and only 5.5 per cent. in the United Kingdom. Nevertheless, the progress of the industry in this country since 1929 has been more rapid than in America.

* Thirtieth Report of the Imperial Economic Committee; H.M. Stationery Office. 2s. 6d.

Overseas Correspondence

From our Correspondents

United States

THE FIGHT WITH THE "UTILITIES"

WASHINGTON, December 23

THE manufacture of electric power plays a part in American politics which a foreign observer does not easily comprehend. From village to metropolis, the "utilities" are popularly known as interests pitted against the public; in State Legislatures and in Washington they maintain the most active lobbies; and in Wall Street their properties have been the raw material out of which the most elaborate superstructures have been built, sometimes to collapse in disaster.

To say, as one must, that President Roosevelt during his first term fought only one stubborn battle, and that over the Holding Company Bill, is not as great a disparagement of his Liberalism as it may appear. The Holding Company Bill was aimed at the utilities, and the President, in choosing his battleground, knew his public, and the value of a victory. The popularity of the Tennessee Valley Authority experiment, too, was manifest from the first. The Government, by utilising Muscle Shoals, could begin working out the "yardstick," or measuring rod, for the rates of private companies, a service to every community with a lighting company; and it could, too, begin a social experiment of far-flung imaginative possibilities. Of all the President's creations, the T.V.A. is the one that labels him most legibly to the country as a liberal, and on the side of the public. It is, therefore, more than of passing importance that serious trouble arising from the T.V.A. is facing the President early in his second term.

T.V.A. AND A "GRID" SCHEME

During the recent campaign a conference was held between the electric power companies of the T.V.A. area and the President. The basis of an agreement was discussed, and the final settlement postponed till February of this year. Since the Election the conflict arising from this proposal has come to the surface. David Lilienthal, one of the two key men in the T.V.A., is opposed to the settlement, and the President is in favour of it. Mr Lilienthal is a fighting figure in the power conflict, and will carry weight with liberals. If he is against the peace plan, many liberals will condemn it solely on his authority. Almost certainly a deep and dangerous feud is brewing, and it is one of special interest to the British because the peace plan is none other than the application to the T.V.A. territory of the "grid," somewhat as operated in Great Britain. The peace plan in detail has not been published or indeed finally drafted. There is to be a pool; the Government will rent and operate the transmission systems, and it will be a member of the pool also as producer of current.

In such a solution private ownership would be safeguarded as in Britain, and investment values would not, as now, be penalised by the continual threat of competition from the Government acting through municipalities. The grid solution offers immediate savings, in that the power companies would be able to refund outstanding obligations at present low rates, and are thus ready to share the savings equally with the consumers by lowering rates. In the absence of peace in the T.V.A. territory the market value of utility shares now is depressed to a point that makes refinancing impossible. The yield at present share prices is virtually double what it is in less belligerent regions.

Those familiar with the British grid do not have to be convinced that it is a long-term solution in the interests of the public. It represents, as do other British experiments, a policy which achieves this without continual

warfare on the rentier. But in this country the power fight is stylised, and its veterans wish the battle to continue as before. The Government helps municipalities build new plant, without regard to duplication of plant, or without mercy to the investor. Such a fight is popular, but a billion dollar industry is not easily or wisely crushed.

MR. ROOSEVELT'S "SWING TO THE RIGHT"

This particular conflict is one of several which are brewing, and in all the President will find opposition from the Left. An era of vast spending is drawing to a close, and retrenchment creates more enemies on the Left than financial liberality does on the Right. Washington these days is in a mood it never has shown before under Mr Roosevelt's leadership. There is talk—much more talk than action—of many of the hard-working young men in Government service deserting the ship. They are supposed to be distressed and dismayed by the President's "obvious swing to the Right," and are said to be ready to accept lucrative posts in private life.

There has been alarm, too, over reports of the curtailment of relief, which first accounts made to appear drastic, and which drew immediate cries of protest from American mayors then meeting at Washington. Either the policy was rapidly modified or it was misunderstood, and curtailment on a large scale before early spring is not now expected. Sharp reduction in relief payments will begin then and be maintained throughout the summer, but that was the course pursued in 1936. Whether relief can be met out of \$500 millions additional appropriation, only time will tell. Mr Hopkins is reported ready to resign if he does not have \$750 millions.

There certainly is a widespread fear that the President will turn "conservative." It is a curious fear, and one often to be met in the last three years. One would think that for three years the President veered from one extreme to the other with incalculable abruptness to give rise to it. Of course he did not, and he will not now. He will not be a conservative. But neither will he be as Liberal as any one of a number of liberal specialists among his supporters. His own nature will be the same in his second as in his first term. But his problem will be vastly different. Since it entails rounding off the spending programme and balancing the Budget, he will be much lonelier.

A SELLERS' MARKET

NEW YORK, December 22

In the economic history of 1936 in the United States, first place must be given to the appearance of a sellers' market, first in labour, and later in commodities. Fairly early in the year, rumours began to circulate of local scarcities of certain types of skilled labour. Little attention was given to these stories, as they conflicted with both the political and the popular emphasis on the statistics of unemployment, and on the fact that the numbers on the relief rolls showed little diminution. The rumours, however, became more frequent and more insistent, and by late summer it seemed that something like a sellers' market was developing in skilled labour.

Nothing of the kind was then apparent in commodities. In July, the recognition of the effects of another severe drought lifted the prices of the specific crops whose supply had been curtailed by the weather. With these limited exceptions, commodity markets pursued an extraordinarily even tenor—indeed, the stability of the commodity index in the presence of a rapid and extensive increase (almost 50 per cent.) in production

between August, 1934, and August, 1936, was remarkable. Up to the end of October, commodity prices (exclusive of the drought crops) were not more than firm, and commodity markets, although fairly active in volume, were lethargic in price. Instances of forward buying, while occasional, were not conspicuous.

CAUSES OF THE RISE IN PRICES

In early November, the change came abruptly. Manufacturers plunged into extensive forward contracts, and both spot and future markets bounded forward. The dating of the phenomenon is perfectly distinct—it coincided with the Election. The proximate causation is more uncertain; the movement first became marked in the non-ferrous metals, in which the American market was following London. Possibly the Election itself was a factor; the indication that there would be no political change either in the Administration or in the complexion of Congress may have resolved hesitation into action in corporate buying policy.

The fact was that for some time, so far as one can judge from very imperfect indices, spot markets had been rather stronger than futures; and from this one might infer that corporate purchasing policy, which for years had been on a hand-to-mouth basis, had left industry in a position in which it was potentially, if not literally, "short" of commodities. Any one of several reasons, effective in different industries, may have led to a decision to test the futures' markets; and these markets under test proved to be surprisingly strong. The result is that, since early November, we have had a sellers' market, with a scramble for goods or contracts, which has brought something like a 10 per cent. rise in primary commodities, and led to more forward contracting and more distant forward contracting than at any period not only in recent years, but probably even in the '20's.

The first half of the year, in fact, continued the stability of the previous twelve-month or longer; in the second half there were two distinct spurts, the first confined to commodities affected by a curtailment of supply, the second primarily reflecting increased demand. The following table shows the course of the rise in prices:—

	Moody's Index of Spot Commodities	Dow-Jones Index of Commodity Futures
Mid-January	168	56
Mid-February	170	57
Mid-March	171	58
Mid-April	169	57
Mid-May	163	57
Mid-June	164	58
Mid-July	176	65
Mid-August	184	67
Mid-September	186	67
Mid-October	184	68
Mid-November	187	71
Mid-December	201	78

These two indices are quite different both in composition and base, but both show in the last half-year a rise in primary prices of remarkable rapidity and even violence. In one index the rise is 23 per cent. and in the other 34 per cent.

THE COST OF LIVING AND RAW MATERIALS

The Bureau of Labour Statistics index of retail prices has scarcely shown a ripple. At 83 it is one or two points above the prevailing figures of the first half of the year. The *Analyst* index shows a rise of somewhat over 10 per cent. since June, but only a minor increase above a year ago; while both Moody's and the Dow-Jones record a great increase over December, 1935.

There are two diametrically opposite aspects under which this phenomenon can be viewed, (a) as a mere change of relationship within a static price structure, or (b) as the preliminary phase of a general change in price level. It is well-known that primary commodities fluctuate much more violently than commodity prices as a whole. Even the great decline in primary commodities between 1929 and 1932 was only partially communicated to prices in general. Raw materials constitute but a varying and often minor fraction of the cost-to-consumer of most manufactured articles.

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Labour cost is in most cases a more considerable element. But when both combine in direction—as they are in America at present—the probability of a general rise in prices seems great.

CHANGES SINCE 1929

The following table shows the spot prices of a number of primary commodities on widely separated, but significant dates. The "low" date (June 1, 1932) was probably not the absolute "low" of the price decline, but the prices of that date are typical of the period:—

PRICES OF REPRESENTATIVE COMMODITIES

	Avg., Sept., 1929	June 1, 1932	June 15, 1936	Mar. 2, 1936	Dec. 15, 1936
Wheat*	131.3	57.00	91.63	119.00	136.63
Maize*	100.40	29.50	62.88	109.25	106.63
Oats*	49.80	22.13	27.75	43.25	53.38
Rye*	101.8	35.00	60.13	92.75	114.63
Cattle	13.80	6.00	7.75	9.65	10.00
Hogs	9.95	3.25	9.80	9.30	9.80
Lard*	11.45	3.70	10.13	11.45	13.38
Butter	44.93	17.50	29.50	33.50	34.00
Eggs	37.00	13.50	22.75	27.00	31.00
Hides	19.60	3.55	11.25	11.50	14.00
Wool*	89.10	34.88	77.93	76.69	94.02
Cotton	18.98	5.05	11.79	12.08	12.92
Cottonseed oil* ..	9.25	3.25	9.05	9.90	11.35
Silk	4.98	1.10	1.63	1.90	2.10
Copper	17.91	5.25	9.50	10.00	11.00
Lead	6.89	3.00	4.60	4.80	5.50
Zinc	6.80	2.80	4.90	4.85	5.35
Tin*	45.38	20.75	41.50	45.75	52.75
Steel scrap*	18.06	9.50	13.00	17.00	18.50
Sugar*	2.23	0.57	2.82	2.45	2.91
Coffee	14.57	8.25	7.00	8.38	8.75
Rubber	20.07	2.69	15.75	17.13	19.90

* Commodities now higher than in September, 1929.

There are twenty-two commodities in the list. Of these, ten are above the price of September, 1929; two (hogs, rubber) are at about the same price; silk and coffee are conspicuously lower. The non-ferrous metals are lower, and steel scrap higher; i.e. if one goes back to 1929, one sees not so much a decline in primary prices as an alteration of relationships; but looking back only to June, 1936, one is impressed by the sweeping advance in every one of these commodities except hogs. This is an economic fact of the first magnitude.

THE INCREASE IN DEMAND

To say that much of the rise is obviously speculative is platitudinous, unless one is prepared to argue the validity of the premises which have caused this urgent buying. In the past six months, a sellers' market has developed which has re-valued primary commodities as a class in terms (a) of the dollar and (b) in terms of finished goods. To a degree, this re-valuation is obviously traceable to a sudden reduction of supply, as in the crops affected by the drought; but much of the rest is attributable to an increase in demand, or at least an intensification of the urgency of the demand—the characteristic of a sellers' market. This includes the continuation of an urgent European demand for land upon military consideration—a matter which our market cannot appraise independently.

Certainly the relation between primary commodities and finished goods is more favourable to the producer of the former than it has been for several years. But that is not to say it is an abnormal relation. Nor need the rise in primary prices necessarily cause an equivalent rise in the prices of finished goods.

France

SIX MONTHS OF THE "POPULAR FRONT"

PARIS, December 31

AFTER six months of the Popular Front Government, the principal criticism made by the Opposition is that the policy of the Government has been most successful wherever it has been contradictory to the arguments which M. Blum and M. Auriol were putting forward in opposition. It appears that in the Spanish affair M. Blum is supporting a policy of which M. Laval would not have disapproved; and on the financial side M. Auriol, a staunch supporter of the liberty of capitalists, is not far from M. Germain-Martin, a Minister of deflation. If, finally, the great novelty of the present Cabinet lies in its social policy, one must remember that employers deny that they were opposed to certain reforms, which, they say, were only delayed by the opposition of the Senate.

But the Senate, that severe censor, has just passed the 1937 Budget Bill by 288 votes to 2. The Rapporteur, M. Abel Gardey, pointed out that the needs of the Treasury in 1937 would not be very different from those in 1936 (30,000 million francs). This, however, is no justification, since the public debt has increased from 261,441 millions in 1930 to 356,842 millions in 1936. The medium-term debt is 32,000 millions higher. Treasury bonds, however, stood at 6,322 millions on September 30, 1936, against 13,939 millions on December 31, 1935. Actually the total State debt is 370,000 millions, the municipal debt 40,000 millions, and the railways debt 110,000 millions.

THE OPPOSITION AND THE BUDGET DEFICIT

M. Gardey agrees, however, that "the recovery of public credit is no longer a financial problem." The deficit must be made good "by living." Confidence depends on the revival of trade, and so does Budgetary equilibrium. That is the great lesson which this social Government has taught the country after five years of unsuccessful deflation.

This is so obvious that the Opposition has modified its attack. That attack is no longer directed against the deficit, but against social disorders, which are hindering the revival of business through "stay-in strikes," interference with "the liberty of work," etc. M. Caillaux, the former advocate of the "Grande Pénitence," now emphasises the necessity of limiting new expenditure and, above all, of avoiding the dictatorship of the civil service.

“ FURTHER BUSINESS REVIVAL

The Minister of Finance replies that revival of business is the key to the experiment of the Popular Front and that this revival has begun. Business for Christmas was certainly the best for many years. Railway receipts for the forty-ninth week of the year were 190 million francs, or 20 millions more than for the same week of 1935. Loaded wagons for the fiftieth week were 313,266, against 291,139 in the same week of 1935, or an increase of 7.60 per cent.

Ordinary fiscal receipts for November, the first month affected by devaluation, were 3,167 millions, against 2,814 millions in November, 1935. Indirect taxes yielded 2,061 millions, or 17 millions less than the estimates, but 135 millions more than the receipts of November, 1935. Direct taxes yielded 1,105 millions, or 203 millions more than in November, 1935. The outstanding fact is certainly the marked increase in the yield of the turnover tax, which, at 556 millions, shows a surplus of 36 millions over the estimates, and of 51 millions over the yield of November, 1935. This 10 per cent. rise is most encouraging, even if it is remembered that internal wholesale and retail prices were increased respectively by 30 to 40 per cent. and 20 to 25 per cent. during the period.

The unanimity of emphasis on the need to revive business and on the actual appearance of this revival are in sharp contrast with the stagnant level of rentes:—

	May 5. (After the General Election)	October 5 (After the Devaluation)	December 24
Rentes			
3%	66·55	81·20	73·85
4%, 1918	67·85	80·50	72·55
5%, 1920	94·15	106	97·30
4½%, 1932, " B "	71·30	88	76·80
Obligations du Trésor			
4½%, 1933	809	1,000	827
4%, 1934	750	910	764
5%, 1935	...	883	825
Bons du Trésor			
4½%, 1933	875	932	891·50
5%, 1933	935	975	965
5%, 1934	912	946	941·50
4½%, 1934	917	965	970

This stagnation may be explained by uncertainty and the agitation accompanying the daily revival of social conflicts. The effect of the recovery of business in restoring confidence is somewhat hampered by the rise in prices, and rentes prices are depressed by the prospect of new and huge borrowings. There is no reason, however, why the business recovery should not go on, even if the long-term rate of interest continues high. Recovery has been proceeding spasmodically since the autumn of 1935. It appears to have been defence expenditure which started it then; and a high rate of interest proved no obstacle. The failure of the long-term rate of interest to fall since devaluation is disappointing. But the progress of business revival since then gives solid ground for optimism.

The Government consequently intends to organise the money market—where money is abundant as is proved by the $1\frac{1}{2}$ per cent. rate of interest—so that short-term Treasury bills may be easily sold, as in the British market.

THE RAILWAY DEFICIT

The trading deficit on the railways will be 838 millions in 1936, against 400 millions in 1935. Interest charges will reach 3,670 millions, against 3,637 millions; so that the whole financial deficit will be 4,888 millions, or 900 millions more than the estimates. Receipts for 1937 are estimated at 10,218 millions and expenditure at 13,100 millions, giving a trading deficit of 2,890 millions. Interest charges will be 3,805 millions (an increase of 135 millions); so that the estimated financial deficit will be 7,075 millions.

Germany

"NO SIGN OF BREAKING POINT"

BERLIN, December 30

THE political and economic outlook for Germany in 1937 is far from clear. The past year witnessed tranquillity at home, and there is no reason to expect acute domestic troubles in the New Year. In the general deterioration of international politics, the Reich's position has not improved—either for diplomacy or defence. In view of the violent, if not entirely genuine, antagonism against Russia, better relations with France, and in particular with England, were admittedly desirable; but no progress has been made in this direction, and the dominant German view is that Great Britain is slipping insensibly into the Paris-Moscow combination. In the light of pre-war history this constitutes a danger. On the question of the future government of Spain the German Government has committed itself to at least a negative right of decision, the execution of which is probably beyond the powers of all Europe together.

The business outlook is not unsatisfactory. It is probable that industrial activity will be maintained or even increased, since the Four-Year Plan for autarky provides a new stimulus; and unemployment may almost entirely disappear. Of any change in the currency situation there is little prospect, in view of the intimate association between Reichsbank exchange policy and foreign trade regulation, the Four-Year Plan and re-armament. The rise in prices, the shortage of necessities and the decline in the standard of living will probably continue; but there is no sign that a breaking-point is near.

Wholesale prices were steady in the last fortnight before Christmas; but non-ferrous metals, rubber and artificial fertilisers rose sharply in price.

• The Reich Price Commissary has applied to imported coal the prohibition against increase of prices above the level of October 18th. Coal is *therefore* an exception to the rule that this prohibition does not apply to imported goods. The regulations controlling trade in fodder cereals have been sharpened. Purchases of wood for pulping are henceforth subject to official permission; and producers, traders and consumers are required to report their stocks monthly.

HUGE RISE IN STEEL OUTPUT

The percentage of all working places in industry occupied in November was 72.2, against 72.4 in October. Only the building trade shows a decline. The average daily working time in industry in November was 7.80 hours, against 7.68 hours in October. Output of ingot steel in November in working days was 1,506,800 tons, against 1,704,900 tons in October, in 27 working days. Output in the first eleven months was 17,681,900 tons; so that the year's total will considerably exceed 19 million tons, against a recent lowest of 5,571,000 tons in 1932. About 2,300,000 tons of the increase is due to the Saar. The machine manufacturing trade reports great home and export activity. Delivery terms have been lengthened. The increase in home demand is due to the erection of new industrial plant and the extension of old. Export orders from some devaluation countries have declined; but the loss has been made good by increased orders from Europe and from Central and South America and Asia. Total turnover in machinery in 1936 is estimated at Rm. 3,000 millions, which is 20 per cent. more than in 1935; and the number of persons employed rose by 80,000 to about 600,000. While home sales rose 17 per cent., exports rose 30 per cent.

Reich tax revenue in the part of the financial year already lapsed, compared with the same period of last year, was as follows:—

	April–November, 1935	1936
	<i>Millions of Marks</i>	
Direct and Business Taxes	3,920	4,973
Customs and Excise	2,303	2,396
Total	6,223	7,369

The proportion of direct to indirect tax revenue continues to increase.

DEVALUATION PROFITS TAXED

An important law taxing profits derived from the devaluation of foreign currencies was issued last week. The tax is imposed on the profits made by German investors or debtors on capital or interest (but not on trade) liabilities resulting from a fall in the exchange of any creditor's currency. Profits made before the coming into force of the law are not taxed. Debtors are required to report their profits. The law has yet to be elaborated by administrative ordinances, and certain points in it are not clear.

It seems that debtors *who* have hitherto paid interest in marks into the Conversion Fund on a depreciation basis will henceforth have to pay at the old parity. It is stated that profits on interest on the standstill debts will not be taxed, because the debtor's saving is not directly due to depreciation, the interest liability being fixed by agreement. While the law formally involves a 100 per cent. tax on devaluation profits, it seems that the whole profit will not always be taken; and in individual cases appeal may be made on the ground that the tax cannot be borne.

EFFECTS OF THE TAX

The Reich Minister of Economy will determine the use to which the tax yield is to be put. The amount of the yield is not even approximately known, and the tax will be paid only in so far as debts are repaid. Before the gold *bloc* devaluations the reduction of foreign debt due to depreciation was officially put at Rm. 4,000 millions. This, however, was a book reduction,

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and how much of the saving had already been realised by repayment is uncertain. Debtor corporations and undertakings will in any case suffer unexpected losses. Public corporations have of late returned their unpaid debts on the depreciation basis. Most private concerns have either booked them at the old parity, thus taking into account the fact that the exchanges have not yet been definitively fixed, or have booked at the day's depreciated exchange rate and counter-booked the profit as a reserve liability. But many concerns have used their profits in order to improve their balance sheets or to provide for writing-off; and such concerns, unless exempted, may be hard hit.

THE "SECRET" REICH DEBT

In an analysis of public and private indebtedness the Institute for Trade Research returns to the subject of the so-called secret or undivulged debt of the Reich. After pointing out that the "regularly returned indebtedness" of Reich and other public bodies increased between April, 1933, and April, 1936, by only Rm. 2,300 millions, the Institute defines the process of contraction of unreturned debt as follows:—

In the above figure are not included the future short-term liabilities of the Reich due to the short-term financing of work-creation, of the Reich motor-roads, and of Defence, which have not yet formally precipitated themselves as public debts. In so far as these Reich short-term liabilities have not yet matured, and have therefore only to be met in coming Budget years, they can be included in Reich debt only in so far as the bills fall due and have to be met by the Reich. Meantime, these credit-papers circulate either between the direct participators in work-creation finance, that is, between executors of work-creation (i.e., municipalities, etc.), contractors, and financing institutions; or appear in the money-market as investments; or are presented to the Reichsbank for re-discounting.

WORK-CREATION AND RE-ARMAMENT BILLS

In the light of this utterance, the Institute's accompanying statistical table virtually denies the existence of any considerable undivulged Reich debt. The total of home short-term credits to public and private borrowers is shown at (1935) Rm. 22,015 millions, against Rm. 20,247 millions in 1932 and Rm. 26,535 millions (recent highest) in 1929. The total for 1935 consisted of (in millions) Treasury and municipal bills, Rm. 2,914; other bills, Rm. 7,820; municipal short-term liabilities, Rm. 628; other credits, Rm. 10,236; and loans on goods, Rm. 416.

The Reich work-creation and re-armament bills mentioned in the above quotation are supposed to be included, together with all private bills, in the Rm. 7,820 millions of "other bills." In 1932 "other bills" totalled Rm. 4,289 millions. The increase was therefore only some Rm. 3,500 millions. It is known that the proportion of Reich to private bills in the "other bills" has risen very much since 1932. But even if all the "other bills" in 1935 were Reich bills, the Reich's short-term indebtedness for work-creation and re-armament would be relatively inconsiderable. From this it might be concluded that a great part of the re-armament expenditure was covered out of Budget revenue; but no such claim has been officially made.

Sweden

NATIONAL DEFENCE POLICY

STOCKHOLM, December 23

In view of the continually growing political unrest on the Continent, the question of this country's security is naturally the main object of all political discussions. Some Right-wing factions go as far as to advocate some kind of Scandinavian military alliance. It does not seem probable, however, that in present circumstances this idea will materialise, and military co-operation between the four Northern countries will hardly extend beyond an exchange of views at more or less regular intervals between the general staffs.

THE BOOM GOES ON

The general business boom is continuing, and so far no signs of slackening can be discerned. The general index of industrial production rose one point in October to 111, compared with 102 in October, 1935. Prices are also rising, and the general wholesale price index of the Board of Trade rose by one point to 123 (1913 = 100). The advance was chiefly in raw materials, the price of which jumped two points to 120. So far retail prices have not followed at this pace, and the cost-of-living index of the Riksbank stands at 101 (September, 1931 = 100). The continued price rise has naturally aroused alarm in some quarters. Among other means of restraining it, the proposal has been made to lower the present exchange sterling rate.

The estimated State revenues for the Budget year 1937-38 amount to Kr. 1,149 millions, compared with Kr. 1,055 millions in the previous year. Actual State revenues recorded an increase of Kr. 93 millions; while estimated taxes on income and capital have risen from Kr. 172 millions to Kr. 200 millions.

FURTHER RISE IN IMPORTS AND EXPORTS

The import surplus is considerably below the corresponding figure for 1935. The full foreign trade figures during the first ten months of the current year were as follows:—

(In million kronor)		1935	1936
		January-October	January-October
Imports		1,179.7	1,315.9
Exports		1,039.3	1,210.0
Import surplus ...		140.4	105.9

During the same period trade with Great Britain has been as follows:—

(In million kronor)		1935	1936
		January-October	January-October
Exports to U.K.		259.3	300.0
Imports from U.K. ...		234.9	254.4
Export surplus ...		24.4	45.6

The current year's production of timber is practically sold, and brisk sales for next year's shipments are taking place. Demand from the British market is strong and does not show signs of weakening. Pulp sales are brisk. Consumption of iron and steel on the home market is progressing and prices rising. The seasonal rise in unemployment which usually appears in October was absent this year, and the number of unemployed stands at 21,000, compared with 41,000 a year ago. The value of the new harvest—estimated at Kr. 982 millions—is practically the same as in 1935.

The money market was extremely liquid during October, but somewhat stiffened in November when tax payments were being made. During October and November the joint-stock banks reported a slight increase in advances, though the increase is not yet in proportion to the business expansion. The stock market throughout October was very firm, and the general share index rose from 159 to 166. In November the boom was less pronounced, and at the end of November the index stood at 169.

Czechoslovakia

STEPS TOWARDS FREER TRADE

PRAGUE, December 23

THE economic situation has recently been greatly under the influence of political unrest. It is true that the Little Entente was strengthened by the visit of King Carol of Roumania to this country on October 28th, and that following the devaluations in the autumn, some freeing of international trade was expected; but this latter hope failed almost completely. The Czechoslovak Government took all the internal measures necessitated by the devaluation. It ensured that there should be no chaotic movements; and offenders were prosecuted, in some cases with perhaps excessive severity. To-day, conditions have already become steadier, and the effect of the devaluation on prices is conspicuous only in those trades which are dependent on imported raw materials. The general index of wholesale prices rose between August and November from 691 to 714. Import prices rose by 55 points and home prices by 13 points only.

Another consequence of devaluation has been the Government's effort to free foreign trade and simplify the control of imports. On December 18th, the Government decided to release about 30 per cent. of imports from control and to combine the existing double control, up to now in the hands of the Ministry of Commerce and Foreign Exchange Commission, in one controlling body. The Foreign Exchange Commission is to be abolished, and the control concentrated in the Ministry of Commerce. Thus the first step toward emancipation of imports has been taken, and the Government are prepared to continue this policy of relaxing restrictions by means of trade agreements with individual countries. The restoration of economic relations with Central Europe is to be a special objective.

In agriculture, a substantially better situation, affecting in particular the Corn Monopoly, has resulted from the rise in world prices. It has been possible to lower stocks substantially by exporting. Germany is buying wheat from here. Since barley had been used as fodder on a bigger scale, the demand for barley has risen to such an extent that the brewers encountered a relative shortage. Exports of barley had to be temporarily suspended, and minimum prices fixed.

FURTHER INDUSTRIAL RECOVERY

The number of the unemployed in November rose (compared with October) to 511,787; but it was 167,083 less than in November, 1935. Industrial activity has been revived by the increase in exports, the extension of building activity, by new investment and repletion of stocks, and in a certain degree by defence measures. Output of coal rose in November to 1,303,175 tons (against 1,115,223 tons in November, 1935); output of lignite to 1,588,720 tons (against 1,463,232 tons in November, 1935); and output of coke to 190,800 tons (against 150,400 tons in November, 1935). Output of coal and coke has already regained the level of 1930; and stocks, in comparison with last year, have been materially reduced. Output of pig-iron in November rose to 111,477 tons (against 67,347 tons in November, 1935); and output of steel to 152,229 tons (against 110,273 tons November, 1935). The November production of steel is higher this year than in 1930.

In other industries improvement is also noticeable, especially in the sugar, timber, engineering and metal industries, and in the ceramic, glass, paper, clothing and leather trades. The textile industry shows some improvement, although the rise in the prices of raw materials was accentuated by devaluation. Christmas trade was very lively.

The total foreign trade returns for January to November were as follows:—

	1935	1936
	mil. Cz.K.	mil. Cz.K.
Imports	5,980.5	6,889.6
Exports	7,257.3	7,177.5

Although it is as yet difficult to judge to what extent foreign trade was influenced by devaluation, it appears that this has only happened in the case of countries not subject to import restrictions. The increased value of imports, especially of imported raw materials, may be accounted for by the world economic recovery.

NEW TRADE AGREEMENTS

Commercial negotiations have been concluded with several countries, and efforts are being made to relax import restrictions. The negotiations with France are difficult on account of Czechoslovakia's import surplus with France and the unwillingness of France to admit substantially increased import facilities. The negotiations are at the moment being carried on through diplomatic channels only. Germany wants imports of raw materials and semi-manufactured goods, such as wheat, leather, yarn and timber. With Greece a new treaty has been signed, and a new agreement with Hungary on mutual adjustment of imports in 1937 has also been signed. With Denmark a supplement to the quota-agreement has been negotiated. A new treaty with Bolivia and an import agreement with Colombia have been signed, and negotiations with Ecuador and Argentina are in progress. Negotiations with Switzerland and Italy are being prepared.

A decision by the Government to assist exports by a refund of taxes is expected shortly, and an expansion of guarantees for export credits to the amount of 1,500 million Cz.K. is under consideration.

Revenue for the first ten months of 1936 rose in comparison with the same months of 1935 by 620 million Cz.K.; but it still remains 520 million Cz.K. below the estimates. The Budget for 1937 has been passed by Parliament, with some amendments.

Japan

LARGE ARMY AND NAVY EXPENDITURE

TOKYO, December 5

THE Budget estimates for the fiscal year, which begins on April 1, 1937, were approved by the Cabinet Council on November 27th. The total national expenditure in the new Budget was fixed at a record figure of 3,041 million yen. This shows a net increase of 507 million yen upon the current year, if the increased Exchequer grants to local authorities, which are to be paid out of the revenue from the sources reserved to the National Treasury are excluded. The increase is again accounted for by the fighting services. The Army mainly accounted for by the fighting services. The Army and the Navy Estimates amount in the aggregate to 1,409 million yen, or 46.3 per cent. of the total expenditure.

The revenue for the fiscal year 1937-38 is estimated at 1,676 million yen, an increase of 161.5 million yen. There is thus a huge deficit of 1,168 million yen. Of this deficit, 336 million yen will be met by increased taxation, the raising of the prices of tobacco, and fresh raids on the Government Railway and other self-balancing services; while the remaining 806 million yen is to be financed by a new loan, which will be 102 million yen larger than in the current year. The policy of "gradual reduction of Government borrowing" has thus been abandoned under the burden of increased armaments, and a further rise of annual defence expenditure will add 1,000 million yen yearly to the national debt.

A comparison of civil votes, defence votes, and national debt services for next year with the current year and last year is set out below:—

(In million yen)			
	Civil Votes	Defence Votes	Debt Services
1935-36	784	1,032	389
1936-37	869	1,058	383
1937-38	1,224	1,409	408
			Total
			2,206
			2,311
			3,041

NEW TARIFFS AND EXCHANGE RESTRICTIONS

Tariff Revision also was approved by the Cabinet Council on the same day. The main points in the plan



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are: (1) the revision of the general tariff, which has remained unaltered since 1926, so as to conform to changed conditions; (2) the raising of the "key industries" duties with certain additions and modifications; and (3) the imposition of fresh duties on certain kinds of raw materials now on the free list. In addition, an *ad valorem* duty of 0.1 per cent. will be imposed on both imports and exports to raise funds for the compilation of detailed trade statistics; and another 1 per cent. export duty will be charged, the yield of which is to be used to cover the cost of export control. Customs, on account of the projected revision, are expected to yield about 40 million yen, or roughly 25 per cent., more than in the current year. The "trade statistics duty" and the "export control duty" are estimated to produce between them 8 million yen.

A Government decree for stricter restrictions on foreign exchange dealings was put into force on December 1st. The new regulations provide for the extension of control over exports—other than invisible exports. The decree also requires the banks and other exchange dealers to make more detailed reports on their business transactions. The Government obviously aims at the closing of any loophole for the flight of capital in view of the inflationary budgeting and higher taxation. Indeed, it is a fair inference from recent measures that no general change in financial policy is in sight. Inflationary borrowing for armaments is likely to be the dominant theme for some time to come.

A GROWING IMPORT SURPLUS

The course of foreign trade continues to be moderately satisfactory. The total of imports in November, at 218,050,000 yen, compared with 213,226,000 yen for the corresponding month of last year, showed an increase of 4,824,000 yen, or 2½ per cent. Exports, at 236,877,000 yen, rose by 18,500,000 yen, or 8½ per cent. Many major exports have done well, and raw silk heads the list. Raw cotton imports have been on a larger scale, but imports of raw wool are considerably lower. For the first eleven months of the year imports show an increase of 253,466,000 yen, or 11½ per cent., to 2,479,165,000 yen, and exports an increase of 120,023,000 yen, or 5½ per cent., to 2,396,301,000 yen. Thus the import surplus amounts to 82,864,000 yen, against an export surplus of 50,579,000 yen last year. Here again the influence of inflationary credit expansion is beginning to be apparent.

The latest clearing banks' statements show the continuance of the recent change in the general trend; i.e. advances are increasing faster than deposits. Loanable funds have been less plentiful; and short-loan rates have been firm. Large Government disbursements, however, have appreciably eased the stringent conditions in the short loan market, and the year-end will certainly be negotiated without undue difficulty.

Irish Free State

THE RISE IN FARM PRICES

DUBLIN, December 27

THE index number of agricultural prices has risen by 14 per cent. during the last twelve months, with obvious advantages to Irish farmers and to the balance of trade. A renewal of the demand for loans has been experienced by the banks; and many old loans, which had been regarded as irrecoverable during the depression, have been repaid. Agricultural prosperity, however, has not risen to the full extent of the rise in prices, because of the great increase in costs of production which has resulted from the policy of industrial protection. Furthermore, farmers' incomes have been deprived of a substantial part of their purchasing power by the rise in the price of urban products.

The rise in farm prices is, of course, a reflection of the general rise in the price of primary commodities, and it is only a matter of time until the price of imports rises in harmony with that of exports. Such a rise will produce serious consequences on the balance of trade, because, visible imports being twice the amount of visible exports, the import surplus will be automatically swollen; and there is little hope of imports being reduced, as practically everything that can be produced in the Free State is already being produced behind the high tariff. The strain on the invisible exports may easily become unduly great with an adverse effect on the total balance of payments; and a drain on the sterling assets of the Free State may become inevitable.

PROTECTION AND INVESTMENT

At the annual meeting of the Industrial Credit Company it was stated that during the last three years the total public issues of capital in Dublin by companies amounted to £6,277,042, compared with £160,750 in the previous three years. These figures demonstrate that the policy of industrial protection has stimulated the investment of capital in Irish industries. It is, of course, too soon to say whether this investment has been judicious. This question can only be answered when the results of the trading of the new companies are known. Complaints are directed against much of this new industrial development, on the one hand, by the trade unions and, on the other hand, by the consuming public. Unfortunately, the attempts that have been made to allay the former's criticism have only succeeded in augmenting the latter's.

AN INDUSTRIAL CODE

The Conditions of Employment Act has created an industrial code far ahead of that in force in any other country. While this must be welcomed from the social viewpoint, it has the effect, at least temporarily, of raising costs of production to such a point that the export of Irish industrial products is out of the question. Prices in the Irish market are kept artificially high, and consumers further complain of a certain lack of variety and inferiority of quality. The Minister for Industry and Commerce has recently warned manufacturers that they must not abuse the privileges of their position; but the manufacturers are well organised in trade associations which are incessant in their demands for further favours. Meanwhile the farmers and the possessors of fixed incomes are paying the price of the industrial development, which many critics think is being secured at a disproportionate cost.

The improvement in the external trade position is shown in the following table:—

Twelve months ending	Imports	Exports	Import Surplus
November, 1935 ...	37,416,103	19,720,137	17,695,966
November, 1936 ...	39,423,848	22,351,824	17,072,024

The increase in the value of exports is mainly the result of the so-called Coal-Cattle Pact between Great Britain and the Irish Free State, which followed the recent tariff war. The renewal of the Coal-Cattle Pact for 1937 has recently been announced. The fall in the import surplus may consequently be maintained for a time.

Letters to the Editor

Raising the Standard of Living

TO THE EDITOR OF THE ECONOMIST

SIR,—Like a lot of other people in this country, I am interested in the problem of raising the standard of living. Thinking over the subject, it seemed to me to be a fair question to address to the professional economist, namely, "What constructive steps would he, as a professional economist, take if he were charged with the responsibility of raising the standard of living in this country?" In order to avoid ambiguity, and possibly to simplify the problem, let us assume that raising the standard of living can be alternatively stated as increasing the material prosperity of the various individuals who comprise the population.

You must have many readers who are professional economists, and perhaps you will permit them to accept this open invitation to do one of three things:—

- State that it is not a fair question to address to the professional economist, giving their reasons.
- Outline constructive proposals.
- State that they are not capable of making proposals.

This letter is addressed to you in a genuine desire for information.

Yours truly,
FRANK MURPHY,
Chairman, Murphy Radio, Ltd.

Imports and the Special Areas

TO THE EDITOR OF THE ECONOMIST

SIR,—Mr J. W. Banfield, M.P., writing in your issue of December 19th, shows that he regards imports as undesirable, and implies that exports are desirable. Although this outlook is very nearly general, it is high time it was questioned. If we examined our imports in detail we should find that they were composed of foodstuffs, choice oriental fruits and many other things which we desire more than the goods we export in exchange—the essence of all exchanges of goods.

Mr Banfield also indicates that he thinks (in common with most politicians of all political parties) that the purpose of the economic system is to "find work." Surely the contradiction in terms should make this apparent as a fundamental error?

But he is right in the idea that any device which merely spreads the distress of the Special Areas thinly over the more prosperous areas—where it will hardly be noticed—is wrong. Surely the only practical solution to both the internal problems and the import and export question is to manage the money system in such a way that internal purchasing power will buy automatically all the goods which the industrial machine is capable of producing—providing that the people want those goods or can export them in exchange for goods they find more desirable. It seems to be forgotten at times that if people cannot buy all the goods, they cannot buy the imports equal in value to the exports which form some part of total production.

Yours faithfully,
P. R. MASSON.

173 Walmley Road,
Erdington,
Birmingham.

Germany's Economic Policy

TO THE EDITOR OF THE ECONOMIST

SIR,—The provision of a large and regular flow of raw materials from abroad is one of the key problems for Germany's economic and political policy. The problem became acute in 1929 when, with the outbreak of the world crisis, the flow of foreign lending ceased and Germany had to face the long-deferred task of achieving an active balance of trade. The situation was accentuated by the industrialisation of the young countries overseas.

Germany could not benefit by cheap raw materials to the full because of her policy of agricultural protectionism, which partly derived from a belief in the stabilising influence

of a prosperous peasant population, but mainly from regard for the powerful political influence of the Junkers. On the other hand Germany felt, like all old industrial countries, the intensification of international competition resulting from the shrinkage of overseas markets. If all these facts are taken into account, it is small wonder that the world crisis led to an intense international deflation and to the breakdown of Germany's economic, social and political system.

Against this background we have to see Germany's present policy, which is characterised by the four-year plan, the demand for colonies and—rapid re-armament. This policy has been called irrational. Why should Germany try to produce things which she can purchase on the world market at one-third of her costs of production? Why should Germany want colonies, when every raw material producer is only too eager to sell to her? The irrationality is only partly Germany's; partly it is the irrationality of a situation in which Germany cannot import because her exports encounter an almost absolute resistance. Given

the present state of world protectionism, given the power of the Junkers which makes high agricultural protectionism inevitable, it is in fact profitable to produce substitutes for raw materials in Germany.

Autarky, though it is the easiest method of lowering the standard of living of the masses, would not solve the problem entirely. Colonies would only be of use if Germany really "owned" them, e.g. if she could exclude competing exports. It is doubtful whether other countries will peacefully surrender their colonies, simply to find their exports excluded from them. This is why the German Government prefers armaments to all other forms of public works—and given all circumstances this, too, is rational.

PEREGRINUS.

London, N.W.3

[When it is remembered that less than 1 per cent. of Germany's exports went to her colonies before the war, we cannot agree that it is in any sense a "rational" policy for Germany to prepare to solve her economic problem by forcibly seizing colonies.—Ed., *Econ.*]

Books and Publications

What Price War?

ONE of the outstanding events of 1936 in the world of books has been the completion of Mr Lloyd George's War Memoirs, the sixth and final volume of which was published in November.* Much has been said of the great personal achievement which this task represents. Begun after a serious operation at the age of seventy by one to whom book writing was a new experience, Mr Lloyd George has written a work of 3,500 pages, which, it is justly claimed, constitutes (apart from the official histories) "the most carefully and richly documented account of the Great War."

But these volumes are much more than a monument to Mr Lloyd George's unsuspected literary powers. They are at once an essential part of the history of the world's greatest crisis and a rousing challenge to civilisation.

There is no one in any country who played so responsible a part as Mr Lloyd George from beginning to end of the Great War; and none of the outstanding figures who might possibly claim to be included in the same category with him has attempted to give a complete and personal account of the war as he saw it. Mr Lloyd George's contribution to history is, therefore, unique both in its scope and in its authority.

We do not, of course, mean by this that posterity will necessarily accept all the judgments of Mr Lloyd George as they stand. Indeed, the writer does not claim to be giving a full and unbiassed account; he is explaining his own outlook and defending his own actions in relation to the conduct of the war. On such matters as the long-continued and costly offensive of Paschendaele in the autumn of 1917, the unprepared and unvisited state of the Fifth Army in March, 1918, and the allocation of resources generally between the Western Front and the "side-shows," there are not merely a series of keen controversies to be decided on their merits, but there is also the vexed problem of the respective responsibilities of the military and political chiefs.

Mr Lloyd George fights his case with vigour right up to the very end, when he describes how the collapse of our enemies began in Palestine, Mesopotamia and on the Bulgarian front. Thus did the despised "side-shows" come into their own. Nevertheless, it may well show "come into their own." The Central Powers were not destroyed by an attack upon their extremities, but by the stranglehold of the blockade on their vital parts; by the gradual weakening of stamina through under-nourishment. That Germany was defeated by a war of attrition is a false view. Certainly the kind of battle which achieved two German casualties at the expense of three allied ones was an arithmetical folly and a dreadful waste of priceless lives. But it does not follow that

* "War Memoirs of David Lloyd George." 6 Vols. 21s. each. Ivor Nicholson and Watson.

we could easily have turned her flank in the Balkans. It was undoubtedly the combined economic and military pressure, prolonged through the years, that finally deprived Germany of her power to fortify her Allies in the minor theatres of war.

Yet, if history finally differs, as she assuredly will, from Mr Lloyd George on some of these matters, these six volumes unfold in a manner not open to challenge a story of leadership, initiative and vision which, in field after field, saved this country from disaster. The official obstruction which opposed Mr Lloyd George's efforts to enlarge the supply of munitions and the way in which he overcame it was told in *The Economist* of October 28, 1933. German testimony to the effectiveness of the myriads of British machine-gun nests and the swarms of tanks which turned the scale in the crises of the battles of 1918, are the only possible commentary on the attitude of the War Office in 1915, when it was held that "four machine-guns per battalion (in 1918 it was 52) was enough and anything higher would be a superfluity," and that it was quite inadmissible that skilled men should be kept back from the trenches to build tanks and trench mortars. The British Army won the last campaign on the fields of Flanders; Mr Lloyd George's battles included the fight to secure the complete mobilisation and scientific use of our man power (which multiplied our war effort many-fold), the long-drawn-out struggle to secure unity of command (which saved our Armies from destruction), insistence on the adoption by the Admiralty of the Convoy system for our merchant ships through submarine-infested seas (which saved the Allies from starvation), together with a host of minor engagements such as the drive to increase home production of food and the output of standard merchant ships. Little wonder that on his recent visit to Germany, when Mr Lloyd George took leave of Herr Hitler, the latter turned to him and said, "It was not your armies, Mr Lloyd George, that defeated Germany; it was you." Every European knows that there is something more than mere flattery in this terrific testimonial.

Is it, then, possible that one man can really make the difference between victory and defeat in the clash between such massive forces as were at issue in the World War? It almost seems that the outcome might have been different if there had not been a man of such dynamic energy to overcome the inertia of officialdom in so many matters of vital importance.

But if this be so, it only reinforces the conclusion to which Mr Lloyd George himself comes in the preface to his final volume, where he sets down the impressions which emerge most strongly from his five years' labour. One of these is that as a means of ascertaining the rights and wrongs of a dispute, "War is crude, uncertain and costly." Though it ended in victory for the right side—as Mr Lloyd George holds—it was won not on the merits of the case, but on a balance of resources and of blunders. These errors came first from one side and

then from the other. "Judgment which is dependent on such contingencies is too precarious. Chance is the supreme judge in war and not Right." And to illustrate the moral he continues: "If Germany had been led by Bismarck and Moltke instead of by von Bethmann-Hollweg and Falkenhayn, the event of the great struggle between a military autocracy and democracy would in all human probability have been different."

If this be true, can we be sure that the next time Chance will give the verdict to the right side? Can the nations afford to entrust their civilisation to such a hazard? Or to come nearer home, can we rely on Providence to arrange that the Lloyd George of the next war will be on our side and not on that of the enemy? Has Mr Baldwin such a one up his sleeve?

No one who reads these six volumes can rise from their perusal without an overwhelming sense that another war would be the most colossal gamble with fate—a gamble that should be unthinkable to intelligent and civilised peoples.

Is there no way out? Let us dwell for a moment on Mr Lloyd George's other impression—namely, the tremendous power of endurance and the courage of the ordinary man, which enabled so many millions of them to go through such terrible experiences without a complete shattering of nerve and brain. This quality was not confined to any one people. In training, discipline, equipment and efficiency there were marked differences between one nation and another; but in the high courage of the common man there was none.

What makes war so terrifying is that it is waged by men. No human effort brings forth so clearly and impressively the strongest qualities of mankind as a whole. But war is a prodigal and stupid waste of these virile attributes. Evoked, stimulated and organised by and for some beneficent movement which is productive not of ruin and death but of something which gives life and gives it abundantly to the children of men, it would transfigure the world.

These qualities and the sense of high duty which inspires them are very much in evidence in the world to-day. The question is whether in the years immediately ahead they are to be evoked in rival causes or to be mobilised in support of a common good. At the moment the word is with the diplomats. They should be able to avert the great disaster if in all countries they will realise with Mr Lloyd George that at best the outcome of war is the result of blundering chance, and secondly that in any case, and in the long run, no one wins.

Shorter Notices

"Abolish Slumps." By A. W. Knight. P. S. King and Son, Ltd. 142 pages. 6s.

This short book is a most praiseworthy attempt to provide an empirical justification for a theory of the trade cycle, and should be of interest both to professional economists and also to the general public. Mr Knight's general analysis follows that of Mr Keynes, but his theory of the trade cycle is perhaps even closer to that expounded by Mr Harrod in a recent essay. Income and employment, it is argued, depend essentially on the volume of investment, and slumps are the result of a decline in the latter. The relation between savings and investment (which must be equal for the economic system as a whole) is further clarified by the distinction between the "successful"—i.e. those in employment and those who make profits—and the "unsuccessful," whose incomes have to be supplemented by the savings of the former.

The most original part of the book is the attempt to show that for Great Britain the percentages of unemployment in the investment and in the consumption goods industries are always more or less in a fixed ratio to each other. From this the value of what Mr Keynes would call the "multiplier" is deduced. Mr Knight also attempts to show that for full employment 19 per cent. of the national income must be invested, and that any smaller percentage will lead to general unemployment. Any attempt on the part of the "successful" as a whole to save a larger percentage is bound to be abortive, as it will lead to losses elsewhere.

Mr Knight's use of figures is extremely simple, and more reliable statistical tests are necessary before his results can be accepted. Nevertheless, the conclusions which he draws from them have a theoretical as well as an empirical justifi-

cation. It is to be hoped that economists will for the present overlook Mr Knight's rather naïve strictures on marginal analysis, and will recognise the value of his pioneer effort in an all-important field of applied economics.

"Can Industry Govern Itself?" By O. W. Willcox. Allen and Unwin. 285 pages. 10s.

The invention of a new terminology may temporarily conceal scientific fallacies, however impotent it may be to correct them. The reader of Mr Willcox's latest contribution to economic literature will soon discover among the discussions on "proration," "unsaturation" and "super-saturation" that he is being invited to approve of restriction of output as the means of securing abundance. The author actually goes the length of holding up the sugar industry (about which he writes with considerable expert knowledge) as the model to which other types of production should be directed to conform. It is fairly generally agreed among economists at the present time that the sugar industry is the most glaring example of unwise protection and restriction. The price of sugar in those countries where "prorating" has been adopted has been raised against consumers; the countries naturally favoured for sugar production have been almost ruined; and the world's agricultural resources have been deflected into unprofitable uses. Apparently Mr Willcox would favour the extension of "prorating" to other branches of production. The essential fact which he ignores is that the possibility of "prorating" some commodities depends upon the free and unfettered production of others. A community of parasites cannot survive by mutual destruction, any more than a beehive can subsist if it contains nothing but drones.

Books Received

Survey of International Affairs, 1935. By Arnold J. Toynbee. Assisted by V. M. Boulter. Vol. I. 455 pages. 18s. net. Vol. II: *Abyssinia and Italy.* 568 pages. 21s. net.

Great Britain and Palestine, 1915-1936. Royal Institute of International Affairs. Information Department Papers. No. 20. (London) Chatham House, St. James's Square, S.W.1. 111 pages. 2s. 6d. net.

The Bankers' Almanac and Year Book, 1936-37. (London) Thomas Skinner & Company, Old Broad Street, E.C.2. 2,314 pages. £2 2s. net.

Mandates. By Neil Macaulay. (London) Methuen & Company, Ltd. 213 pages. 6s. net.

Migrant Asia. By Radhakamal Mukerjee. (Rome) Tipografia I. Failli. 310 pages. L. 30.

Das Grundproblem der Geldverfallung. By F. Lutz. (Berlin) Verlag von W. Kohlhammer. 96 pages. Rm. 3-90.

Sozialpolitik als Krisenpolitik. By B. Pfister. (Berlin) Verlag von W. Kohlhammer. 283 pages. Rm. 9.

Technischer Fortschritt und Arbeitslosigkeit. By A. Kruse. (Munich) Duncker and Humblot. 82 pages. Rm. 3-80.

Imperial Institute: The Mineral Industry of the British Empire and Foreign Countries, Statistical Summary, 1933-35. 7s. 6d. net.

Cinematograph Films Act, 1927: Report of a Committee appointed by the Board of Trade. Cmd. 5320. 9d. net.

Absorption of the Unemployed into Industry. Cmd. 5317. 2d. net.

League of Nations: International Labour Conference. Cmd. 5305. 1s. net.

Ministry of Agriculture and Fisheries: Economic Series No. 44. Report of the Reorganisation Commission for Milk for Great Britain. 1s. net.

Ministry of Agriculture and Fisheries: Agricultural Statistics. 1935. Vol. lxx. Part 1. 1s. 6d. net.

ANNOUNCEMENT

The Nineteenth Century and After for January contains an article putting forward the solution of the economic problem, by A. G. McGregor, author of "The Correct Economy for the Machine Age" (PITMAN).

MONEY AND BANKING

Evolution in the Money Market

THE London money market is no exception to the rule which ordains that great public institutions, if they are to maintain their usefulness, must change with changing times. Not since 1931, when the gold standard was suspended, has any year seen more striking evolutionary developments than that which has just closed. The decisive significance of the exchange agreement between Britain, France and America, announced coincidentally with the devaluation of the gold *bloc* currencies at the end of September, has secured world-wide recognition. In the following article we discuss three other features of the year, whose importance, though less widely appreciated, is undoubted; for all three have established precedents and confirmed our new monetary technique.

We may begin by referring our readers to certain figures which bring out the salient features in the picture. Our first table has been compiled from the returns of the Bank of England at various "key" dates:—

BANK OF ENGLAND
(Million £)

Date (1936)	Gold	Note Circulation	Reserve	Government Securities†	Public Deposits	Bankers' Deposits
Jan. 15	200.2	397.7	63.1	83.9	13.8	110.1
Apr. 1	200.8	413.0	48.6	95.9	9.7	102.6
Apr. 29	202.7	416.9	46.6	101.3	7.5	104.7
June 3	207.3	433.5	34.7	98.5	8.2	98.7
Aug. 5	243.0	454.4	49.6	89.9	17.6	92.7
Sept. 23	247.6	445.7	63.6	82.0	10.4	108.0
Nov. 4	248.7	447.1	62.5	79.0	27.2	85.3
Nov. 18	248.7	444.9	64.6	89.1	14.1	96.1
Dec. 16* ..	313.7	467.7	46.6		10.4	96.2

* This date has been selected because, during the last fortnight of the year, the position was distorted by year-end borrowing at Bank, and by inequalities between Treasury Bill payments and maturities. The note circulation rose on December 23rd to a high record of £474.1 millions. In the Banking Department, the fiduciary note issue was reduced from £260 millions to £200 millions on December 15th.

Our next table shows the composition of the floating debt, distinguishing between Treasury bills issued by tender, and the "tap" Treasuries and Ways and Means Advances which together form the floating assets of the Public Departments:—

FLOATING DEBT
(Million £)

Date (1936)	Tender Treasury Bills	"Tap" Treasury Bills	Ways and Means Advances	Total Departmental Floating Assets
January 18	550.0	328.3	22.4	350.7
March 31	498.0	265.1	19.1	284.2
May 2	528.0	224.7	26.0	250.7
June 6	573.0	214.2	24.0	238.2
August 8	630.0	178.4	31.1	209.5
September 19	621.0	191.4	27.4	118.8
November 7	603.0	234.5	31.7	266.2
November 21	603.0	222.7	27.0	249.7
December 19	617.0	202.3	28.4	231.7

The third table shows the clearing banks' resources:—

CLEARING BANK AVERAGES
(Million £)

Month	Cash	Call and Short Loans	Dis-counts	Invest-ments	Advances	Deposits	Cash Ratio (%)
January	224.5	154.8	344.4	614.6	796.8	2,127.1	10.6
March	213.5	157.7	250.4	619.8	834.0	2,071.6	10.3
April	224.1	155.4	266.7	621.5	849.2	2,116.3	10.6
June	221.6	152.6	327.5	626.2	858.8	2,191.4	10.5
August	230.0	157.7	343.7	625.7	857.2	2,208.8	10.4
September	226.1	161.2	342.1	632.7	862.5	2,219.7	10.2
October	223.6	158.9	349.2	640.0	872.9	2,243.3	9.9
November*	229.6	174.3	327.1	640.2	875.3	2,249.0	10.2

* December figures not yet available.

The first development of the year arose from the summer flight of funds from Paris to London. The actual transfer of these funds over the exchanges was

covered by gold purchases by the Exchange Equalisation Account. To finance these gold purchases, the Exchange Account had to reduce its holdings of Treasury bills and fresh bills had to be issued by tender. Hence the summer changes in the composition of the floating debt, and also the summer increase in the clearing banks' discounts.

French hoarding of British currency, meanwhile, had raised a new problem, for it not only reduced the Bank of England's Reserve but also depleted the cash holdings of the joint-stock banks. Discount rates, consequently, began to harden, and it was clear that stringency might soon develop. The authorities, therefore, took action on lines which had been first suggested in *The Economist* on June 6th, and the Exchange Account proceeded to repatriate part of its new gold and sell it to the Bank of England. Our table shows that by August, as a result of these gold purchases, the Bank of England's Reserve had been replenished, and the joint-stock banks' cash had been restored.

This episode is important because, sooner or later, there will be a reverse capital movement, involving a repatriation of French funds and the dishoarding of British currency. In that event the Bank must obviously be prepared to re-sell gold to the Exchange Equalisation Account, and if it failed to do so, one consequence would be the creation of a plethora of money in the London market. The Exchange Account, further, may well require the gold to protect sterling. Thus, the question has been squarely raised of the proper division of the nation's stock of monetary gold between the Bank of England and the Exchange Equalisation Account. For a discussion of this question, we would refer readers to our issue of October 10th.

Secondly, official preparations for the issue of the Funding Loan in November illustrated the new technique of Government long-term borrowing. When a loan is issued, it is, in effect, underwritten by the Public Departments. The Departments were required to take up large quantities of the Funding Loan issued in December, 1935, and during most of 1936 they were disposing of their holdings gradually, by means of "tap" sales at definite prices, which were varied from time to time. Last September and October they accelerated their sales, presumably with foreknowledge of the November new issue. Their action had a triple effect on the money market. First, the banks increased their purchases of securities. Next the Departments took up more Treasury bills; and, as our table shows, there was a temporary increase in "tap" Treasuries and a contraction in tender issues. Finally, part of the cash received by the Departments, in payment for their sales of the 1935 Funding Loan, was lodged by them in public deposits at the Bank of England, thereby causing a temporary contraction in bankers' deposits and in clearing bank cash. The result was another period of slight stringency, coupled with a drop in the clearing banks' cash ratio to just below the traditional 10 per cent. for the first time within living memory.

Early in November cash was released through the payment of Government dividends. A few days later the new Funding Loan made its appearance. Meanwhile there began the repayment of the sterling credit of £40 millions, which had been granted to the French Treasury by London bankers early in the year. To cover the repayments, gold was drawn out of the Bank of France, and transferred, via the new French Exchange Fund, to the British Exchange Equalisation Account. Once more the authorities in London had to raise sterling to pay for French gold, and early in December the decision was taken to transfer £65 millions of gold from the Exchange Equalisation Account to the Bank,

in exchange for £60 millions of Treasury bills which were released to the Exchange Account by means of a reduction in the fiduciary note issue. These variations in the fiduciary note issue suggest the third precedent for future action—namely, the raising or lowering of the fiduciary note issue as an instrument auxiliary to the Exchange Account's gold purchases and sales.

Meanwhile 1936 has witnessed a steady increase in clearing bank advances, and the previous plethora of credit is slowly being absorbed. Unless appropriate steps are taken, it looks as if the recent era of cheap money may be approaching its end, for the forces now at work are tending to stiffen rates. The trade of the country is doubtless sufficiently robust to bear a slightly higher and more effective Bank rate, but the effect on the cost of the floating debt, and so on the Budget, would be more serious. The authorities have successfully tackled the problems of the past four years, but they are now being faced with a new set of problems demanding entirely different treatment. In particular they may have to transfer more gold from the Exchange Account to the Bank and possibly increase the fiduciary note issue again. Here we must not overlook the ultimate repatriation of funds to France, of a magnitude entailing a reverse movement of gold from London to Paris. Subject to this possibility, the real question is whether the authorities will use the new powers evolved during the past four years. This is why, for more reasons than one, 1936 may prove to have been a crucial turning-point in our recent monetary history.

Financial Notes

The Money Market.—Thursday was the last day of the year, when the banks strengthen their cash holdings for balance-sheet purposes. This fact has overshadowed the money market ever since Thursday of last week, which was Christmas Eve. On that day, three day's Treasury bills had to be paid for, Friday and Saturday being holidays, and there were also few Treasury bill maturities. The market therefore realised that it would be short of funds, while that was also the first day on which money could be borrowed from the Bank of England for repayment in the New Year. A fair amount was therefore borrowed, while the market also went to the Bank for smaller amounts during the early days of the current week. By this time, however, for reasons explained in the following Note, bill-brokers were receiving large amounts in repayment of maturing Treasury bills and had no new bills to pay for. The result was that by the time December 31st arrived both the banks and the market were well supplied with funds, mainly by forcing the Government to borrow at the Bank. The Market itself did not have to borrow on Thursday, and some of the banks were able to lend at $1\frac{1}{4}$ – $1\frac{1}{2}$ per cent.

	Dec. 10, 1936	Dec. 17, 1936	Dec. 23, 1936	Dec. 31, 1936
Bank rate	%	%	%	%
Clearing banks' deposit rate	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$
Short loan rate:—				
Clearing banks	$1\frac{1}{4}$ – $1\frac{1}{2}$	$1\frac{1}{4}$ – $1\frac{1}{2}$	$1\frac{1}{4}$ – $1\frac{1}{2}$	$1\frac{1}{4}$ – $1\frac{1}{2}$
Others	$1\frac{1}{4}$ – $1\frac{1}{2}$	$1\frac{1}{4}$ – $1\frac{1}{2}$	$1\frac{1}{4}$ – $1\frac{1}{2}$	$1\frac{1}{4}$ – $1\frac{1}{2}$
Discount rates:—				
Treasury bills	$\frac{3}{4}$	$\frac{3}{4}$	$\frac{3}{4}$	...
Three months' bank bills	$1\frac{1}{8}$ – $\frac{3}{4}$	$1\frac{1}{8}$ – $\frac{3}{4}$	$1\frac{1}{8}$ – $\frac{3}{4}$	$1\frac{1}{8}$ – $\frac{3}{4}$

* Loans against Treasury bills and other approved bills and British Government securities within six months of maturity; 1 per cent. Treasury Bonds and other gilt-edged stocks within six months of maturity; and other collateral respectively.

† This week's rates were $1\frac{1}{4}$ – $1\frac{1}{2}$; $1\frac{1}{4}$ – $1\frac{1}{2}$; and $1\frac{1}{4}$ – $1\frac{1}{2}$ per cent., for the three classes of loans, respectively.

There was very little buying of bills, and there is no market rate for hot Treasury bills, as no new bills have yet been issued this week.

The Bank Return.—The key to the Bank Return of this week lies in the money market's preparations for the end of the year. In these days, when Treasury

bills provide the market with its main stock-in-trade, it is possible to reduce borrowing at the Bank of England by arranging for heavy Treasury bill maturities immediately before the end of the year, while postponing payments for new bills until the New Year has opened. This is possible because applicants for Treasury bills at the weekly tender have the option of choosing which day in the following week they will pay for their bills. The result was that by December 30th the Government had had to meet the bulk of the week's maturities of Treasury bills, and was not due to receive payment for the new bills until January 1st. During the first part of the week, therefore, it had to draw on its own deposits and also borrow heavily at the Bank of England.

BANK OF ENGLAND					
	Jan. 1, 1936	Dec. 9, 1936	Dec. 16, 1936	Dec. 23, 1936	Dec. 30, 1936
	£ mill.	£ mill.	£ mill.	£ mill.	£ mill.
Issue Department:—					
Gold	200.0	248.7	313.7	313.7	313.7
Note circulation	411.7	458.9	467.7	474.1	467.4
Banking Department:—					
Reserve	48.9	50.5	46.6	40.2	46.8
Public deposits	10.0	17.5	10.4	21.7	12.1
Bankers' deposits	130.5	87.0	96.2	72.2	150.6
Other deposits	37.3	38.9	38.8	38.8	39.2
Government securities	110.4	81.7	89.1	83.1	134.5
Discounts and advances	23.7	8.1	6.7	6.4	17.5
Other securities	13.0	20.9	20.8	21.0	21.2
Proportion	27.4%	35.2%	32.0%	30.2%	23.1%

These movements are illustrated in the table. Government borrowing on Ways and Means at the Bank has raised Government securities temporarily to £134.5 millions, or by some £40 or £50 millions above normal. The cash so borrowed was disbursed in repayment of maturing Treasury bills, and found its way into the joint-stock banks, thereby helping them to strengthen their cash position for the end of the year. Meanwhile the return of some of the Christmas currency has both reduced the note circulation and provided the banks with additional cash. Market borrowings from the Bank were only about £11 millions. All these operations explain the increase of nearly £80 millions in bankers' deposits. Next week the banks will again be lending more freely, while the market will have paid for its new Treasury bills. The Bank return should therefore be of more normal dimensions.

Christmas Currency Expansion.—The returns of the note circulation suggest that, notwithstanding the constitutional crisis, Christmas trade was well up to the average of the preceding recovery years. The actual details are shown below:—

NOTE CIRCULATION (£ millions)				
	1933	1934	1935	1936
Mid-November	367.5	376.9	398.9	444.9
Christmas week	391.9	405.1	424.5	474.1
Increase (actual)	24.4	28.2	25.6	29.2
Increase (per cent. of Mid-November circulation)	6.6%	7.5%	6.4%	6.6%

The absolute increase was the largest of any of the past four years, but when compared with the size of the note circulation immediately before each Christmas expansion began, the percentage increase is barely up to the average. Too much must not be read into these last percentages, as any such comparison is qualified by such facts as the 1936 foreign currency hoarding and the absence of any serious rise in retail prices. On the whole, these figures suggest that the recent Christmas trade was well up to previous expectations but was not of outstanding magnitude. It looks as if the reactions of the constitutional crisis may have had a slightly retarding effect.

The Foreign Exchanges.—It has been a quiet week in the foreign exchange market and there have been no wide movements in rates. The Christmas holiday was, of course, a prolonged interruption, and busi-

ness as a whole has not been substantial. The franc spot rate has been firmly held throughout at about Frs. 105½, but the forward franc has displayed a certain weakness, the discount for three months being quoted on Thursday at Frs. 2½–3. The guilder, both spot and forward, has been firm, and forward guilders bought at the time of devaluation three months ago have been delivered without any effect on the rate. The forward rate is now more or less at par. Swiss francs are in much the same position and are very firm. The belga has been a little irregular, but the strength of its position is shown by the current three months' forward premium. Registered marks have been weak, probably on account of the current political fears, and at one time went as far as 54½ per cent. discount, subsequently recovering to about 52½ per cent. There has been no change in the ordinary rate. The dollar has displayed an erratic weakness against sterling, moving at one time to \$4.92, but this was only temporary and due to the transfer of money to England for lending in London into the New Year. This is only a passing movement and reflects no underlying weakness. The only other feature of interest has been the weakness of the yen, which may possibly be attributed to the budgetary situation in Japan. At one time the rate weakened to 1s. 1½d.–1s. 2d., but on Thursday there were signs of a recovery.

Compensation Brokers, Limited.—Further details are now available concerning this new undertaking for developing trade between the Dominions and Germany, the formation of which was announced in *The Economist* of December 19th. It is promoted by Anglo-Foreign Securities, Limited, a subsidiary of Messrs J. Henry Schroeder and Company and Hambros Bank. Lord Glenconner is chairman, and the other directors are Mr E. W. D. Tennant and Mr P. F. Tiarks. Mr Julian Piggott, general manager of the export department of the British Iron and Steel Corporation, is to be managing director. As we explained a fortnight ago, the company is to act as an intermediary, operating on a commission basis. It will not facilitate the importation into Germany of raw materials used exclusively for re-armament, and it will take great care not to deprive British exporters of trade. On the contrary, the underlying idea is to obtain for Germany orders from the Dominions which otherwise would go to countries such as the United States. Even if an order is obtained for Germany to-day on the ground that Great Britain is unable to fulfil it, this would not necessarily constitute a precedent for future years when Great Britain might be able to supply. Within these limitations, whose existence should be clearly understood, we agree that the scheme may perform a useful function under the present abnormal conditions of international trade, but we repeat our previous warning that great care will be needed in its operation.

Canadian Banking Trends.—Sir Charles Gordon, the president, and Mr W. A. Bog, a general manager of the Bank of Montreal, discussed the Canadian banking position at last December's annual meeting. The banks are in a very liquid condition, but owing to the diminution in the demand for advances they have had to add to their holdings of securities. Naturally they prefer to hold "shorts," for this minimises the risk of future depreciation, but the trouble is that most short-term securities yield a very low return. This is a more serious matter for the Canadian banks than for the American banks, for whereas the latter now pay no interest on banks' deposits, 70 per cent. of the Canadian banks' deposits consists of money lodged with the savings bank departments and therefore subject to interest. One consequence is that the rate of interest paid on savings deposits, which had stood at 3 per cent. for thirty years, has since 1933 been reduced to 1½ per cent. The contraction in the demand for bank advances was ascribed by Mr Bog to various familiar causes, such as greater economy and efficiency in production and distri-

bution and the growing integration of Canadian industry. The report of the Royal Bank of Canada also suggests that the recent reduction in the wheat carry-over has facilitated the liquidation of outstanding wheat loans. This has relieved the banks of an anxiety which has persisted for several years, but it does not solve the banks' other problem of finding fresh credit-worthy borrowers. We may note in conclusion the retirement of Mr Bog from his position as one of the Bank of Montreal's general managers. He has been appointed a Vice-President of the bank.

Bank of New South Wales.—At the general meeting of the bank, held in Sydney on November 27th, Sir Thomas Buckland, the President, strongly criticised the new legislation in New Zealand which requires the trading banks to maintain statutory deposits at the Reserve Bank. These deposits must be not less than 3 per cent. of the trading banks' fixed deposits and 7 per cent. of their call deposits, and the Reserve Bank also has power to vary these minimum ratios at will. As these minimum deposits must be maintained, the Bank of New South Wales refuses to regard them as part of its cash, but shows them as a special item of £342,000 in its latest balance sheet. Sir Thomas also criticised the tendency of the New Zealand Government to control the Dominion's export trade. In discussing Australian banking conditions, Sir Thomas pointed out that the ratio of advances to deposits was already as high as 94 per cent., and that some reduction in the ratio was called for. The banks have already raised their rates on fixed deposits, which eventually will mean an increase in the advance rate of interest, and other steps are being taken to control advances. The fact that the cash reserves of the trading banks are determined by fluctuations in London funds, which in turn depend upon the ebb and flow of trade, makes it difficult to pursue a consistent banking policy. It is clear from the whole of Sir Thomas' speech that Australia's banking and monetary system is still in process of evolution, and in several respects it still needs greater elasticity.

Average Money Rates.—For purposes of record we give below a table of average short loan and discount rates over the past eight years. We must warn readers, however, that conditions in the money market have recently changed so much that at the moment average rates are misleading:—

AVERAGE MONEY RATES				
Year	Bank Rate	Market Rate, 3 Months' Bills	Deposit Rate, Banks	Short Loans
1929	£ s. d. 5 10 0	£ s. d. 5 5 4	£ s. d. 3 10 0	£ s. d. 4 12 3
1930	3 8 5	2 12 3	1 8 5	2 9 6
1931	3 18 7	3 11 0	2 1 0	3 0 10
1932	3 0 2	1 16 9	1 5 2	1 15 7
1933	2 0 0	0 13 10	0 10 0	0 15 5
1934	2 0 0	0 16 7	0 10 0	0 16 10
1935	2 0 0	0 11 3½	0 10 0	0 14 10½
1936	2 0 0	0 11 10½	0 10 0	0 15 6

To-day, most rates in the money market are largely controlled. Thus, during most of 1936, the clearing banks lent money at fixed rates of $\frac{1}{2}$, $\frac{3}{4}$ and 1 per cent., the rate depending on the collateral lodged against each loan. Other banks and financial houses, usually known as "outside lenders," varied their rates at will, but as a rule charged $\frac{1}{2}$ per cent. Discount rates were also subject to agreement, for the clearing banks during most of the year fixed a minimum buying rate of $\frac{1}{2}$ per cent. for Treasury bills and also refrained from buying "hot" Treasury bills—that is, bills with their full three months to run. The minimum buying rate was usually the effective rate. Three months' bank bills were dealt in more freely, and so their average rate for the year was more representative of actual conditions.

THE STOCK EXCHANGE

Green Light or Amber?

THERE are no question marks to set against the investment record of 1936. It was the most brilliant year since recovery first raised its head in 1932; post-war comparisons were challenged; and in some markets activity was reminiscent of pre-war vintage years. At times, even, the physical resources of dealers were strained almost to the limit, and the markets threatened to boil over into a boom.

Any diversified holding of industrials, therefore, was bound to yield impressive capital appreciation as well as excellent dividends. The Actuaries' Investment Index of 178 equity shares, for example, records an advance of 12.4 per cent. over the year, while the *Financial News* index of 30 industrials—a more sensitive market indicator—has appreciated by 16.5 per cent. From the end of May to mid-November the advance in share prices was almost uninterrupted. The year began with renewed emphasis on cyclical domestic recovery, fed by building activity, but before two months had passed the market was in the middle of a re-armament boom. During the winter months, rising prices and production of primary commodities introduced a further shift in market interest towards rubber, base metal and oil shares, and the bonds of depressed producing countries. These trends may be studied in detail in the tables of active securities and investment indices which appear on page 44.

Almost every important market group has now enjoyed a spectacular recovery. Even the laggard industries like cotton and shipbuilding, handicapped commercially by export problems and financially by preference dividend arrears, have received the speculator's attention. True to expectation, irredeemable gilt-edged stocks have reacted amid this plethora of industrial gains, though their fall has been no greater than about 2½ per cent. The forces which influence fixed-interest stocks are still making for a fall rather than a rise. Cheap money remains, together with the banks' stabilising interest in the gilt-edged market. But in a period of rising prices the relative attractions of "money stocks" are inevitably diminished. No prudent investor anticipates a dramatic fall through the gamut of fixed-interest securities, but many will wonder whether the time is approaching when living on a bank deposit may be preferable to holding unlimited quantities of gilt-edged stocks.

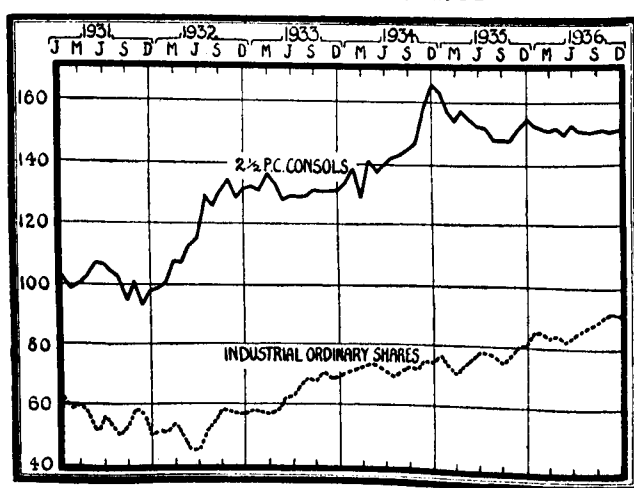
This, at any rate, appears a reasonable inference from the course of the Old Consols index, which is charted in the adjoining column. But the decisions required of the investor in industrial shares are even more complex. In about four-and-a-half years equity share prices have risen, on the average, by approximately 100 per cent. Both in duration and magnitude, this advance is significantly close to the limit of earlier recovery movements. In many directions, the rise in equities has clearly not exhausted its impetus, but the record of the past year shows that significant sectional changes are in progress. These may well be reinforced by the manifest shift of emphasis from natural economic factors—"honest business," as Mr Arthur Chamberlain calls them—towards re-armament expenditure. Does this necessarily imply the continued expectation of prosperity for makers of ploughshares?

Industrial investors, in fact, must consider two basic quantities: output and profit-margins. In some industries the capacity for a further expansion of current output is now limited. Steel and engineering companies,

in particular, are unable to keep pace with current demand. Other things being equal, the increase in earning power of the constructional industries may be less rapid this year than last, even assuming that the general level of business activity continues to improve. But will other things be equal? In particular, will profit-margins per unit be maintained in industry generally? The answer depends upon the relative division of expenses, in different industries, between prime costs and indirect costs. Industries with small prime costs—like brewing—can resist the effect of rising prices longer than those whose expenses are incurred largely for materials and, to a lesser extent, wages. And companies which cater for "consumption goods" trades may have greater difficulty in passing on the incidence of rising costs to the consumer than those in the construction trades.

At the threshold of the New Year it is clear, at least, that the rising trend of prices, which means so much for the holder of rubber, base metal and oil shares, is much less of a bull point for the industrial shareholder. It would be most dangerous, at this stage of recovery, if the authorities responsible for commodity restriction schemes were to allow the initiative to slip from their hands, and thus to precipitate a speculative boom, instead of a natural movement towards freer production.

GILT EDGED AND INDUSTRIAL SHARE
MOVEMENTS SINCE 1931



Among commodity shares, the discounting of improved earnings prospects has been curiously uneven; it has been carried farther for copper shares than for other base metals, and by comparison the present level of rubber shares is the least forward-looking of all. On these groups generally (including oil shares), speculative activity seems likely to be mainly concentrated for the next few months. When the bulls are roaring after higher commodity and metal prices, the agile but watchful quick-turn operator has most chances of profit.

For the general investor, who usually expects to hold what he buys, say, for at least a year, it follows that the run of the industrial market may be less favourable. By any investment reckoning, four and a half years is a long life for a recovery market. When the small speculative investor reappears at the door (as he did last year) and it becomes impossible to satiate the "stags" with enough small, second-rank industrial issues, the more experienced and conservative investor may well

look towards the window. Throughout the recovery, Stock Exchange prices have fully kept pace with rising dividends. The dividend yield on the shares included in the Actuaries' Index was as high as 5.92 per cent. at the end of June, 1932, and a year later it had fallen to 4 per cent. But between the current yield (3.68 per cent.) and those of a year ago and two years ago there is no quotable difference.

And what, in fact, are future dividend expectations? The coming Spring will certainly produce a good crop of company reports, and rising costs may not reveal themselves as a potent influence until reports are published a year hence. At this stage of the cycle, however, the possible range of spectacular advance in profits is becoming more restricted, except, perhaps, in the traditional export industries. It will be generally agreed that, on any representative batch of ordinary shares, a permanent return at a rate only ½ of 1 per cent. higher than that on Government securities is much too low, and that, consequently, even a relatively large increase in dividends in the next few months would not, in itself, justify a new advance in ordinary share prices over a wide front. Finally, if the basis of recovery under the ægis of re-armament were to be called in question, perhaps a year hence, past experience strongly suggests that the necessary adjustment in equity prices would begin some months in advance.

In short, after a long and unimpeded journey along the road of recovery, the investor may find short excursions preferable to touring during the coming year; and some of the less frequented side streets—like commodity shares and bonds and shares in export trade companies—may be safer than the crowded main roads of heavy industry, rails, and certain consumption trades shares. But, whichever route he takes, the investor should be ever on the watch for road-side signals, and, above all, be ready to make the appropriate movement if the traffic lights change from green to amber.

Investment and Company Notes.

A Commodity Share Portent?—Commodity shares have been most in the picture during this week's four-day market. Rubber jumped to 111½d. on Monday, and carried the prices of leading shares to yet higher levels. Some, including Gula Kalumpung and Kuala Lumpur, were as much as 5s. higher on the day, and most of the pound shares appreciated by a sixteenth. But the weak nature of some recent speculative buying of the commodity was subsequently exposed. Trade buyers, significantly, were holding aloof, and operators were quick to snatch their scant profits. Although the public was still a buyer of rubber shares in mid-week, therefore, Lane's signal, and falls in quotations, though not severe, were general. Since rubber shareholders can look forward to potential earnings yields of well over 8 per cent. with rubber 1d. below its present price, it would be unreasonable to expect a sharp fall in existing share levels. But the reaction of the commodity market to the Committee's efforts to control speculative buying will be important during 1937. The danger, for consumers and investors alike, is that boom speculation may get out of hand. Hence, the reaction in rubber and base metals in mid-week was welcome. In all commodities, expectation is centred upon rising prices and increased production, but the market is not uniform in its valuation of prospects. Copper shares stand relatively highest, followed by base metal issues, and finally rubber shares.

Home Railway Year.—The four home railways celebrated the fifty-second week of 1936 with an aggregate increase of £624,000 in gross traffic receipts, as compared with a Christmas week in 1935. Even when allowance is made for the "splitting" of Christmas travel between two weeks' returns last year (when Christmas day fell on a Wednesday), the figures still suggest a satisfactory Christmas movement of merchandise and men. The totals for the fifty-two weeks show an increase of £5,056,000 over 1935, of which 33 per cent. came from passengers, 50½ per cent. from merchandise and only 16½ per cent. from coal and coke:—

1936 GROSS RAILWAY RECEIPTS
(52 weeks)
£000's

Traffic	L.M.S.R.	L.N.E.R.	G.W.R.	S.R.	Total
Passenger	25,772	16,784	10,935	15,954	69,445
Gain over 1935	693	362	236	366	1,677
Merchandise	24,932	17,030	9,967	3,251	55,180
Gain over 1935	1,414	590	480	71	2,555
Coal and Coke	12,675	12,149	5,274	1,611	31,709
Gain over 1935	405	375	18	26	824
All Classes	63,379	45,963	26,176	20,816	156,334
Gain over 1935	2,512	1,327	754	463	5,056

The London, Midland and Scottish Railway alone, it will be seen, provided half of the fifty-two weeks' net gain. The increases on the other three lines were divided, roughly, according to the magnitude of each company's operations. This result must be accounted somewhat disappointing for the London and North-Eastern, which has a large stake in the fortunes of the heavy industries. During the first eleven months of this year *The Economist's* Index of Business Activity showed a rise, as compared with 1935, of 6.6 per cent. The increase in total railway receipts during the past fifty-two weeks has been 3.3 per cent. It is evident that, while industrial prosperity has not by-passed the railways in 1936, many of the limiting factors on revenue, to which Sir Josiah Stamp alluded at the L.M.S. meeting, have not been eliminated.

Railway Dividend Prospects.—Before the financial year ends, the L.N.E. still has five and the other railways four days to go, and the figures for the precise calendar year, when published, will include an extra day for leap-year in 1936. Already, however, on the basis of known facts, it is possible to make more than an informed guess (though less, perhaps, than an informed estimate) of possible dividends. The approximate incidence of decreased rating and freights rebate liabilities, and of higher wage costs can be roughly allowed for. The unknown factors are the extent to which higher working costs have offset part of last year's increase in revenue; and, secondly, the way in which amounts recovered for past over-payments on account of rates and freights rebates will be allocated between reserves and dividends. Making reasonable assumptions under the first head, but allowing for no dividend windfalls whatever under the second, it would appear that something more than 1 per cent. and less than 1½ per cent.



SECURITY FIRST

TOTAL FUNDS EXCEED
£47,000,000

CLAIMS PAID, OVER
£200,000,000

Head Offices:

LIVERPOOL
North John St.

LONDON
Lombard St.

has been earned for the year on L.M.S. ordinary; something in the neighbourhood of $\frac{1}{2}$ per cent. on L.N.E. second preference; a little more than 2 per cent. on Great Western ordinary; and a mere token amount, which may be anything from a fraction up to 1 per cent., on Southern deferred. The market takes it for granted that the Great Western directors will maintain the sweet simplicity of a 3 per cent. dividend, but any generosity of the other three railways is likely to depend on the extent to which rating and freight rebates windfalls are drawn upon. The L.M.S. already appears to be committed to a policy of one-hundred-per-cent. conservatism in this respect. Other boards are likely to frame their policy with due regard to the serious rise in costs for materials, coal (and, not improbably, wages), which will need to be faced next year. At present prices, marginal railway stocks appear to offer the investor more inducement to lighten than to extend his portfolio.

Wall Street in 1937.—For several months, Wall Street has been blessed with unanimous prophets, some earning honour in their own country, and many reaching similar conclusions a thousand leagues away. All are agreed that the American economy is in an inflationary phase, whose concomitants are rising prices, higher rents, and increasing industrial activity. Part of the latter is attributed to sheer physical necessity. The re-equipment movement in the utility and railroad industries, which began last Spring, has still a good way to go. Major concerns like U.S. Steel and the utility companies, are in the midst of expansion programmes. The constructional trades should therefore be facing a good year. This applies particularly to heavy steel producers, who may have an opportunity during the coming year to widen their profit margins. The shares of railroad equipment, rolling stock, and brake companies, have already an active following, since the railroad companies are now able to afford renewals and reconditioning. The building industry has so far achieved only a partial recovery, and has certainly not made the same major contribution to industrial revival as its counterpart in Great Britain. The business outlook, altogether, is favourable, but the investor should take note of certain more doubtful administrative and social features. The foreign investor may be made less welcome on Wall Street, if means can be found to discourage him. But he should not object, if his memory goes back eight years, to the Administration's anxiety to stop the market breaking into boom. Some rise in industrial costs must also be reckoned with. Labour is being cautiously handled, but it is still restive. And Congress has yet to take off its coat and start work. But although the President may not love Wall Street, he is yet a bull of American recovery. By helping his own cause, particularly on lines which the market venerates as "orthodox," he would be confounding his harshest critics and doing a multitude of ordinary investors a good turn.

Bulgarian Debt Agreement.—The history of the Bulgarian debt service during the past four years might well be presented under the title "The Mystery of the Effective Leva." That elusive unit has been the key to the actual debt service since the arrangement of April, 1934. Under this scheme, some $37\frac{1}{2}$ per cent. of the service was to be provided in non-interest bearing bills and $32\frac{1}{2}$ per cent. in effective leva. "Effective" was, from the first, the operative word. The full $32\frac{1}{2}$ per cent. was provided, but owing to difficulties in obtaining exchange, only 15 per cent. was actually transferred to the creditors, leaving 17 per cent. credited to blocked accounts. In March last a new agreement was reached, under which the actual payment was raised to $21\frac{1}{2}$ per cent., leaving 11 per cent. to be placed in blocked accounts as before. Then, last November, a settlement for the final discharge of untransferred arrears, negotiations 40 per cent. of their value paved the way for negotiations for a new agreement in December. This provided that $32\frac{1}{2}$ per cent. of interest is actually to be paid,

1937 and 1938, and new discussions will take place before 1939. As before, the Budgets for 1937 and 1938 will include the full debt service, but the untransferred $67\frac{1}{2}$ per cent. of interest will in effect never reach bondholders. After it has been paid to the League of Nations Commissioner in non-interest-bearing Treasury bills, it will be returned at the end of each year when transfer of the $32\frac{1}{2}$ per cent. in foreign exchange has actually been made. Though the basic percentage should be comfortably afforded by Bulgaria, the arrangement suggests that her Government recognises the wisdom of improving her credit, and giving the bondholders some definite assurance of payment.

London Transport's Half-year.—London Transport has justified its claim to record pre-holiday operations by publishing an excellent traffic return. For the twenty-sixth week of the board's financial year (which ends in June) an increase of £47,000 was recorded, compared with Christmas week in 1935. The improvement in traffics over the half-year is analysed below:—

TRAFFIC RECEIPTS (BEFORE POOLING WITH THE MAIN-LINE RAILWAYS)

26 weeks to December 28, 1935	£14,147,000
26 weeks to December 26, 1936	14,607,200
Increase for past half-year	£460,200 (3.3%)

The rate of increase during the past half-year is more than double that for the first half of 1935-36, which showed a gain of 1.46 per cent. compared with 1934-35. But the vital consideration for the "C" stockholders is how much of the gross increase will be retained, net? The earnings last year for the "C" stock were some £384,000 short of meeting the $5\frac{1}{2}$ per cent. dividend which is due either this year or next. It is now evident that London Transport is even more vulnerable to rising costs than the main line railways. Further wage adjustments have accrued since last June, the cost of stores is rising, and fuel costs may conceivably follow suit. Under these conditions, any estimate of the half-year's net earnings for "C" stockholders must be tentative, but something more—though not much more—than 2 per cent., actual, should be achieved. Meanwhile, the market is taking a less optimistic view about the possibility of windfalls arising from the "generosity" of its renewals provisions during the last three years. But the "C" stock is still in demand, after its recent fall to 95, on the argument that a reasonably stable 4 per cent. income with the prospect of a further $1\frac{1}{2}$ per cent. every third year, is worth something nearer par. It closed on Thursday at 98 $\frac{1}{2}$.

Cordoba Central Sale.—After many months of market rumour, the official terms of the sale of the Cordoba Central Railway to the Argentine Government have been announced this week. The agreement, which

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is subject to ratification, provides for Government acquisition of the undertaking in consideration of the issue of £8,800,000 State Railway bonds, guaranteed by the Argentine Government, a payment of £700,000 in cash, and a further sum for stores. The bonds will carry interest at 4 per cent. and will be repayable through a sinking fund. They are, however, to be "blocked" for five years—a disadvantage which the market had anticipated, although no exchange risk is assumed. With the cash portion of the deal, the company must pay off its creditors (£702,000 at June last) and it must provide further for staff payments and expenses until the bonds are released. These terms do appear very fair, in relation to the level of Cordoba stocks early in 1936, and to its small equity in Argentine recovery. Market estimates of the eventual payments to be received by the various classes of stockholders put the share of the $4\frac{1}{2}$ per cent. first debentures at 70-80 per cent., of the income debenture stock at 25 per cent., and of the consolidated income stock at perhaps 6 per cent. These accord broadly with current prices, which have jumped spectacularly during the past account. But the Argentine Government's message to Congress, urging declaration of a new policy. It is suggested that, eventually, all the railways should be acquired within the limits of available finance, since railway tariffs should be determined without regard for remuneration of shareholders. British investors may, perhaps, welcome this statement with a certain grim humour. But the tone of the Argentine Press is distinctly cautious, and the example of local and other State-owned lines is referred to in somewhat critical terms. The new policy, further, may represent the sincere intention of the Government, but "the limits of available finance" will probably circumscribe its application.

Aircraft Company Profits.—The announcement by Fairey Aviation of an increased profit of £60,676, against £39,613, compares most favourably with recent aircraft producers' results. *Fairey*, it is true, is an established maker of military aircraft, but even these profits would have been scoffed at by many an aircraft share speculator last spring. *De Havilland*, on the other hand, has been a victim, rather than a beneficiary, of the air programme. Its modest share in Air Ministry work has been inadequate compensation for the delay it has experienced in obtaining supplies, and for sub-normal export business. The fall in profits, however, from £77,367 to £71,709, has not threatened the 10 per cent. dividend. But among other companies there is an almost uniform absence of net earnings. *Pobjoy Airmotors*, for example, has published a first report covering eighteen months, showing a loss of £38,308. This heavy deficit is attributed to costs incurred in changing from civil to military subcontract work. *Westland Aircraft*, whose accounts covered fifteen months, reported a net profit of no more than £3,250. This result—which compared most unfavourably with the past record of the Petters aircraft works acquired by the Westland company—caused no little dismay in the market. Another boom flotation, *Aero Engines*, formed eighteen months ago under the auspices of General Air-craft, has incurred an initial loss of £11,851. The balance sheet shows that the factory and contents were revalued in June, 1935—a somewhat unusual procedure for a concern which, a few days previously, had paid a fixed consideration for its assets. This process has disclosed a "surplus" of £247,000, and, from the resulting reserves, special stock depreciation of £60,000 has been provided, in order to meet depreciation "rendered necessary because the company's business differs from that previously carried on at the works." Finally, both *Airspeed* and *British Marine Aircraft* produced disappointing reports on Christmas Eve, a date which might have been considered somewhat inconducive to a close study of the accounts by shareholders. In more than one case, shareholders were first apprised in the reports of changes in directorates during the year.

Some Aircraft Questions.—The position of British Marine Aircraft deserves special consideration, "in the light of this week's meeting. The company was formed to exploit a licence to manufacture American "Sikorsky" flying boats. The prospectus described a contract for the sale of five machines. This contract, which had an aggregate value of £225,000 in February last is now to be cancelled in consideration of £3,000, and the company will in future devote itself to sub-contract work. The chairman has explained that, although this contract had been made with a company whose capital at the time was inadequate for commitments of this order, the purchase was in turn guaranteed by British Pacific Trust. British Marine Aircraft has, for many weeks past, been the subject of merger rumours. Together with British Aircraft, it was formed under the aegis of Aircraft Industries Corporation, which has subsequently acquired indirect control of Westland through a controlling interest in Petters. The chairman explicitly stated on Wednesday that negotiations were afoot for amalgamation "with another well-known company." But apparently a wider scheme has not yet been entirely abandoned by some interested parties. There is one major objection of principle which may be urged against mergers of fledgling companies, which have yet to prove their profit-earning capacity. No adequate substitute for a profits record exists, and independent expert valuations are but a second-best. An exchange of shares, based on Stock Exchange values in a narrow market, may be equally open to criticism. Investors generally may be advised to consider the implications of Lord Swinton's warning, a fortnight ago. It is clear that the profits of established producers on the Air Ministry's list may be satisfactory, but they will be controlled, nevertheless. The position of the sub-contracting firms, however, when the first rush of the programme has been completed, will be much more equivocal.

Company Results of the Week.—Owing to the Christmas holidays, there have been no spectacular company reports, and a much abbreviated summary of profit and loss accounts consequently appears on page 43. The results, which include those of *Fairey Aviation* and *United Serdang*, are discussed in detail on page 35 under the heading "Shorter Company Comments."

Company Meetings of the Week.—On later pages of this issue will be found the reports of the following company meetings:—*Oroville Dredging*, *Tarkwa Banket West*, *Obuom Gold Mines*, and *Stoughton (Perak) Rubber Plantations*. At the *Oroville Dredging* meeting the chairman remarked that the head consulting engineer had declared the Pato Consolidated property to be one of the large placer deposits of the world. Lieutenant-Colonel Johnson, at the *Tarkwa Banket West* meeting, reported that the company had taken a quarter share in an option to purchase the Tokosea Concession in the Enchi district. At the *Stoughton (Perak) Rubber Plantations* meeting, Mr A. P. Hadow discussed the joint purchase of the Moh Lee property by *Sungei Reyla Company* and his own undertaking, neither company being able to undertake the purchase alone. At the *Obuom Gold Mines* meeting, Mr Howell Hopwood expressed regret that the diamond drilling carried out so far in the hope of finding a continuation of the reef had proved negative, but he pointed out that the company still possessed a complete modern milling plant.

Investment For Appreciation

by L. L. B. ANGAS

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THE WEEK IN THE MARKETS

THE STOCK EXCHANGE

SETTLING DAYS

TICKET: JANUARY 5 ACCOUNT: JANUARY 7

The Stock Exchange saw the old year out with a volume of trading which did credit to the tail-end of a three-week account. Only commodity shares and foreign bonds have made the headlines, and there the pace has been a little too good to last. The tone right to the eve of the New Year remained good, although interest in industrials was selective and fixed interest securities remained in glum condition.

Gilt-edged stocks, indeed, have been very uninspired. No volume of selling was reported, but mere lack of interest proved depressing, and the prospect of new corporation borrowing some time in the future did not help the market. Foreign bonds, indeed, have provided the feature among Government issues, on the logical argument that rising commodity prices must help even "busted bonds." Chilean, Peruvian and Brazilian issues moved steadily higher. Chinese were supported on the Gilbertian episode of President Chiang Kai-Shek's release. Even European bonds—and particularly German issues—shared in the forward movement.

Home rail stocks faced the final traffic figures with confident expectation, but made no substantial move (except for Southern preferred) when the bumper results were published. Great Western and L.M.S., indeed, made most of their rise on Tuesday. In the Argentine market, Cordoba Central issues were the feature, on the purchase terms agreed with the Argentine Government and discussed on page 28. Other stocks were encouraged by crop news.

The last week of the holiday account naturally saw quiet conditions in the industrial markets, although there were a number of bright features. Outstanding in the iron and steel market were Cammell Laird on the order for a Cunard White Star Liner, John Brown on the prospect of an order for the Navy, and Dorman Long. Excellent coal output figures helped a number of coal company shares, with Bolsover prominent. Standard and Rolls Royce led in the motor section on good trading reports. The demand for Electrical Equipment issues was well maintained on the general prospects for the industry, British Insulated being strong on bonus hopes. Woolworth were supported in anticipation of the results. Brewery issues gained a little in mid-week on higher beer consumption figures. Early in the week General Accident were the centre of interest among insurance shares on the share-splitting proposal. Movements in the miscellaneous industrials sections were small and not of great importance.

Business in the oil share market was brisk at the opening of the week, although confined to the leading issues. News of higher prices in America, and the optimistic statement of the president of Standard Oil of New Jersey were the main causes of the early strength. Prices were fairly well maintained into mid-week, although business tailed off considerably. Shell and Royal Dutch continued to improve, and Anglo-Iranian were a feature. The rubber shares market was very active at first, but prices were not maintained since the drop in the commodity price confirmed anticipations, and the approach of the end of the account encouraged profit-taking. Carry-over facilities were difficult to arrange. In mid-week the recovery in the commodity price saw security prices once more on the upward grade. Business in the tea-shares market improved as the week advanced, and demand, although small, spread from Ceylon tea-cum-rubber issues to the Indian section. There were no public auctions in Mincing Lane to provide a check on tea prices.

Very satisfactory conditions prevailed in the Kaffir market despite the holiday account. Anglo-American Corporation were prominent, and many shares in the Far Eastern and Far

Western Rand groups were very well supported, both from London and from the Cape. The newer companies were favoured. Central Mining reached a new high in mid-week. Amalgamated Banket improved steadily in an otherwise fairly quiet West African section; Ashanti were not affected by the dividend. Rhodesian copper issues were one of the brightest features of the mining market, and prices improved on a considerable turnover. Roan Antelope were laggard, owing to the profit-taking which was apparent early in the week; the outstanding feature was the new high touched in mid-week by Rhokana. A good demand in the tin shares market found supplies inadequate and prices generally were higher.

"FINANCIAL NEWS" MARKET INDICATORS

	Dec. 23	Dec. 24	Dec. 28	Dec. 29	Dec. 30	Dec. 31
Approximate total of bargains recorded in S.E. List	8,108	5,279	8,259	10,142	11,206	11,387
Corres. day 1935	Closed	Closed	7,350	7,393	Closed	8,808
SECURITY MOVEMENTS						
Index of 30 Ordinary Shares (July 1, 1935 = 100)	123.1	123.3	123.4	123.4	123.8	124.6
Index of 20 Fixed Interest Securities (1928 = 100)	136.6	136.6	136.6	136.6	136.6	136.6

Highest: Ordinary shares 124.9 (Nov. 18); Fixed Interest 138.8 (Feb. 10).
Lowest: Ordinary Shares 107.4 (Jan. 2); Fixed Interest 136.2 (Sept. 23).

Actuaries' Investment Index.—A slight fall in prices over the past month is shown by the index of 178 industrial ordinary shares, which on Tuesday last was 90.8 against 90.2 a week ago, 91.2 a month ago, and 80.8 a year ago. Yields are very little changed, the respective percentages being 3.68, 3.69, 3.57 and 3.68. A selection of the component indices follows, together with the usual monthly indices of fixed interest securities:—

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)			Yield (%)		
	Year ago (Dec. 31, 1935)	Month ago (Nov. 24, 1936)	This week (Dec. 29, 1936)	Year ago (Dec. 31, 1935)	Month ago (Nov. 24, 1936)	This week (Dec. 29, 1936)
Fixed Interest:						
2½% Consols	154.5	150.1	150.9	2.89	2.97	2.95
Misc. Indust. Debs. (17)	124.8	126.1	125.6	3.89	3.91	3.93
Misc. Indust. Preference (44)	120.6	123.0	122.5	4.26	4.20	4.23
Ordinary:						
Cotton (6)	45.8	49.2	52.4	2.09	1.95	2.01
Iron and Steel (12)	67.8	83.3	83.0	3.23	3.72	3.76
Oil (5)	71.2	89.2	97.4	3.16	3.05	2.85
Electric Supplies (10)	134.8	156.3	157.0	3.84	3.54	3.46
Home Rails (4)	64.9	87.1	86.6	1.57	1.24	1.20
Shipping (4)	15.6	26.0	25.3	0.58	0.58	1.27
Breweries and Distilleries (21)	140.0	160.2	157.7	3.96	3.76	4.00

FOREIGN STOCK EXCHANGES

NEW YORK

A surprise Christmas present for the railway companies came on the eve of the holiday from the Interstate Commerce Commission, which gave authority for the raising of trans-Continental freight rates to an extent sufficient to compensate for the revenue lost when the emergency surcharges were not renewed. This gave only a temporary fillip to railroad securities, and after the holiday the markets generally were more affected by technical factors, particularly by sales of securities at a loss for income-tax purposes. The opening day of this week found prices drifting downward, due in part to the spread of labour disturbances, but commodity stocks were able to resist the trend. Conditions improved rapidly as the week progressed, and gains of up to three points were registered in mid-week. Steel and railroad issues were in the lead, the latter being stimulated by a year-end estimate of a 35 per cent. increase in earnings by 35 major railroads during 1936, and by the optimism which had been spreading even before the I.C.C. authorised the increase in rates. Oil and building shares were also well to the fore, but motor issues reacted on the activities of the labour unions. Business reports are still excellent. *Iron Age* estimates steel mill activity at 79.5 per cent. of capacity, against 78 per cent. last week; and orders in hand are sufficient to maintain this output for some time, although strikes in the automobile industry may begin to affect demand for steel. Electricity output maintains its gain over last year, the week to December 26th showing an increase of 12.7 per cent.

	Dec. 16, 1936 (Close)	Dec. 31, 1936 (Close)	Jan. 1, 1937 (Latest)
1. Rails & Transport			
Atchafalaya	71½	72½	72
Balt. and Ohio	22	21½	21
B.M.T.	53	52½	52
Can. Pacific	13½	14½	14
Ches. and Ohio A.	65½	67½	67
Ill. Rly. Rly. Pl.	41½	42½	43
Illinois Central	24½	23½	23
N.Y. Central	43½	41½	41
Nor. Pac.	27½	28½	28
Pennsylvania R.R.	40½	40½	40
Southern Pac.	42½	44½	45
Southern Rly.	25½	25½	25
Union Pac.	132	126½	127
Greyhound Cp. New	16½	15½	15
2. Utilities and Communications			
Am. Waterworks	26	25½	25
C. & S. W.	3	3	3
Cons. Gas of N.Y.	44½	44½	44½
Edison	17½	17½	17½
Col. Gas & Electric	18	17½	17½
Elec. Bond & Share	12	11½	11½
Nat. Pwr. and Lt.	30½	30½	30½
North American	38½	36½	35
Pac. Gas & Electric	50½	51½	51½
Pac. Lighting	48½	48½	48½
Pub. Service N.J.	61½	61½	61½
Stan. Gas & Elec.	61½	61½	61½
United Gas	14½	15	15
United Gas Imp.	185½	186	185½
Am. Tel. & Tel.	12	12	12
Int. Tel. and Tel.	82½	79½	79½
Western Union	111	111	111
Radio	79½	78	78
Radio B. Pref. New			
3. Extractives and Metal Industries			
Am. Rolling Mills	34½	35½	34½
Beth. Steel	73½	77½	75½
Beth. Steel Pref.	128	127½	128
Republic Steel	29½	29½	29
U.S. Steel	78½	79½	77½
U.S. Steel Pref.	144	143½	141½
Alaska Juneau	52	52	53
American Metal	95½	94½	94½
American Smelting	52½	53½	53½
Anacosta	42½	42½	42½
Behm Aluminum	71½	72½	72½
Cerro de Pasco	63½	64½	61½
Int. Nickel	60½	61½	61½
Kennecott	15½	14½	14½
Patino Mines	39½	39½	39½
Texas Gulf Sulph.	88½	85	84½
U.S. Smelt.	29	30	29
Vanadium Corp.	30½	32½	32½
Atlantic Refining	47½	52½	51½
Phillips Petroleum	26½	27½	27½
Shell Union	102½	103	103
Shell Union Pref.	15	17	17
Socoany Vacuum	41	44½	44
Stand. Oil Calif.	67½	69½	69½
Stand. Oil N.J.	49½	54½	54½
Texas Corp.			
4. Manufacturing			
Briggs	58½	54½	53½
Chrysler			
Electric Autolite	124	124	124
General Motors	69½	64½	64
Hudson Motor Car	19½	19½	19
Murray Corp.	18½	17½	18½
Nash Motors	16	16	16
Packard Motor Car	10½	10½	10½
Bendix Aviation	27½	26	26
Boeing Airplane	34½	34½	34½
Douglas Aircraft	72½	71½	71½
United Aircraft	28½	28½	28½
Air Reduction	78½	77	77
Allied Cheml. xld.	231	225	230
Col. Carbon	18½	19	18½
Comm. Solvents	180½	174	173½
Dupont	103½	103	103½
Union Carbide	103½	103	103½
U.S. Ind. Alcohol	148	147	147
Allis Chalmers	74½	80½	74½
General Electric	147½	147½	147½
Westinghouse	114	118	118
American Can.	34	36	36
Addressograph	89½	88½	87½
Caterpillar	67½	68½	67½
Cont. Can.	133	135	135
Ingersoll Rand	103	104	104
Intntl. Harvester	103	104	104
Johns Manville	25½	26	26
Am. Radiator	68½	68½	68½
Corn Products	150	145	144
I. Case and Co.	41	45	45
Glidden	74½	72½	73½
Gen. Am. Transp.	30½	32	31½
Allied Mills	26½	27½	27½
Celanese of America	37	37	38
Ind. Rayon New	20½	20½	20½
Colgate-Palmolive xld	176	172	172
Eastman Kodak	15½	15½	15½
Gillette	21	22½	22½
Kelvinator	64	67	66
Lambert Co.	19½	18½	18½
Loews	36½	35½	35½
20th Century Fox			
5. Retail Trade and Food			
Montgomery Ward	66	56½	56½
J. C. Penney Co.	100½	96	97
Sears Roebuck xld	96½	84½	83½
United Drug	14½	14½	14½
Walgreen	39	37½	37½
Woolworth	65	62½	63
Borden	26½	26½	26½
Gen. Foods	40½	39½	39½
Kroger Grocery	22½	22½	22½
Nat. Biscuit	33	32½	32½
Nat. Dairy	23½	23½	23½
Standard Brands	15½	15½	15½
Am. Tobacco B.	96½	95	96½
Liggett Myers B.	106	107½	108½
Lorillard	22½	23	22½
Reynolds Tob. B.	58	56½	56½
National Distillers	29	28½	28½
Schenley Distillers	48	44	43½
Commercial Credit	66	67½	68½
Atlas Corp.	17	17½	17½
Com. Invest. Trust	76½	76½	77

By courtesy of the Standard Statistics Company, Inc., of New York, we print the following index figures of American values calculated on closing prices (1926=100):—

	1935		1936		Be-ginning of Year 1936	Dec. 16, 1936	Dec. 23, 1936	Dec. 30, 1936
	Lowest Mar. 20	Highest Dec. 31	Lowest Mar. 20	Highest Dec. 31				
347 Industrials	74.5 (f)	112.3	112.7	145.9	112.3	144.0	140.9	144.5
32 Rails	27.4	43.0 (w)	42.8	60.2 (b)	41.5	54.8	52.0	54.6
40 Utilities	52.2	93.6	91.2	111.0 (e)	93.6	110.9	108.8	110.9
Total, 419 Stocks	63.1	97.7	97.7	125.4	97.7	123.9	121.0	124.2
Average yield*	3.02% (v)	4.06% (f)	4.50% (c)	2.95% (a)	3.22% (d)	4.37% (e)	4.50% (g)	4.47% (h)

*50 Industrial Common Stocks. (f) March 13th. (b) Oct. 14th. (c) December 23rd. (a) April 8th. (e) November 13th. (w) December 4th. (d) December 2nd.

DAILY AVERAGE OF 50 AMERICAN COMMON STOCKS (1926 = 100)

Highest*	Lowest†	Dec. 16	Dec. 17	Dec. 18	Dec. 19	Dec. 21	Dec. 22	Dec. 23
169.6	126.2	165.7	164.4	162.8	161.6	159.7	162.0	163.6
Dec. 24	Dec. 25	Dec. 26	Dec. 28	Dec. 29	Dec. 30			
163.7	Christmas Day	Boxing Day	162.7	163.3	165.6			

* November 9th.

† January 6th.

TOTAL DEALINGS IN NEW YORK

	Dec. 17	Dec. 18	Dec. 19*	Dec. 21	Dec. 22	Dec. 23
Stock Exchange—Shares (No. Thous.)	1,950	1,910	1,210	1,760	1,670	1,870
Bonds (Thous. \$) ...	18,780	16,510	10,470	12,460	13,360	13,700
Curb—Shares (Thous.).....	626	544	321	459	393	528

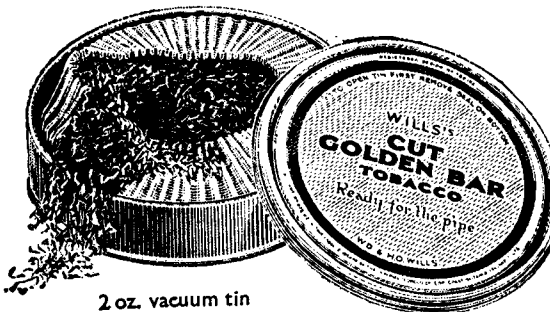
(Continued on page 34)

GOLDEN MOMENTS

England v. Wales

He's got to be good to get into his country's team—but what a Golden Moment it must be for him when he scores between the posts to give his side the victory.

But even the International, good as he is, can't smoke a better tobacco than "Cut Golden Bar" at a shilling an ounce. But it must be Wills's.



2 oz. vacuum tin

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ADVICE ON AMERICAN STOCKS

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PUBLICATIONS: Coming Rise in Wall Street (Apr. 1933). Coming American Boom (Aug. 1934). The American Boom Begins (May 1935). Investment for Appreciation, etc.

LONDON ACTIVE SECURITY PRICES AND YIELDS

In calculating yields on fixed interest stocks quoted below allowance is made for interest accrued since the last date of payment, less income tax at the standard rate. Where stocks are definitely redeemable at a future date the yield includes any profit or loss on redemption; where stocks are redeemable at or before a certain date the final date of redemption is taken when the stock stands at a discount and the earliest date when the quotation is above par. The return on ordinary stocks and shares is calculated by reference to the latest dividends, account being taken of any enhancement or reduction of interim dividends. Allowance is made for accrued dividends in calculating the yield on "cum. div." shares.

Prices, Year 1935				Prices, Year 1936				Name of Security	Price, Dec. 16, 1936	Price, Dec. 30, 1936	Rise or Fall	Yield, Dec. 30, 1936	Prices, Year 1936		Last two Half-yearly Dividends		Name of Security	Price, Dec. 16, 1936	Price, Dec. 30, 1936	Rise or Fall	Yield, Dec. 30, 1936		
High	Low	High	Low	High	Low	(a)	(b)																
94 1/2	80	87 1/2	82 1/2	British Funds				84 1/2	84 1/2	...	£ s. d.	45 1/2	35 1/2	5 1/2	5 1/2	Banks				38 1/2	38 1/2	...	£ s. d.
108 1/2	109 1/2	116 1/2	112 1/2	Consols 2 1/2%				84 1/2	84 1/2	...	2 19 2	45 1/2	35 1/2	5 1/2	5 1/2	Bank of N. Zealand £1				38 1/2	38 1/2	...	£ s. d.
107 1/2	97 1/2	102 1/2	100	Do. 4% Red. at par on or after Feb. 1857 (b)				115	113 1/2	...	3 2 10	80 1/2	74 1/2	7 1/2	7 1/2	Bank of England Stk.				376 1/2	375 1/2	-1	3 4 0
107 1/2	100 1/2	105 1/2	103 1/2	Conversion, 2 1/2% 1934-49				101 1/2	101 1/2	...	2 8 0	50 1/2	43 1/2	2 1/2	2 1/2	Barclay B. £1				78 1/2	79 1/2	+6d	3 10 6
107 1/2	100 1/2	105 1/2	104 1/2	Do. 3% 1934-53				101 1/2	101 1/2	...	2 13 6	45 1/2	38 1/2	2 1/2	2 1/2	Banc. (Dom. Sec.) £1				48 1/2	47 1/2	-6d	2 6 0
114 1/2	108 1/2	111 1/2	107 1/2	Do. 3 1/2% after 1961 (S)				106 1/2	106 1/2	...	3 2 6	45 1/2	38 1/2	2 1/2	2 1/2	Bk. of Australasia £5				92	10	...	3 7 6
124 1/2	115 1/2	121 1/2	116 1/2	Do. 4 1/2% 1940-44				107 1/2	107 1/2	...	2 15 0	101 1/2	74 1/2	2 1/2	2 1/2	Bk. of Montreal £100				244 1/2	245 1/2	...	3 14 0
106 1/2	98 1/2	104 1/2	101 1/2	Do. 5% 1944-64				117 1/2	117 1/2	...	2 15 0	101 1/2	74 1/2	2 1/2	2 1/2	Bk. of N.S. Wales £20				90 1/2	92 1/2	+2 1/2	2 15 0
121 1/2	111 1/2	119 1/2	115 1/2	Funding 2 1/2% 1956-61				92 1/2	92 1/2	...	2 17 6	16 1/2	12 1/2	2 1/2	2 1/2	British Overseas £5				90 1/2	92 1/2	+2 1/2	6 9 0
119 1/2	110 1/2	118 1/2	113 1/2	Funding 3% 1959-69				101 1/2	101 1/2	...	2 18 6	16 1/2	12 1/2	2 1/2	2 1/2	Chtd. of India £15				153 1/2	153 1/2	...	4 7 6
110 1/2	101 1/2	108 1/2	104 1/2	Funding 4% 1960-90				116 1/2	116 1/2	...	3 1 0	93 1/2	85 1/2	8 1/2	8 1/2	Comcl. Bk. of Aus. 10/-				15 1/2	15 1/2	...	4 0 0
98 1/2	89 1/2	98 1/2	94 1/2	War Loan 3 1/2% after 1952 (P)				106 1/2	106 1/2	...	3 0 0	58 1/2	52 1/2	5 1/2	5 1/2	District A £5, £1 pd...				90 1/2	91 1/2	+1/3	3 12 0
104 1/2	100 1/2	103 1/2	101 1/2	Local Loans 3 1/2%				96 1/2	96 1/2	...	3 1 0	98 1/2	92 1/2	6 1/2	6 1/2	Do. B £1 fully pd...				56 1/2	57 1/2	+1/3	3 9 7
86 1/2	66 1/2	76 1/2	70 1/2	Austria 3% 1933-53				102 1/2	102 1/2	...	3 2 6	12 1/2	10 1/2	2 1/2	2 1/2	Eng. Scot. & Aust. £5 3pd				95 1/2	96 1/2	+1/3	3 15 0
100 1/2	90 1/2	100 1/2	96 1/2	India 2 1/2%				72 1/2	72 1/2	...	3 9 5	55 1/2	41 1/2	13 1/2	13 1/2	Hambros £10, £24 pd...				14 1/2	11 1/2	...	3 2 0
119 1/2	112 1/2	120 1/2	116 1/2	Do. 3%				85 1/2	85 1/2	...	3 10 6	9 1/2	8 1/2	7 1/2	7 1/2	Hone & S. £125				107 1/2	107 1/2	+6d	3 19 7
108 1/2	105 1/2	107 1/2	104 1/2	Do. 3 1/2%				98 1/2	98 1/2	...	3 11 0	98 1/2	91 1/2	8 1/2	8 1/2	Lloyds £5, with £1 pd.				94 1/2	94 1/2	...	3 13 9
103 1/2	106 1/2	113 1/2	109 1/2	Do. 4 1/2% 1958-68				118 1/2	118 1/2	...	3 6 0	44 1/2	39 1/2	5 1/2	5 1/2	Martins £20, £24 pd...				91 1/2	91 1/2	...	3 15 0
108 1/2	106 1/2	113 1/2	109 1/2	U.K. & Arg. 4% (1947)				104 1/2	105 1/2	...	3 10 0	47 1/2	42 1/2	5 1/2	5 1/2	Midland £1, fully pd...				94 1/2	94 1/2	...	3 7 9
101 1/2	98 1/2	103 1/2	99 1/2	Dom. & Col. Govts.						...						Nat. of India £25, £124 pd.				47 1/2	47 1/2	...	4 12 6
101 1/2	82 1/2	102 1/2	90 1/2	Australia 5% 1945-75				110	110	...	3 13 6	50 1/2	46 1/2	4 1/2	4 1/2	Nat. Prov. £20, £124 pd.				153 1/2	163 1/2	+	3 15 6
109 1/2	100 1/2	106 1/2	102 1/2	Canada 4% 1940-60				105 1/2	105 1/2	...	2 13 4	40 1/2	36 1/2	4 1/2	4 1/2	Royal Bk. of Scotland				492 1/2	492 1/2	...	3 15 0
119 1/2	112 1/2	118 1/2	114 1/2	Gold Coast 4 1/2% 1956				116 1/2	116 1/2	...	2 13 4	40 1/2	36 1/2	4 1/2	4 1/2	St. Westminster £4, £1 pd.				98 1/2	99 1/2	+1/6	3 12 0
121 1/2	116 1/2	120 1/2	117 1/2	Nigeria 5% 1950-60				119 1/2	119 1/2	...	3 7 8	100 1/2	90 1/2	9 1/2	9 1/2	Discount Cos.						...	
115 1/2	107 1/2	114 1/2	108 1/2	N. Zealand 5% 1946				110 1/2	109 1/2	...	3 17 11	95 1/2	88 1/2	7 1/2	7 1/2	Alexanders £2, £1 pd.				93 1/2	93 1/2	...	4 0 0
110 1/2	103 1/2	109 1/2	106 1/2	Queensland 5% 1940-60				107 1/2	107 1/2	...	3 2 2	6 1/2	6 1/2	5 1/2	5 1/2	National A £2 1/2 flly. pd.				63 1/2	63 1/2	...	3 17 0
118 1/2	113 1/2	117 1/2	113 1/2	S. Africa 5% 1945-75				114 1/2	114 1/2	...	3 3 8	16 1/2	13 1/2	3 1/2	3 1/2	B £7 1/2 flly. pd.				163 1/2	163 1/2	...	3 19 3
101 1/2	98 1/2	103 1/2	99 1/2	Foreign Governments						...						Insurance						...	
101 1/2	82 1/2	102 1/2	90 1/2	Argentina 4% Resc. 1952				102 1/2	102 1/2	...	3 19 0	32 1/2	30 1/2	2 1/2	2 1/2	Allianz £1, fully pd...				32 1/2	32 1/2	...	2 16 3
101 1/2	76 1/2	93 1/2	82 1/2	Austria 7% 1957				84 1/2	87 1/2	+2 1/2	7 0 6	32 1/2	30 1/2	2 1/2	2 1/2	Atlas £5, £1 pd...				153 1/2	158 1/2	...	2 12 0
63 1/2	51 1/2	72 1/2	71 1/2	Do. 4 1/2% 1934-59				84 1/2	87 1/2	+2 1/2	5 10 3	16 1/2	14 1/2	2 1/2	2 1/2	Com. Un. £1, fully pd...				108 1/2	108 1/2	...	3 15 0
84 1/2	78 1/2	84 1/2	79 1/2	B. Aires (Prov.) 3 1/2%				70 1/2	71 1/2	+1 1/2	4 2 9	29 1/2	26 1/2	3 1/2	3 1/2	Gen. Accident £5, £12 pd				27 1/2	28 1/2	+1 1/2	2 16 6
20 1/2	14 1/2	27 1/2	23 1/2	Belgian 4 1/2% red. by 1970				97 1/2	97 1/2	...	6 8 8	38 1/2	34 1/2	4 1/2	4 1/2	Lon. & Lun. £5, £2 pd				35 1/2	35 1/2	...	2 15 0
23 1/2	13 1/2	24 1/2	20 1/2	Bulgaria 7 1/2% Loan...				23 1/2	26 1/2	+3	3 0 6	14 1/2	12 1/2	2 1/2	2 1/2	N.Brit.&Mer. £1 1/4 flly. pd.				13 1/2	14 1/2	+	2 4 6
91 1/2	71 1/2	84 1/2	66 1/2	Brazil 5% Fund. 1914				80 1/2	83 1/2	+3	6 0 6	26 1/2	21 1/2	5 1/2	5 1/2	North American £1, £1 pd...				21 1/2	21 1/2	...	3 15 0
100 1/2	84 1/2	95 1/2	80 1/2	Chili 6% (1929)				19 1/2	22 1/2	+3	6 0 6	26 1/2	21 1/2	5 1/2	5 1/2	Pearl (£1), fully paid...				22 1/2	22 1/2	...	2 4 0
113 1/2	99 1/2	112 1/2	95 1/2	China 5% (1912)				77 1/2	85 1/2	+8	5 7 6	26 1/2	21 1/2	5 1/2	5 1/2	Phoenix £1, fully pd...				153 1/2	163 1/2	...	3 11 1/2
103 1/2	93 1/2	110 1/2	98 1/2	Do. 5% (1913)				77 1/2	85 1/2	+8	5 7 6	26 1/2	21 1/2	5 1/2	5 1/2	S. Africa £1, fully pd...				35 1/2	37 1/2	...	3 15 0
89 1/2	48 1/2	70 1/2	57 1/2	Czechoslovakia 8%				104 1/2	107 1/2	+2 1/2	3 0 0	121 1/2	108 1/2	13 1/2	13 1/2	Do. £1, with 45. paid...				112 1/2	112 1/2	...	2 10 6
109 1/2	98 1/2	110 1/2	97 1/2	Danish 3 1/2%				100 1/2	100 1/2	...	3 10 6	3f	10 1/2	10 1/2	10 1/2	Royal Exchange (£1)				11 1/2	11 1/2	...	2 13 3
90 1/2	23 1/2	106 1/2	102 1/2	Danzig 6 1/2%				62 1/2	63 1/2	+	3 17 0	10 1/2	9 1/2	7 1/2	7 1/2	Royal £1, 10/- pd...				93 1/2	93 1/2	...	3 5 9
38 1/2	26 1/2	46 1/2	34 1/2	Egypt United 4 1/2%				103 1/2	103 1/2	...	5 8 7	19 1/2	17 1/2	2 1/2	2 1/2	Sc. Un. & Nat. A £20, £1 pd.				191 1/2	191 1/2	...	3 6 9
57 1/2	26 1/2	40 1/2	29 1/2	French 4 1/2% (British)				184 1/2	171 1/2	-13 1/2	12 14 6	4 1/2	4 1/2	4 1/2	4 1/2	Sun Insur. £1 with 5/- pd.				4 1/2	4 1/2	...	2 17 0
38 1/2	26 1/2	40 1/2	29 1/2	Do. 5 1/2% (Young)				40 1/2	37 1/2	-3 1/2	14 13 4	8 1/2	7 1/2	7 1/2	7 1/2	Sun Life Assur. £1, 1/4 flly pd				8 1/2	8 1/2	...	1 16 0
45 1/2	31 1/2	45 1/2	35 1/2	Do. 5 1/2% (Young)				40 1/2	37 1/2	-3 1/2	14 13 4	8 1/2	7 1/2	7 1/2	7 1/2	Yorkshire £1, fully pd.				20 1/2	20 1/2	...	2 6 0
91 1/2	78 1/2	90 1/2	79 1/2	Do. 7% Refugee				35 1/2	38 1/2	+3	7 17 9	31 1/2	25 1/2	6 1/2	6 1/2	Anglo-American, Deb.				294 1/2	310 1/2	+16 3	3 4 6
144 1/2	113 1/2	144 1/2	113 1/2	Hungary 7 1/2%				47 1/2	47 1/2	...	6 11 9	9f	59 1/2	2 1/2	2 1/2	Atlas-Celtic Ord...				74 1/2	77 1/2	+3	3 4 6
100 1/2	87 1/2	93 1/2	80 1/2	Japan 5 1/2% 1936-65				82 1/2	83 1/2	+1	7 5 6	9 1/2	5 1/2	5 1/2	5 1/2	Atlas Electric, etc. £1				9 1/2	9 1/2	...	Nil
16 1/2	14 1/2	16 1/2	10 1/2	Do. 6% (1924) red 1959				87 1/2	88 1/2	+1 1/2	3 10 6	19 1/2	13 1/2	6 1/2	6 1/2	Brit. Assets Trust 5/-				18 1/2	18 1/2	...	0 18 0
50 1/2	42 1/2	53 1/2	41 1/2	Norwegian 4% 1911				112 1/2	112 1/2	...	9 0 9	95 1/2	75 1/2	20 1/2	20 1/2	Debenture Corp. Stk...				251 1/2	252 1/2	+1	3 19 0
164 1/2	106 1/2	160 1/2	110 1/2	Peru 4 1/2% 1922				52 1/2	52 1/2	...	9 0 9	95 1/2	75 1/2	20 1/2	20 1/2	Fer. Amer. etc., Def...				186 1/2	187 1/2	...	3 8 7
113 1/2	106 1/2	1																					

QUASI-ARC PURCHASE TERMS.—The directors of British Oxygen have allotted to Turner and Newall 170,000 ordinary £1 shares, having market value of over £1,000,000, in exchange for 400,000 shares in the Quasi-Arc undertaking. The shares are fully paid and have been converted into stock.

COMPANY MEETINGS

OROVILLE DREDGING COMPANY,
LIMITED

COMPANY'S VALUABLE INTERESTS

The twenty-fifth ordinary general meeting of Oroville Dredging Company, Limited, was held, on the 30th ultimo, in London, Mr F. W. Baker (the chairman) presiding.

The Chairman, in the course of his speech, said that dividends had been received on their holdings in Pato Mines (Colombia), Bulolo and Asnazu amounting to £65,131, and other credits increased the item to £66,568. With the amount brought forward and deducting the dividend paid in January, £164,166 was carried forward.

Pato Mines (Colombia) held 40 per cent. of the issued capital of Pato Consolidated, which company had during the year considerably extended its holding in Colombia by further purchase and options acquired over dredging areas by its existing holdings. Dredging and drilling results had warranted the decision to install four further dredges and in addition hydraulic equipment on a substantial scale.

Mr Short, the head consulting field engineer of Placer Development, estimated that, based on dredging and extensive testing, the properties controlled by Pato Consolidated contained 189,000,000 cubic yards with an "indicated" recovery of 17.4 cents per cubic yard, to yield a profit of approximately \$21,350,000. He also estimated a further 300,000,000 cubic yards of "probable" ground of a recoverable value of 12.9 cents per cubic yard with a profit of approximately \$23,000,000. He further added that the Pato Consolidated property stood out as one of the great Placer deposits of the world. Their holding in Bulolo Gold Dredging had been increased to 73,843 shares. That company made a net operating profit for the year of \$3,190,000 and two interim dividends of \$1.40 (Canadian) and an interim dividend for the current year of a similar amount had been received. The properties of Bulolo, according to indications based on drilling results, contained 204,000,000 cubic yards of an average recoverable value of slightly over 33 cents with gold at \$35 per fine ounce, and a net operating profit of \$50,000,000. It was anticipated that when the full fleet of dredges now under construction was in operation Bulolo should be earning \$4,500,000 to \$5,000,000 per annum on the existing capital of 1,000,000 shares of \$5 each.

VALUE OF THE COMPANY'S SHAREHOLDINGS

To give an approximate idea to the shareholders of what their shareholdings were worth, the chairman pointed out that under "shares in mining companies at cost" they held four interests—namely, 73,843 Bulolo shares at a cost of £134,555, having a market value of £452,000; 615,000 Asnazu Gold Dredging shares at a cost of £44,253, which, at par, the price at which they bought the shares, were worth £123,000; 10 per cent. in the Golden Queen Mining Company at a cost of just under £44,000, which interest, having regard to encouraging developments, should in the future have an appreciating value; and their interest in Deep Lead Companies, which had cost them £108,000. Those four items amounted to £727,000, against £332,000 shown in the accounts. Pato Mines (Colombia), Limited, held as to over 99 per cent. by their company, held 1,000,000 Pato Consolidated shares, which, at \$2.50, represented a value of £500,000. Pato Mines (Colombia) also held 12,500 Placer Development shares, having a market value of £48,000.

Those two items amounted to £548,000, against a valuation in their balance sheet for their Pato Mines holding of £139,000. Those total holdings were estimated as having an approximate value of £1,275,000, against their book value of £472,000. In addition, at December 17, they had cash, after allowing for the dividend, £76,500, and a loan due from Pato Consolidated of £29,000, increasing the figure of £1,275,000 to £1,380,000.

FAVOURABLE PROSPECTS

They would be receiving in due course, when the Nechi Consolidated Gold Dredging, Limited, was formed, 960,000 shares of \$1 each, which they would be justified in believing, with the information to hand as to the future dredging possibilities, would represent in due course an appreciable addition to their assets when the property was equipped and in operation.

From the information furnished in his remarks, indicating enormous gravel reserves controlled by the companies in which they were interested, nearly all of which were now engaged in extensive increased programmes of dredge construction, to be followed normally by increased production, he would be amply justified in claiming that they might look to gradual yearly augmentation of dividend payments culminating in maximum payments within a period of from two to three years.

The report was unanimously adopted.

TARKWA BANKET WEST, LIMITED

DIVIDEND OF 20 PER CENT.

The ordinary general meeting of Tarkwa Banket West, Limited, was held, on the 30th ultimo, at River Plate House, London, E.C. Lieutenant-Colonel Frank Johnson, D.S.O. (the chairman), presided.

The Chairman, in moving the adoption of the report and accounts, said:—Property account remains practically unaltered at £11,985. With regard to shares in mining companies at cost, £124,224, at the date of the closing of the accounts these shares had a market value of over £210,000, a sum which, on the basis of yesterday's quotations, is increased to over £260,000. (Hear, hear.)

Summed up, our assets come under three heads—viz., cash and liquid loan, say, £175,000; market value of share holdings, say, £210,000; and cost price of extensive mining properties and options, say, £12,000; or, in round figures, say, £400,000. The unknown factor in the equation is, of course, the potential value of the properties standing at £12,000, about which we hope to have further information to give you before our next annual meeting.

There is, however, a fourth heading under which we may anticipate profits—viz. our determination to adopt not only a more active policy in connection with our present properties, but to lose no opportunity of acquiring a participation in any mining business of promise that may be offered to us.

In this connection I may tell you that, since the issue of the report, we have been offered and accepted a 25 per cent. participation in an option to purchase a gold proposition known as the Tokosea Concession, situated in the Enchi district of the Gold Coast Colony, on which extensive developments and crushings were carried out from 1911 to 1914, when the conditions caused by the War caused the cessation of work. On the 100 ft. level, driven for 500 ft., a lode is reported to have been exposed, averaging for that length 5 ft. in width with an average assay value of 16 dwt., while some 3,000 or 4,000 tons milled yielded a plate recovery of over 8.5 dwt. In addition to this one mine, the area of over 2½ square miles is said to contain at least two other occurrences of promise. It is intended to start work on this property within the next few months. The last item on the balance sheet, cash at bankers, £155,667, requires no further comment.

The net result of the profit and loss account is a realised profit of £158,993. There remains a final balance of £121,318 10s., and from this we recommend the payment of a dividend of 20 per cent., less deduction for income tax, leaving £91,328 to be carried forward.

The report and accounts were unanimously adopted. A resolution was agreed to adopting new articles of association.

OBUOM GOLD MINES, LIMITED

POSITION AT THE PROPERTY

The second ordinary general meeting of Obuom Gold Mines, Limited, was held, on the 30th ultimo, at River Plate House, E.C.

Mr Howell A. Hopwood (the chairman) said that in his speech last year he had foreshadowed a certain disappointment arising from a communication from their consulting engineer regarding the ore reserve position. The actual position obtaining was that they had had an efficient milling plant ready to operate and only a modest supply of ore to crush. The supply of ore had given out on September 12, 1936, resulting in 13,118 tons of an average value of 6.44 dwts., yielding 4,227 fine ozs. of gold.

From the moment when they obtained technical control of the company steps had been taken to have the mine examined, and as a result they had embarked upon a diamond drilling programme in the hope of tracing the continuation of the reef, and had also pushed ahead with development work. He regretted to say that all that work had, up to date, proved negative. They were now awaiting the recommendations of Mr Eaton Turner, consulting engineer of the Ashanti Goldfields Corporation, Limited, whom they had invited to inspect the mine in consultation with Dr. McCann. Whatever the fate of the Obuom mine itself might be, they still possessed a complete modern milling plant.

They had taken interest in two syndicates formed to develop mining properties in the Gold Coast Colony, in both of which the combined financial resources of the participants were sufficient to assure adequate working capital and the best technical advice.

The report was adopted.

STOUGHTON (PERAK) RUBBER
PLANTATIONS, LIMITED

AMALGAMATION WITH SUNGEI REYLA

The seventeenth annual ordinary general meeting of this company was held, on the 30th ultimo, in London.

Mr A. P. Hadow, who presided, said that the result of the year's working showed a net profit of £7,313, and they recommended the payment of a dividend of 4 per cent.

With regard to the joint acquisition by the company and the Sungei Reyla Company of the Moh Lee estate, comprising approximately 261 acres of rubber three to six years old, situate close to the Sungei Reyla estate, for some time past the board had endeavoured to acquire an area of young rubber at a reasonable price in order to put the company on more favourable competitive terms with other producers. The Moh Lee property was considered a desirable acquisition by the boards of both companies, but owing to financial circumstances neither company was able to undertake the purchase on its own account. The price asked, which was for cash and quick settlement, was the reasonable one of £30 per acre. In order not to let pass an opportunity to progress, the directors had concluded an arrangement with the Sungei Reyla Company for the joint acquisition of the property. On further consideration it had become apparent that a fusion of interests by amalgamation would be advantageous to the shareholders.

The report was unanimously adopted.

At a subsequent extraordinary general meeting held to consider the amalgamation of the two companies and the formation of a new company, the chairman said that the new company, the name of which was intended to be Padang Senang Rubber, Limited, would have an authorised capital of £200,000 in shares of 2s. each and an initial issued capital of £150,000, of which £88,900 would be issued to the existing shareholders of the Stoughton company and £61,100 to the existing shareholders of Sungei Reyla. It was then proposed to make an issue of 150,000 shares of 2s. each at a price—subject to market conditions—of 2s. 6d. per share, to be offered in the first instance to the shareholders of the two companies in the proportion of one share for every ten fully-paid shares which they would be entitled to receive in the new company.

The amalgamation was unanimously approved.

At a meeting of the Sungei Reyla (F.M.S.) Rubber Estates, Limited, subsequently held, the amalgamation was also unanimously approved.

GOVERNMENT RETURNS, &c.

NATIONAL ACCOUNTS

The total ordinary revenue for the twelve days ended December 31, 1936, amounted to £15,200,000, against ordinary expenditure of £19,165,500. After allowing for an increase in Exchequer Balances of £159,958, the operations for the period, as shown below, increased the gross National Debt by £4,350,000 to approximately £8,047 millions.†

£		Public Department Advances	
Advances by Bank of England	+ 57,000	Treasury Bills	- 53,108
2½% Funding Loan, 1932-7...	+ 400	Road Fund	- 550
National Savings Certificates	+ 50	Brit. Shipping (Assistance)	- 112
P.O. & Telegraph (Money).....	+ 2,250		
	+ 59,700		- 55,350

† Including £375 millions on Account of Exchange Equalisation Fund and Borrowing for Statutory Sinking Fund.

A complete analysis of the approximate position of the National Debt at December 31, 1936, follows.

NATIONAL DEBT—(Million £)

	Aug. 1, 1914	Dec. 31, 1919	June 30, 1935	Sept. 30, 1935	Dec. 31, 1935	March 31, 1936†	June 30, 1936†	Sept. 30, 1936†	Dec. 31, 1936
2½ and 2½ Consols	573	300	300	300	300	300	300	300	300
Term Annuities	30	20	12	12	12	12	12	12	12
4% Consolidated Loan	...	...	401	401	401	401	401	401	401
3½% Conversion Loan	...	...	740	740	740	740	740	740	740
Other Funded Debt	15	15	14	14	14	14	14	14	14
4½% Conversion Loan	...	...	375	375	375	369	369	369	369
5% Conversion Loan	...	...	323	323	323	323	323	323	323
3% Conversion Loan	...	...	302	302	302	302	302	302	302
2½% Conversion Loan	...	...	204	204	204	206	206	206	206
3½% War Stock	...	63	...	...	...	...	...	...	...
3½% War Stock, 1932	...	13	1,914	1,914	1,914	1,913	1,913	1,913	1,913
4½% War Stock	...	2,047	...	...	...	...	...	...	...
National War Bonds	...	1,509	...	...	...	...	...	...	...
4% Funding Loan	...	409	361	361	356	356	356	356	356
3% Funding Loan	...	...	149	149	147	147	147	147	147
2½% Funding Loan	...	...	...	...	31	126	198	198	198
4% Victory Bonds	...	...	...	...	...	...	...	...	...
Treasury Bonds	...	...	224	224	229	172	130	130	130
Exchequer Bonds	...	20	323	...	...	...	...	...	...
National Savings Certs.	...	267	396	396	395	396	395	394	394
Other Debt*	...	1,306	1,037	1,037	1,036	1,036	1,036	1,036	1,036
American Loan (Anglo-French)	...	51	...	...	...	...	...	...	...
Treasury Bills	15	1,107	877	899	866	763	765	853	766
Temporary Advances	1	243	25	8	64	19	62	11	85
Other Capital Liabilities	654	8,033	7,858	7,863	7,921	7,962	7,906	7,906	7,949
	57	46	102	102	106	105	102	102	98
Total Liabilities	711	8,079	7,960	7,965	8,023	7,902	7,975	8,008	8,047

* Includes debt to American Government.

† Revised figures.

Note.—Estimates for June 30, 1936, and after, exclude Sinking Fund allocations.

The quarterly Revenue return for December 31, 1936, is printed in full on page 12, but for the convenience of readers the usual weekly return of revenue and expenditure, for December 26, 1936, appears below.

REVENUE	Estimate for the year 1936-37	Total Receipts into the Exchequer			
		April 1, 1935, to Dec. 28, 1935	April 1, 1936, to Dec. 26, 1936	Week ended Dec. 28, 1935	Week ended Dec. 26, 1936
ORDINARY REVENUE	£	£	£	£	£
Inland Revenue—					
Income Tax	258,000,000	77,694,000	73,662,000	2,076,000	1,133,000
Sur-tax	56,500,000	8,980,000	8,750,000	380,000	520,000
Estate, etc., Duties	89,000,000	64,640,000	61,930,000	1,230,000	1,310,000
Stamps	27,000,000	15,540,000	18,360,000	560,000	650,000
Excess Profits Duty and Corporation Profits Tax	750,000	...	...	...	...
Land Tax and Mineral Rights Duty	750,000	150,000	150,000	...	10,000
Total Inland Revenue	433,000,000	167,004,000	162,852,000	4,246,000	3,623,000
Customs and Excise—					
Customs	207,525,000	147,884,000	156,541,000	2,729,000	3,395,000
Excise	110,000,000	82,563,000	83,721,000	363,000	821,000
Total Customs and Excise	317,525,000	230,447,000	240,262,000	3,092,000	4,216,000
Motor Vehicle Duties (Exchequer Share)	5,000,000	1,504,000	1,701,000	...	...
Post Office (Net Receipts)	11,256,000	10,300,000	9,900,000	440,000	Dr200,000
Crown Lands	1,350,000	1,050,000	1,050,000	50,000	30,000
Receipts from Sundry Loans	5,000,000	3,641,441	3,614,255	...	...
Miscellaneous Receipts	25,230,000	16,844,926	14,668,545	127,897	85,282
Total Ordinary Revenue	798,381,000	430,791,367	434,047,800	7,115,897	5,954,282
SELF-BALANCING REVENUE					
Post Office	69,344,000	47,500,000	50,400,000	1,800,000	3,000,000
Motor Vehicle Duties apportioned to Road Fund	26,500,000	9,043,000	9,531,000	...	...
Total Self-balancing Revenue	95,844,000	56,543,000	59,931,000	1,800,000	3,000,000
Total	...	487,334,367	493,978,800	8,915,897	8,954,282

EXPENDITURE	Estimate for the year 1936-37	Total Issues out of the Exchequer to meet Payments			
		April 1, 1935, to Dec. 28, 1935	April 1, 1936, to Dec. 26, 1936	Week ended Dec. 28, 1935	Week ended Dec. 26, 1936
ORDINARY EXPENDITURE	£	£	£	£	£
Interest and Management of National Debt	224,000,000	177,734,098	177,528,321	352,083	403,025
Payments to Northern Ireland	7,500,000	3,916,678	4,751,246	230,393	327,465
Other Consolidated Fund Services	3,200,000	2,108,840	1,850,808	655	373,071
Post Office Fund	600,000	1,126,817	420,529	...	...
Total	235,300,000	184,886,433	184,548,904	583,131	1,103,561
Total Supply Services (excluding Post Office)...	570,969,000	359,020,899	385,538,179	6,640,500	6,001,000
Total Ordinary Expenditure	806,269,000	543,907,332	570,087,083	7,223,631	7,104,561
SELF-BALANCING EXPENDITURE					
Post Office	69,344,000	47,500,000	50,400,000	1,800,000	3,000,000
Road Fund	26,500,000	9,043,000	9,531,000	...	...
Total Self-balancing Expenditure	95,844,000	56,543,000	59,931,000	1,800,000	3,000,000
Total	...	600,450,332	630,018,083	9,023,631	10,104,561

The OCEAN

Accident & Guarantee Corporation, Limited
Head Office : 36-44 Moorgate, London, E.C.

FOR ALL CLASSES OF INSURANCE

† Estimated Expenditure as per Financial Statement (H.C. 77)...	797,897,000
Add :-	
Supplementary Estimates	33,972,000
Less :- Provision made in the Budget	25,600,000
	8,372,000
	806,269,000

The aggregate revenue from April 1 to December 31, 1936, is shown below :-

(000's omitted)	
Expenditure	582,148
Revenue	443,294
Decrease in balances	234
Gross borrowing	145,079
Less :-	
New Sinking Fund*	6,459
Net borrowing	138,620
	582,148

* Authority will be sought in the Finance Bill to meet the Statutory Sinking Funds in 1936 by borrowing.

POSITION OF THE FLOATING DEBT

	Dec. 31, '35	Mar. 31, '36	Dec. 31, '36	Dec. 31, '36
Ways and Means Advances Outstanding	£ 37,000,000	£ 57,000,000	£ 57,000,000	+ 57,000,000
Advances by Bank of England	33,075,000	19,055,000	27,790,000	- 1,580,000
Advances by Public Department	863,920,000	763,115,000	766,195,000*	- 53,090,000
Treasury Bills outstanding	935,995,000	782,170,000	850,985,000	+ 2,330,000
Total Floating Debt	935,995,000	782,170,000	850,985,000	+ 2,330,000

* Includes £22,000,000 the proceeds of which were not carried to the Exchequer within the period of the Account.

TREASURY BILLS BY PUBLIC TENDER

Tenders for £45,000,000 Treasury bills were opened on December 24, 1936. The amount applied for was £61,155,000. Tenders were accepted for Treasury bills at three months dated Monday at £99 16s. 10d., and above in full; Tuesday at £99 16s. 9d., Wednesday to Saturday at £99 16s. 9d., about 65 per cent. and above in full. The average rate per cent. was 12s. 11-77d. The amount allotted was £45,000,000.

Date	Amount Offered	Total Applications	Amount Allotted	Average Rate %
January 5, 1934	35,000,000	76,260,000	30,000,000	11-5
July 6, 1934	35,000,000	62,745,000	32,000,000	11-4
January 4, 1935	30,000,000	49,560,000	27,500,000	11-4
July 5, 1935	40,000,000	60,950,000	40,000,000	12-4-32
January 3, 1936	35,000,000	68,075,000	35,000,000	10-10-72
April 3, 1936	40,000,000	76,280,000	40,000,000	10-2-73
July 3, 1936	50,000,000	72,750,000	50,000,000	12-1-27
October 2, 1936	50,000,000	77,980,000	50,000,000	10-6-07
December 18, 1936	45,000,000	80,365,000	45,000,000	10-18-1-36
December 24, 1936	45,000,000	61,155,000	45,000,000	10-12-11-77

NATIONAL SAVINGS CERTIFICATES

Total Sales of Savings Certificates	No. of Certificates	Value
Week ended December 5, 1936	692,168	£ 59,126
Week ended December 12, 1936	531,482	£ 398,611
February, 1916, to December 12, 1936	1,279,045,756	£ 1,005,722,155

At the end of November, 1936, the amount remaining to the credit of investors in Savings Certificates, excluding interest, was £390,110,062.

THE BANKERS' GAZETTE

BANK OF ENGLAND

RETURN FOR WEEK ENDED WEDNESDAY,
 DECEMBER 23, 1936

ISSUE DEPARTMENT

Notes Issued :-		
In Circulation	£ 474,115,561	£ 11,015,100
In Banking Department	39,545,098	188,773,522
		198,927
		12,451
Government Debt		£ 200,000,000
Other Government Securities		313,660,659
Other Securities		
Silver Coin		
Amount of Fiduciary Issue		200,000,000
Gold Coin and Bullion		313,660,659
	513,660,659	513,660,659

BANKING DEPARTMENT

Proprietors' Capital	£ 14,553,000	£ 83,120,883
Rest	3,422,435	
Public Deposits*	21,733,856	
Other Deposits :-		
Bankers	£ 72,220,236	£ 6,447,907
Other Accounts	£ 38,767,624	£ 20,965,737
	110,987,860	27,413,644
		39,545,098
		617,526
	150,697,151	150,697,151

* Including Exchequer, Savings Banks, Commissioners of National Debt, and Dividend Accounts.

RETURN FOR WEEK ENDED WEDNESDAY,
 DECEMBER 30, 1936

ISSUE DEPARTMENT

Notes Issued :-		
In Circulation	£ 467,406,210	£ 11,015,100
In Banking Department	46,254,449	188,936,977
		138,303
		11,620
Government Debt		£ 200,000,000
Other Government Securities		313,660,659
Other Securities		
Silver Coin		
Amount of Fiduciary Issue		200,000,000
Gold Coin and Bullion		313,660,659
	513,660,659	513,660,659

BANKING DEPARTMENT

Proprietors' Capital	£ 14,553,000	£ 134,480,883
Rest	3,451,737	
Public Deposits*	12,413,969	
Other Deposits :-		
Bankers	£ 150,580,188	£ 17,467,197
Other Accounts	£ 39,191,159	£ 21,156,924
	189,771,347	38,624,121
		46,254,449
		551,600
	219,911,053	219,911,053

* Including Exchequer, Savings Banks, Commissioners of National Debt, and Dividend Accounts.
 † Reduced from £260,000,000.

Both Departments	Amount, Dec. 30, 1936	Inc. or Dec. on Last Week	Inc. or Dec. on Last Year
Note circulation	£ 467,406,210	- 6,709,351	+ 55,655,872
Public deposits	12,134,969	- 9,598,887	+ 2,169,918
Bankers' deposits	150,580,188	+ 78,359,952	+ 20,037,388
Other deposits	39,191,159	+ 423,535	+ 1,901,209
Total outside liabilities	669,312,526	+ 62,475,249	+ 79,763,387
Capital and rest	18,004,737	+ 29,302	- 28,910
Government debt and securities	334,332,960	+ 51,423,455	- 33,400,316
Discounts and advances	17,467,197	+ 11,019,290	- 6,188,228
Other securities	21,293,227	+ 128,563	+ 6,963,291
Silver coin in issue department	11,620	- 831	+ 1,243,515
Coin and bullion (bank's reserves)	314,212,259	- 65,926	+ 113,603,245
Reserves of notes and coin in banking department	46,806,049	+ 6,643,425	- 2,052,627
Proportion of reserve to outside liabilities—			
(a) Banking Department only ("proportion")	23-1%	- 7-1%	- 4-3%
(b) Gold stocks to deposits and notes ("reserve ratio")	47-0%	- 4-8%	+ 12-9%

(000's omitted)

Date	Issue Department	Banking Department	Gold in or out of Bank	Bank Rate
	Notes Issued	Public Deposits	Bankers' Deposits	Other Deposits
1936				
Dec. 9	508,630	458,852	17,491	86,984
" 16	513,661	467,895	10,427	88,757
" 23	513,661	474,116	21,734	88,768
" 30	513,661	467,406	12,135	89,191

(000's omitted)

Date	Govt. Debt and Securities	Other Securities	Gold Coin and Bullion and Reserve Ratio	Govt. Securities	Discounts & Advances	Other Securities	Reserve and the "Proportion"
1936							
Dec. 9	259,679	308	249,315	41 1/2	81,718	8,146	20,925
" 16	199,715	274	314,340	51 1/2	89,088	6,743	20,761
" 23	199,789	199	314,278	51 1/2	83,121	6,448	20,966
" 30	199,852	196	314,212	46 1/2	134,481	17,467	21,157

BANKERS' CLEARING RETURNS

LONDON

(000's omitted)

	Town	Metropolitan	Country	Total
1936				
January 1 to December 16	£ 33,496,724	£ 1,959,243	£ 3,409,234	£ 38,865,201
Week ended December 23	797,664	42,521	70,658	910,843
Five days ended December 30	562,300	30,629	44,450	637,379
Total to date, 1936	34,856,888	2,032,393	3,524,342	40,413,623
Total to date, 1935†	32,443,575	1,887,112	3,229,064	37,559,751
Increase or decrease in 1936	+ 2,413,313	+ 145,281	+ 295,278	+ 2,853,872
	= 7-4%	= 7-7%	= 9-1%	= 7-6%
Total for year 1935	32,443,575	1,887,112	3,229,064	37,559,751
Total for year 1934	30,740,117	1,759,528	2,984,512	35,484,157
Increase or decrease in 1935	+ 1,703,458	+ 127,584	+ 244,552	+ 2,075,594
	= 5-5%	= 7-2%	= 8-1%	= 5-8%

† Covers one day less than 1936 total.

PROVINCIAL

(000's omitted)

	Week ended December 26	Month of November	Aggregate Totals January 1 to December 26
	1935	1936	1935
No. of working days :	26	25	
BIRMINGHAM	1,800	1,766	10,405
BRADFORD	915	862	4,282
BRISTOL	620	893	5,232
DUBLIN	3,196	3,614	3,687
HULL	527	684	3,500
LEEDS	554	824	4,196
LEICESTER	490	547	3,012
LIVERPOOL*	4,733	5,217	21,320
MANCHESTER	7,848	7,473	41,030
NEWCASTLE	1,351	944	5,626
NOTTINGHAM	350	337	2,181
SHEFFIELD	622	640	3,765
	23,006	23,801	108,796
			125,832
			+ 15-8
			1,549,847
			1,653,641

* Restricted area from April 1, 1935.

OVERSEAS BANK RETURNS

NOTE.—The latest return of the Bank of Italy appeared in *The Economist* for November 9, 1935. Spain in August 15. Denmark, International Settlements in December 12. Finland, Portugal and Hungary in December 19. Argentina, Danzig, Latvia, Lithuania, Norway and Roumania in December 26.

U.S. FEDERAL RESERVE BANKS.—In \$'s (000's omitted)

U.S.F.R. BANKS	Jan. 2, 1936	Dec. 10, 1936	Dec. 17, 1936	Dec. 24, 1936	Dec. 31, 1936
RESOURCES					
Gold Certificates on hand and due from the Treasury	7,553,360	8,809,320	8,853,620	8,851,880	8,851,880
Total reserves	7,835,350	9,068,770	9,098,510	9,064,190	9,112,290
Total cash reserves	264,550	247,460	232,750	199,570	247,670
Total bills discounted	4,670	6,000	7,080	8,880	5,380
Total bills on hand	4,660	9,990	10,770	11,970	8,470
Industrial advances	32,490	25,490	25,310	25,000	24,770
Total U.S. Govt. securities	2,430,730	2,430,230	2,430,230	2,430,230	2,430,230
Total bills and securities	2,472,730	2,464,810	2,466,310	2,467,200	2,463,460
Total resources	11,025,800	12,236,520	12,575,080	12,390,910	12,454,800
LIABILITIES					
Federal Reserve notes in actual circulation	3,709,070	4,232,670	4,268,970	4,350,490	4,278,790
Aggregate of excess member bank reserves over requirements	2,850,000	2,160,000	2,050,000	1,880,000	1,950,000
Deposits—Member bank	5,587,210	6,730,990	6,674,160	6,507,490	6,571,720
Reserve account	543,770	93,080	172,830	250,560	230,830
Government deposits	6,385,810	7,052,680	7,073,560	7,013,860	7,076,480
Total deposits	300,520	302,870	302,980	303,210	303,420
Capital paid in and surplus	11,025,900	12,236,520	12,575,080	12,390,910	12,454,800
Total liabilities	11,025,900	12,236,520	12,575,080	12,390,910	12,454,800
Ratio of total reserves to deposit and F.R. note liabilities combined	77-6%	80-4%	80-2%	79-8%	80-2%
U.S.F.R. BANKS AND TREASURY COMBINED					
RESOURCES					
Monetary Gold Stock	10,123,000	11,206,000	11,222,000	11,229,000	11,251,000
Treasury and National Bank Currency	2,476,000	2,525,000	2,532,000	2,531,000	2,530,000
LIABILITIES					
Money in Circulation	5,882,000	6,497,000	6,552,000	6,680,000	6,550,000
Treasury Cash and Deposits with Federal Reserve Banks	3,107,000	2,465,000	2,519,000	2,593,000	2,599,000

NEW YORK FEDERAL RESERVE BANK.—In \$'s

(000's omitted)

	Jan. 2, 1936	Dec. 10, 1936	Dec. 17, 1936	Dec. 24, 1936	Dec. 31, 1936
Total gold reserves	3,377,140	3,385,210	3,535,940	3,458,230	3,475,020
Total bills discounted	3,030	4,560	4,430	4,590	3,010
Total bills on hand	1,740	1,100	1,100	1,100	1,100
Total U.S. Govt. securities	741,880	645,240	645,240	645,240	645,240
Total bills and securities	754,390	657,200	657,060	656,990	655,380
Deposits—Member bank	2,747,430	2,937,160	3,023,930	2,891,220	2,902,120
Reserve account					
Ratio of total res. to dep. and Federal Res. note liabilities combined	83-1%	85-2%	85-7%	85-4%	85-8%

FEDERAL RESERVE

NETHERLANDS BANK.—In florins (000's omitted)

ASSETS	Dec. 30, 1936	Nov. 30, 1936	Dec. 7, 1936	Dec. 14, 1936	Dec. 21, 1936	Dec. 28, 1936
Gold	643,445	569,895	569,895	669,533	669,533	719,537
Silver	18,994	19,075	19,762	19,725	19,426	18,105
Home bills discounted	33,052	22,499	22,596	22,359	21,991	23,221
Loans and advances in current account...	139,636	314,152	327,210	282,281	311,530	320,162
LIABILITIES						
Notes in circulation...	808,898	805,680	787,667	776,488	776,931	792,424
Deposits	50,352	141,205	172,177	238,726	267,102	310,988

BANK OF JAVA.—In florins (000's omitted)

ASSETS	Dec. 28, 1936	Nov. 23, 1936	Dec. 5, 1936	Dec. 12, 1936	Dec. 19, 1936	Dec. 26, 1936
Gold and silver	102,070	106,250	106,790	105,590	105,660	106,050
Discounts, advances and other investments	79,740	73,390	73,700	71,520	71,520	71,680
Foreign bills	1,780	2,430	2,150	1,910	1,990	1,930
Other assets	11,410	15,920	21,580	28,720	29,450	29,570
LIABILITIES						
Notes in circulation...	157,210	159,890	163,230	165,770	162,890	162,370
Deposits and bills payable...	25,770	25,840	28,460	29,390	32,800	34,240

SWISS NATIONAL BANK.—In francs (000's omitted)

ASSETS	Dec. 23, 1936	Nov. 23, 1936	Nov. 30, 1936	Dec. 7, 1936	Dec. 15, 1936	Dec. 23, 1936
Gold	1,386,843	2,533,655	2,581,006	2,630,687	2,636,774	2,683,169
Of which held abroad	218,260	486,595	526,683	568,181	573,432	605,827
Discounts	123,245	22,864	23,068	23,360	22,999	23,621
Confederation Bills	82,576	7,500	15,000	16,000	16,000	16,000
Advances	110,027	37,574	41,520	42,041	40,614	42,385
Securities	51,263	39,389	30,300	29,967	29,490	29,472
LIABILITIES						
Notes in circulation...	1,333,028	1,344,839	1,403,476	1,383,736	1,382,028	1,441,764
Deposits	346,828	1,297,828	1,279,659	1,359,867	1,373,515	1,364,767

† Gold revalued, by increase of 35.03% from October 7, 1936.

BANK OF SWEDEN.—In kronor (000's omitted)

ASSETS	Dec. 14, 1936	Nov. 23, 1936	Nov. 30, 1936	Dec. 7, 1936	Dec. 15, 1936
Gold reserve	397,442	437,510	437,791	444,746	458,152
Government securities—					
Swedish	78,639	28,678	28,678	28,678	28,678
Foreign	69,808	70,456	70,456	70,456	70,456
Gold abroad not included in the gold reserve		89,817	89,775	83,145	69,970
Bills payable in Sweden	11,884	12,910	12,587	12,207	11,575
Bills payable abroad	356,445	282,850	291,650	309,863	327,825
Balance abroad	193,855	280,300	288,747	288,060	288,629
Advances	35,311	29,581	27,234	27,940	26,662
LIABILITIES					
Notes in circulation	729,994	729,033	811,713	801,391	826,188
Government deposits	246,653	319,612	314,900	303,316	296,606
Private deposits	213,632	333,522	280,391	315,015	315,869

AUSTRIAN NATIONAL BANK.—In schillings (000's omitted)

ASSETS	Dec. 15, 1936	Nov. 23, 1936	Nov. 30, 1936	Dec. 7, 1936	Dec. 15, 1936
Cash reserve—					
Gold coin and bullion	242,474	242,769	242,773	242,776	242,782
Other foreign exchange	117,728	102,628	105,051	105,587	100,925
Bills discounted	227,584	207,388	207,672	207,044	208,052
Federal debt	624,444	624,444	624,444	624,444	624,444
LIABILITIES					
Notes in circulation	945,294	822,954	915,285	874,686	897,322
Deposits	250,910	336,378	246,574	290,143	258,053

NATIONAL BANK OF CZECHOSLOVAKIA.—In Cz. K.* (000's omitted)

ASSETS	Dec. 15, 1936	Nov. 23, 1936	Nov. 30, 1936	Dec. 7, 1936	Dec. 15, 1936
Gold	2,690,845	2,590,306	2,590,449	2,590,722	2,590,056
Balance abroad and foreign currency	73,880	498,216	486,144	493,054	479,073
Discounts and advances	1,380,727	1,570,674	1,560,156	1,735,260	1,814,085
State notes debt balance	2,048,961	2,028,402	2,024,584	2,023,903	2,023,441
LIABILITIES					
Bank notes in circulation	5,691,202	5,453,653	5,662,145	5,878,278	5,893,638
Check account balances	502,551	819,457	576,332	543,293	553,088

* First return showing effects of devaluation, October 15, 1936.

NATIONAL BANK OF JUGOSLAVIA
In dinar (000's omitted)

ASSETS	Dec. 22, 1936	Dec. 8, 1936	Dec. 15, 1936	Dec. 22, 1936
Cash reserve—				
Gold at home and abroad	1,430,782	1,602,258	1,606,502	1,609,551
Other foreign exchange	331,010	602,626	620,270	627,808
Bills and advances against security	1,772,364	1,716,469	1,713,274	1,702,774
Government advances	1,680,676	1,662,390	1,662,432	1,662,492
LIABILITIES				
Notes in circulation	4,731,396	5,219,200	5,215,262	5,179,153
Sight deposits	1,508,038	1,656,676	1,688,959	1,745,405
Time deposits	197,200	50,000	50,000	50,000

NATIONAL BANK OF BULGARIA.—In leva (000's omitted)

ASSETS	Dec. 15, 1936	Nov. 23, 1936	Nov. 30, 1936	Dec. 7, 1936	Dec. 15, 1936
Gold and silver holdings	1,590,555	1,618,134	1,618,134	1,618,134	1,618,134
Balance abroad and foreign currencies	613,290	711,759	707,958	741,282	791,038
Discounts and advances	1,348,114	1,644,942	1,490,372	1,464,310	1,433,095
Advances to the Treasury	2,671,279	2,572,187	2,572,182	2,572,181	2,572,181
LIABILITIES					
Reserves	1,251,456	1,243,271	1,243,139	1,243,261	1,242,231
Bank notes in circulation	2,279,680	2,550,805	2,583,542	2,633,813	2,563,302
Sight liabilities	2,090,576	2,476,205	2,215,659	2,215,484	2,315,888
Deposits	126,068	116,791	116,791	116,673	116,589

BANK OF GREECE.—In drachmae (000's omitted)

ASSETS	Dec. 15, 1936	Nov. 23, 1936	Nov. 30, 1936	Dec. 7, 1936	Dec. 15, 1936
Gold and gold exchange	3,485,029	2,939,699	2,954,148	3,334,064	3,349,156
State Gold Bonds	567,169	556,944	556,944	556,944	556,944
Bills discounted	317,582	379,160	431,699	425,888	433,530
Advances	4,072,740	4,876,805	4,842,050	4,369,180	4,568,188
State Debt	2,714,111	3,605,111	3,605,111	3,605,111	3,605,111
LIABILITIES					
Notes in circulation	5,792,404	5,970,757	5,969,175	5,976,241	5,943,972
Deposits and current accounts	4,418,099	5,811,919	5,810,534	5,746,281	6,031,146
Foreign exchange liabilities	233,277	176,491	179,982	176,096	186,317

CENTRAL BANK OF TURKEY.—In ₺ (000's omitted)

ASSETS	Nov. 21, 1936	Nov. 28, 1936	Dec. 5, 1936	Dec. 12, 1936	Dec. 19, 1936
Gold	30,223	30,223	30,526	31,764	32,073
Foreign Exchange*	22,873	25,205	27,325	32,207	33,892
Treasury Bonds	146,684	146,684	146,684	146,684	146,684
Bills	23,997	28,904	22,123	22,926	23,454
Securities	38,549	41,250	41,250	41,110	41,131
Advances	16,550	16,782	19,502	19,025	14,941
LIABILITIES					
Note Circulation:					
Ordinary	146,684	146,684	146,684	146,684	146,684
Supplementary	26,500	30,000	32,000	34,000	34,000
Deposits	15,656	15,870	18,236	13,349	13,749
Foreign Exchange Liabilities*	23,051	22,716	22,509	24,168	25,282
Miscellaneous	74,478	73,727	79,692	83,409	81,783

* Includes outstanding clearing balances.

BANK OF POLAND.—In zloty (000's omitted)

ASSETS	Dec. 20, 1936	Nov. 20, 1936	Nov. 30, 1936	Dec. 10, 1936	Dec. 20, 1936
Gold	443,005	375,709	379,015	382,255	389,782
Foreign exchange and balances	22,266	23,240	25,215	26,445	28,048
Bills discounted	679,604	671,767	687,313	676,731	672,026
Loans against securities	79,901	116,434	108,189	86,293	77,489
Treasury bonds discounted	67,853	13,777	22,339	47,690	42,026
Securities	51,186	104,780	155,105	135,378	135,543
LIABILITIES					
Notes in circulation	966,732	995,812	1,032,428	1,009,673	992,389
Sight liabilities	209,067	252,184	221,233	251,259	266,555

BANK OF ESTONIA.—In Est. kronas (000's omitted)

ASSETS	Dec. 15, 1936	Nov. 15, 1936	Nov. 30, 1936	Dec. 7, 1936	Dec. 15, 1936
Gold coin and gold bullion	34,161	34,177	34,178	34,179	34,176
Net foreign exchange	547	5,092	5,608	6,420	5,863
Subsidiary Estonian coin	3,162	1,327	1,247	1,373	1,378
Home bills discounted	9,152	10,917	10,662	10,985	11,079
Loans and advances	5,592	9,820	10,360	10,053	10,436
LIABILITIES					
Notes in circulation	39,633	43,222	45,661	43,856	44,595
Sight deposits and current accounts	25,391	24,130	21,823	24,940	24,795
Ratio of reserve to current liabilities	53.38%	58.30%	58.95%	59.01%	57.75%

BANK OF JAPAN.—In yen (000's omitted)

ASSETS	Dec. 7, 1936	Nov. 14, 1936	Nov. 21, 1936	Nov. 28, 1936	Dec. 5, 1936
Gold coin and bullion	501,164	541,766	542,986	544,078	545,259
Other coin and bullion	46,982	60,879	59,708	58,101	54,624
Discounts	570,102	530,063	532,222	568,441	536,840
Advances	148,481	207,975	209,366	211,309	213,365
Advances on foreign bills	113,950	117,491	130,822	165,613	94,465
Government bonds	535,746	448,137	448,137	501,270	496,270
LIABILITIES					
Notes	1,318,298	1,264,426	1,318,879	1,491,180	1,430,642
Government deposits	361,039	413,504	396,904	334,204	285,348
Other deposits	65,346	50,678	56,271	71,396	53,446

NATIONAL BANK OF EGYPT.—In £E (000's omitted)

Banking Department:—	Nov. 30, 1936	Sept. 30, 1936	Oct. 31, 1936	Nov. 30, 1936
Capital	2,925	2,925	2,925	2,925
Reserves	2,925	2,925	2,925	2,925
Government deposits	9,082	5,458	5,809	6,931
Other deposits	17,835	18,978	20,056	20,667
Other accounts	3,315	3,626	3,712	3,820
ASSETS				
Cash: Notes	1,097	1,724	1,613	1,350
Gold, silver, etc.	1,999	685	317	1,248
Money at call and short notice	20,808	23,143	22,921	22,753
Investments	6,544	5,034	6,093	6,484
Advances	2,178	1,024	1,523	1,865
Bills	2,806	2,582	2,302	2,874
Other accounts				
Note Issue Department:—				
Notes issued	25,700	25,000	25,000	24,200
Gold	6,241	6,241	6,241	6,241
British Treasury Bills	10,230	9,544	9,544	8,744
British War Loan at par	7,730	7,715	7,715	7,715
Egyptian Government securities at market price	1,500	1,500	1,500	1,500

MONEY AND EXCHANGE RATES

LONDON MONEY RATES

	Dec. 23, 1936	Dec. 24, 1936	Dec. 25, and 26, 1936	Dec. 28, 1936	Dec. 29, 1936	Dec. 30, 1936	Dec. 31, 1936
Bank rate (changed from 2½% June 30, 1932).....	2 2	2 2		2 2	2 2	2 2	2 2
Market rates of discount—							
60 days' bankers' drafts	1½-1½	1½-1½		1½-1½	1½-1½	1½-1½	1½-1½
3 months' do.	1½-1½	1½-1½		1½-1½	1½-1½	1½-1½	1½-1½
4 months' do.	1½-1½	1½-1½		1½-1½	1½-1½	1½-1½	1½-1½
6 months' do.	1½-1½	1½-1½		1½-1½	1½-1½	1½-1½	1½-1½
Discount Treasury Bills—							
2 months'	1½-1½	1½-1½		1½-1½	1½-1½	1½-1½	1½-1½
3 months'	1½-1½	1½-1½		1½-1½	1½-1½	1½-1½	1½-1½
Loans—Day-to-day	1-1	1-1		1-1	1-1	1-1	1-1
Short	1-2	1-2		1-2	1-2	1-2	1-2
Deposit allowances : Bank							
Discount houses at call ...	1	1		1	1	1	1
At notice	1	1		1	1	1	1

OVERSEAS DOMINION RATES

COMMONWEALTH OF AUSTRALIA AND DOMINION OF
NEW ZEALAND

		London on Australia and New Zealand				Australia and New Zealand on London*			
		Buying		Selling		Buying		Selling	
		Australia	New Zealand	Australia (any Mail)	New Zealand (any Mail)	Australia	New Zealand	Australia (any Mail)	New Zealand
T.T.		Air	Ord.	Air	Ord.	Air	Ord.	Air	Ord.
Sight		125	124	125	124	125	124	125	124
30 days		125 1/2	124 1/2	125 1/2	124 1/2	125 1/2	124 1/2	125 1/2	124 1/2
60 days		125 1/2	124 1/2	125 1/2	124 1/2	125 1/2	124 1/2	125 1/2	124 1/2
90 days		125 1/2	124 1/2	125 1/2	124 1/2	125 1/2	124 1/2	125 1/2	124 1/2

* All rates (Australia and New Zealand) now based on £100.—LONDON.

GOLD AND SILVER

The following statistics of imports and exports of gold and silver for the week ended December 24, 1936, are issued by the Statistical Department of H.M. Customs and Excise.

IMPORTS AND EXPORTS OF GOLD
(Into and from United Kingdom)

Imports			Exports		
From	Bullion*	Coin†	To	Bullion*	Coin†
British W. Africa...	£ 176,534	...	Denmark	£ 227	...
Tanganyika	8,346	...	Germany	19,720	...
Kenya	13,885	...	Netherlands	7,000	...
British India	518,709	...	Belgium	11,900	...
Australia	76,574	120	Switzerland	1,360	...
Trinidad & Tobago	2,600	...	U.S.A.	1,125,898	...
British Guiana	12,179	...	Other Countries	675	...
Germany	3,490	...			
Netherlands	45,834	2,605			
Belgium	15,945	11,312			
France	5,919,282	501			
China	389,699	11,712			
Venezuela	23,918	...			
Other Countries	5,784	148			
		10			
Totals	7,212,769	3,374	Totals	1,261,120	8,369
		23,034			128

IMPORTS AND EXPORTS OF SILVER

Imports			Exports		
From	Bullion*	Coin†	To	Bullion*	Coin†
Irish Free State	£ 5,100	...	British India	£ 27,296	...
British Malaya	2,656	...	Norway	1,164	...
Australia	1,848	...	Denmark	1,970	...
New Zealand	3,336	...	Poland	26,900	...
Fiji	2,233	30,000	Germany	16,609	...
Germany	...	170	Switzerland	6,123	...
Netherlands	...	18	Other Countries	1,301	400
Belgium	11,183	...			414
France	568	865			
Other Countries	...	52			
Totals	21,824	36,380	Totals	81,413	400
		240			414

The following statistics of imports and exports of gold and silver for the week ended December 31, 1936, are issued by the Statistical Department of H.M. Customs and Excise.

IMPORTS AND EXPORTS OF GOLD
(Into and from United Kingdom)

Imports			Exports		
			To	Bullion*	Coin†
Cash reserve:					
Gold at home and ...					
Other foreign exchange ...					
Bills and advances against securities*					
Government advances					
LIABILITIES					
Notes in circulation	£ 4,731,381	Aden and Depen-	£		
Sight deposits	1,508,038	encies	...		2,000
Time deposits	197,200	India	...		11,000
				450	
				57,150	
				35,058	8,580
				1,819	1,400
				...	1,285
				...	3,000
NATIONAL BANK OF BULGARIA.—In leva (000 s.)					
ASSETS					
Gold and silver holdings ...	Dec. 15, 1935	Nov. 23, 1936	Nov. 30, 1936	Dec. 7, 1936	
Balances abroad and foreign currencies	1,590,555	1,618,134	1,618,134	1,618,134	1,618,134
Discounts and advances ...	613,290	711,759	707,958	741,282	791,038
Advances to the Treasury	1,348,114	1,644,942	1,490,372	1,464,310	1,443,085
LIABILITIES					
Reserves	1,251,456	1,243,271	1,243,139	1,243,261	1,242,231
Bank notes in circulation...	2,279,690	2,550,885	2,583,542	2,593,813	2,593,302
Sight liabilities	2,090,576	2,476,207	2,215,659	2,215,484	2,315,888
Deposits	126,068	116,791	116,791	116,673	116,589

IMPORTS AND EXPORTS OF SILVER

Imports			Exports		
From	Bullion*	Coin†	To	Bullion*	Coin†
British S. Africa	£ 104,000	...	Channel Islands	£ 1,000	...
Australia	305	...	British India	259,252	...
New Zealand	6	...	Norway	2,280	...
Germany	292	...	Denmark	1,490	...
Netherlands	112	...	Germany	20,281	...
Belgium	3,600	...	France	4,113	...
France	491	228	Switzerland	3,093	...
Japan	111,649	...	Austria	2,914	...
Other countries	306	24	Other countries	2,823	50
Totals	116,344	104,417	Totals	296,056	1,050
		252			239

* At current market value. † Coin which is of legal tender in the United Kingdom is entered at face value and shown in *italics*. Other coin is entered at current market value.

GOLD MOVEMENTS: BANK OF ENGLAND

ARRIVALS			WITHDRAWALS		
1936		£	1936		£
Dec. 24	Nil	...	Dec. 24	Nil	...
" 28	Nil	...	" 28	Nil	...
" 29	Nil	...	" 29	Nil	...
" 30	Nil	...	" 30	Nil	...
" 31	Nil	...	" 31	Nil	...
Total	Nil	...	Total	Nil	...
Movement, December 24, 1936, to December 31, 1936 (inclusive)					
Movement during year 1935					
Movement during 1936 (January 1 to December 31, 1936, inclusive)					
Movement, April 29, 1925, to December 31, 1936 (inclusive)					
Movement, September 21, 1931 (gold standard suspended) to December 31, 1936 (inclusive)					

GOLD MARKET

Messrs. Samuel Montagu and Company write on December 23, 1936:—The Bank of England gold reserve against notes amounted to £313,660,659 on December 16, 1936, as compared with £248,660,346 on December 9, 1936. This increase is due to the purchase of £65,000,000 referred to in our December 16th letter. The present figure easily constitutes a record holding of the Bank of England. In the open market about £2,150,000 of bar gold was disposed of at the daily fixing. There has been some general demand, but prices have continued to rule at about dollar parity. The s.s. "Strathnaver," which sailed from Bombay on December 19th, carries gold to the value of about £255,000.

Writing on December 30, 1936, Messrs. Samuel Montagu and Company say:—

The Bank of England gold reserve against notes amounted to £313,660,659 on December 23rd, showing no change as compared with December 16th. In the open market about £1,800,000 of bar gold was disposed of at the daily fixing during the four days under review. There was a general demand and gold was also taken for America, prices continuing to rule at about dollar parity. The s.s. "Ranchi" which sailed from Bombay on December 26th carries gold to the value of about £221,000.

SILVER MARKET

Their bulletin of December 23 declares:—

Until December 23, 1936, there had been little movement in prices and buying by the Indian Bazaars and sales on China account had again been the main features. The tendency became easier at the end of the week following weaker advices from Bombay and to-day Indian reselling was in evidence; owing to poor support prices declined sharply, the quotations of 20½d. for cash and 20½d. for two months' delivery being ½d. lower than those of December 22nd. The market is mainly influenced by movements in Bombay and prices would be likely to decline further should reselling from this quarter continue.

The bulletin of December 30 continues:—

Owing to the Christmas holidays, the week under review comprised only four working days. The market has been steady and prices showed some improvement on buying by the Indian Bazaars; on December 24th the demand from this quarter for silver for near delivery resulted in the cash price being quoted at a premium of ½d., which, however, was not altogether maintained; the difference between the two quotations had decreased to ¼d. by December 29th, but widened to ½d. on December 30th. China sales have continued and there have been speculative resales, but offerings have again been on a moderate scale. There is no indication of any important change, but the Indian Bazaars are the main support of the market and their attitude is likely to continue to decide the tendency.

Quotations for gold and silver are shown below:—

1936	Price of Gold per Fine Ounce	Equivalent Value of £ sterling	Price of Bar Silver in London per ounce standard		Price of Silver New York per ounce .999 fine
			Cash	Two Months	
Dec. 17	141 5/8	12 0-13	21 1/2	21 1/2	Dec. 16 45 1/2
" 18	141 5/8	12 0-05	21 1/2	21 1/2	" 17 45 1/2
" 19	141 7	12 0-01	21 1/2	21 1/2	" 18 45 1/2
" 21	141 8 1/2	12 11-88	21 1/2	21 1/2	" 19 45 1/2
" 22	141 8	12 0-01	21 1/2	21 1/2	" 20 45 1/2
" 23	141 6	12 0-09	21 1/2	21 1/2	" 21 45 1/2
Average	141 6-75	12 0-03	21 1/2	21 1/2	" 22 45 1/2
Dec. 24	141 6 1/2	12 0-05	21 1/2	21 1/2	" 23 45 1/2
" 25	141 6 1/2	12 0-05	21 1/2	21 1/2	" 24 45 1/2
" 26	141 4	12 0-26	21 1/2	21 1/2	" 25 45 1/2
" 27	141 8	12 11-92	21 1/2	21 1/2	" 26 45 1/2
Average	141 6-25	12 0-07	21 1/2	21 1/2	" 27 45 1/2
Dec. 31	141 7	12 0-01	21 1/2	21 1/2	" 28 45 1/2

Loans—Day-to-day rate of exchange on New York recorded during the period 1936, to December 23, 1936, was \$4.91½ and the lowest rate of exchange on New York recorded during the period 1936, to December 30, 1936, was \$4.92 and the

COMPANY NEWS

WEEKLY TRAFFIC RETURNS
RAILWAYS OF GREAT BRITAIN AND IRELAND

(b) Week ended Dec. 25, 1936.	(c) Week ended Dec. 26, 1936.	Miles Open	Gross Receipts, week ended Dec. 27, 1936 (£'000)					Aggregate Gross Receipts 1936 compared with 1935 (52 weeks) (£'000)				
			Passenger, etc.	Merchandise, etc.	Coal and Coke	Total Receipts	Passenger, etc.	Merchandise, etc.	Coal and Coke	Total Receipts	Total Receipts	Total Receipts
Great Western	1936 3,746	304	132	86	218	522	10,935	9,967	5,274	15,241	26,176	25,422
(c) L. & N.	1936 3,746	241	83	75	158	399	10,679	9,487	5,256	14,743	25,422	25,422
Eastern	1936 6,332	412	259	187	446	858	16,784	17,030	12,149	29,179	45,983	45,983
L. M. & Scottish	1936 6,916	629	348	239	587	1,216	16,422	16,440	11,774	28,214	44,636	44,636
Southern	1936 6,923	498	246	188	434	932	25,079	25,518	12,270	37,607	63,379	63,379
	1936 2,153	392	41	30	71	469	15,954	3,251	1,611	4,862	20,816	20,816
	1936 2,171	322	31	29	60	382	15,888	3,180	1,585	4,765	20,533	20,533
Total	1936 19,146	1,737	780	542	1,322	3,059	69,445	55,180	31,709	86,889	156,334	156,334
	1935 19,177	1,394	566	475	1,041	2,435	67,768	52,625	30,885	85,510	151,278	151,278
(b) Belfast & Co. Down	1936 80	2-1	...	0-5	2-6	129-3	...	...	...	27-8	157-1	157-1
(c) Great Northern	1936 543	15-0	...	6-6	21-6	554-5	...	...	...	489-8	1,044-3	1,044-3
	1936 543	14-9	...	5-6	20-5	535-1	...	...	...	487-2	1,022-3	1,022-3
(b) Great Southern	1936 2,076	47-1	...	37-0	84-1	1,844-3	...	...	...	2,266-5	4,110-8	4,110-8
	1935 2,124	45-0	...	27-5	72-5	1,791-8	...	...	...	2,123-4	3,915-2	3,915-2

COMPARISONS WITH CORRESPONDING PERIODS, 1934 and 1935
(000's omitted)

	Great Western	L.M.S.	L.N.E.R.	Southern
Second half-year 1935, compared with second half-year, 1934:				
Gross increase or decrease	+ 196	+ 592	+ 224	+ 180
First half-year 1936, compared with first half-year, 1935:				
Gross increase or decrease	+ 263	+ 937	+ 534	+ 85
Second half-year 1936, compared with second half-year, 1935:				
26 weeks to December 27, 1936	+ 491	+ 1,575	+ 751	+ 378
Weekly average second half 1936	+ 18 1/2	+ 60 1/2	+ 28 1/2	+ 14 1/2
Latest week 1936 compared with 1935	+ 123	+ 284	+ 136	+ 81

LONDON TRANSPORT

	Great Western	L.M.S.	L.N.E.R.	Southern
Week ending December 26, 1936	£ 535,600	£ 470,000	£ 487,000	£ 410,000
Aggregate 26 weeks to December 26, 1936	£ 14,607,200	£ 14,607,200	£ 14,607,200	£ 14,607,200

* For an explanation of the manner in which the figures are made up, see *The Economist*, March 17, 1934, page 610.

OVERSEAS RAILWAY RECEIPTS

Name	Weeks	Ending	Present Mileage	Gross Receipts for Week		Gross Aggregate Receipts		
				1936	+ or -	1936	+ or -	
INDIAN								
		1936		Rs.		Rs.		
Assam Bengal	35	Nov. 30	1,330	5,60,100	+	47,939	1,14,79,572	+
Barsi L.T. Ry.	35	30	292	1,01,200	+	36,100	10,42,200	+
Bengal & N. Western	11	Dec. 10	2,112	10,79,886	+	1,08,357	69,83,218	+
Bengal-Nagpur	37	10	3,288	23,88,000	+	2,67,586	5,54,75,517	+
Bombay, Bar. & C.I.	38	20	3,672	37,20,000	+	4,50,038	7,91,66,000	+
Madras & S. Mahr. ...	35	Nov. 30	2,259	20,26,000	+	2,44,938	11,70,80,507	+
Rohilk'nd & Kumaon	11	Dec. 10	546	11,99,250	+	8,444	10,83,961	+
South Indian	35	Nov. 30	2,532	11,35,490	+	56,009	356,45,677	+
				* 10 days.				

COMMERCE AND TRADE

SURVEY OF COMMODITY MARKETS

The world-wide upward movement of the prices of raw materials and crude foodstuffs continued during the past fortnight at an increasing pace. Indeed, there was little evidence this season of the usual lull in business on the commodity markets over the Christmas holidays. The wider implications of the recent upward rush of prices are discussed in a Note of the Week.

Wheat prices continued to advance rapidly to the highest level since 1929. Unfavourable weather in Argentina and Australia and a persistent demand by European importing countries focussed attention on the narrow margin between estimated world supplies and requirements this season. Quotations for raw sugar, though still well below the pre-depression level, experienced a sudden jump. The markets in cocoa and coffee were firm, but no tea auctions took place this week. At Smithfield, beef was cheaper and mutton slightly dearer. Bacon was marked up in price, but butter and eggs were seasonally cheaper.

Hectic dealings took place in the market for rubber, and the price of this commodity was driven up to the highest level since 1929, although no shortage of supplies is in sight.

Among non-ferrous metals, tin was cheaper than a fortnight ago, but copper, lead and spelter again went ahead. The price of lead is now well above the average for 1929, but quotations for copper and spelter are still considerably below that level. Linseed and linseed oil were marked up on the news that the import requirements of the United States in 1937 may be 50 per cent. higher than during the past year and because of unfavourable weather in Argentina. United States cotton rose slightly, and the markets in textile raw materials were generally firm.

In the United States, too, many primary products advanced rapidly in price during the past fortnight. Thus, Moody's index (December 31, 1931 = 100) rose to 207.0 on Wednesday against 201.3 a week earlier, 191.0 a month ago, and 165.7 on the same day last year.

COAL

SHEFFIELD.—After the pre-Christmas rush the market has been quieter, especially in household supplies. There is, however, a good inquiry for industrial fuel of all descriptions, and collieries are very well booked. The market in gas coal is steady. There is considerable pressure for coke, supplies of which are short. Export business is on a fair scale. Prices generally show no change.

(Continued on page 45)

SECURITY PRICES IN 1936

(See Leading Article on page 26)

Description	Prices in 1936		Price Dec. 31, 1935	Price Dec. 31, 1936	Rise or Fall in Year	Yield, allowing for Accrued Interest and Redemption where necessary	
	High-est	Low-est				Dec. 31, 1935	Dec. 31, 1936
British Govt. Stocks							
5% Consols, 1944-64	87½	82½	86½	84½	-2½	2 17 10	2 19 2
5% Conversion, 1944-64	121½	116½	120	117½	-2½	2 12 0	2 15 0
3% Funding, 1959-69...	104½	101	102½	101½	-1½	2 16 9	2 18 6
4% Fndg. Loan, 1960-59	119½	115½	117	116½	-½	3 0 0	3 1 3
2½% Conversion 1944-49	102½	100	101½	101½	0	2 7 6	2 8 0
3½% War Loan	108½	104	106	105½	-½	3 1 0	3 1 3
3% Local Loans	98½	94½	96½	96½	0	3 2 2	3 2 0
India and Dominion							
Canada 3½%, 1959-55...	105½	100½	102	103	+½	3 2 0	3 0 0
India 3½%	100½	96	98½	98½	+½	3 12 2	3 11 0
Australia 5%, 1945-75	113½	109½	111	110	-½	3 13 3	3 13 6
N. Zealand 3½%, 1949-54	104½	99½	101½	103	+½	3 8 0	3 7 0
Foreign Governments							
Argentina 4% Rec. 1952	103½	99½	101½	102	+½	4 0 0	3 19 0
Do. 4% "Roca"	98½	89	89½	87½	-2½	4 19 9	4 5 0
Austrian 4½%, 1934-59	98	82	85½	81	-4½	5 13 0	5 10 3
Brazil Funding 5% "A"	76	63½	83½	81	-2½	5 19 9	6 3 5
China 5% (1913) Reorg.	98	80	90½	85	-5½	5 13 0	5 7 6
French 4½% Rentes	251	175	251½	175	-8	4 18 0	5 8 7
German 7% "A"	69½	53	58	55	-3	12 3 0	12 14 6
Japanese 6%, 1924	97½	83	96½	88½	-8	6 10 1	7 5 6
Other Fixed Interest							
Cent. Elect. 5%, 1950-70	120½	115½	116½	120	+4½	3 12 0	3 6 0
Pt. of Lond. 5%, 1950-70	123½	119	119	121	+2	3 7 0	3 2 3
Met. Water Board, 3% B	100	95	98	99	+1	3 1 3	3 0 9
Imperial Chem. 7% Pref.	35¼	32¼	34¼	35¼	+½	4 2 3	4 0 0
Gas Lt. & Coke 3% Deb.	93¼	84	90	84½	-5½	3 6 8	3 11 0
Shell Transp. 7% 2nd Pt.	34½	32½	33½	34½	+½	4 2 4	4 2 0
British Railways							
L.M.S. 4% Deb. Stk.	111½	105½	108	107½	-½	3 14 1	3 14 5
Gt. Westn. 5% Guar. Stk.	135½	127½	132½	133	+½	3 16 8	3 16 4
L.M.S. 4% Pt. Stk. 1923	83	52½	54½	81	-2½	2 19 8	4 18 2
L.N.E.R. 4½ 2nd Pt. Stk.	31½	18½	20	29	+9	Nil	Nil
L.M. & S. Ord. Stk.	34½	17	18	34	+16	Nil	Nil
Gt. Western Ord. Stk.	65½	45½	50	65	+15	6 0 0	4 12 3
L. & N.E.R. Pt. Ord. Stk.	14	9	10	12	+2	Nil	Nil
London Transport C. Stk.	112½	93	108	98	-10	3 14 0	4 1 8
Southern Pref. Ord. Stk.	98½	82½	83	96	+13	4 16 6	5 4 2
Overseas Railways							
Canadian Pacific (\$2)	16½	10½	11	15	+4	Nil	Nil
Buenos A. Gt. Stn. Ord.	32	14	18	31½	+13½	Nil	Nil
Buenos A. West. Ord.	30½	11½	14½	30½	+16	Nil	Nil
Cent. Arg. 4½% New-Cm. Stk.	74	22	24½	71½	+47	Nil	4 17 11
6% Cun. Pref.	91	22	24	91	+67	Nil	Nil
Banks							
Barclays "B" (£1)	80½	74½	78½	79½	+½	3 11 0	3 10 6
Lloyds (£5, with £1 paid)	65¼	60¾	63½	65½	+2½	3 16 0	3 13 9
Mileage (£1, fully paid)	98½	91½	96½	94½	-2	3 6 0	3 7 9
Nat. Prov. £20 with £4 pd.	16½	14½	15½	16½	+1	3 18 0	3 15 6
Westminster (£1) with £1 pd.	100½	90½	94½	99½	+5	3 16 0	3 12 0
Constructional Industries							
Associated Cement (£1)	110½	64½	65½	108½	+43½	3 4 0	4 1 0
British Oxygen (£1)	135½	86½	111½	120	+8	3 4 0	2 10 0
General Electric (£1)	96½	73½	74½	94½	+20½	2 11 0	3 2 6
Guest, Keen, & Co. (£1)	39½	31½	34½	35½	+1	3 4 0	2 17 0
London Brick (£1)	84½	66½	83½	71½	-12½	5 8 0	6 6 0
Murex (£1)	43½	30½	34½	43½	+9	2 13 3	2 12 0
Stewarts and Lloyds (£1)	17½	12½	14½	16½	+2	2 19 3	2 6 0
Thomas (Richard) (£6/8)	112½	70½	70½	112½	+42½	3 11 0	3 2 6
Turner and Newall (£1)	35½	29½	31½	31½	+2	4 9 7	4 14 0
United Steel Cos. (£1)	39½	20½	20½	34½	+14½	1 19 0	2 7 0
Vickers (10/-)	135½	113½	118½	139½	+15½	3 5 0	3 1 0
Consumption Trades							
Brit. Amer. Tobacco (£1)	125½	95½	97½	124½	+28½	4 2 0	3 5 0
Distillers (£1)	161½	140½	151½	142½	-9	3 16 0	4 0 0
Guinness ("A") (£1)	86½	77½	83½	85½	+1½	3 16 0	3 17 6
Harrods (£1)							

Consumption Trades—cont.

Imperial Tobacco (£1)	185½	147½	157½	181½	+23½	2 17 0	2 13 6
Marks & Spencer (A) (£5/-)	103½	81½	90½	87½	-6	2 4 0	2 7 6
Tate and Lyle (£1)	96½	83½	87½	88½	+½	4 2 0	4 1 0
Unilever (£1)	44¼	29½	29¼	44¼	+15/-	4 12 0	3 0 0
Woolworth (F. W.) (£5/-)	183½	82½	116½	88½	-95	3 8 0	2 15 3
Textiles							
Bradford Dyers (£1)	10½	6½	10½	9½	-1½	Nil	Nil
British Celanese (10/-)	15½	8½	14½	9½	-5½	Nil	Nil
Coats (J. & P.) (£1)	66½	49½	65½	53½	-12½	4 4 0	3 15 0
Courtaulds (£1)	61½	47½	58½	57½	-1½	2 10 6	2 12 0
Motors, etc.							
Austin (5/-)	55½	40½	41½	47½	+5½	6 1 0	5 6 0
Dunlop Rubber (£1)	42½	33½	40½	35½	-5½	4 0 0	4 9 9
Ford (£1)	37½	30½	36½	39½	+3½	2 15 0	3 0 6
Leyland (£1)	132½	74½	80½	122½	+42½	3 1 3	2 16 0
Rolls Royce (£1)	192½	150½	152½	180½	+27½	2 11 0	2 17 0
General Industrials							
Cables & Wrs. 5½% Pref.	115½	99	106	101	-5	3 18 0	5 8 0
Crompton Parkinson (5/-)	89½	60½	125½	75½	-50	10 0 0	0 16 6
Imperial Chemical (£1)	44½	66½	37½	42½	+4½	4 6 6	3 16 0
International Nickel	56½	34½	34½	56½	+22½	2 3 3	2 9 3
P. & O. Deferred (£1)	35½	18½	17½	30½	+12½	Nil	2 13 3
United Molasses (6/8) ...	27½	21½	21½	25½	+4	2 10 0	3 14 0
Plantations							
Rubber Trust (£1)	44½	29½	30½	43½	+13½	3 5 0	2 5 6
Anglo-Dutch (£1)	44½	24½	26½	49½	+17½	3 1 0	1 16 0
Consolid. Tea, etc. (£10)	23½	18	21½	19½	-2	4 1 0	5 5 0
Oil							
Anglo-Iranian Oil (£1)	102½	68½	68½	98½	+30½	3 13 3	3 0 9
Burmah Oil (£1)	108½	81½	81½	107½	+26½	3 14 0	4 2 0
Shell (£1)	128½	81½	81½	128½	+47½	3 2 0	2 14 0
Mining							
Ashtanti Goldfields (4/-)	83½	57½	57½	82½	+25½	5 4 0	4 0 0
Crown Mines (10/-)	16½	13½	13½	16½	+3	6 6 0	6 0 0
"Johnnies" (£1)	93½	71½	76½	88½	+17½	5 5 0	4 11 0
Randfontein (£1)	83½	50½	53½	75½	+25½	7 10 0	6 13 0
Sub-Nigel (£1)	13½	11½	12½	13½	+2	6 6 0	6 16 0
Union Corp. (12/6) f.p.	202½	166½	167½	200½	+32½	4 14 0	4 0 0
West Witwatersrand (£1)	194	124	124	184	+60	Nil	Nil
Wiluna Gold (£1)	56½	31½	35½	36½	+5	7 4 0	5 10 4
Rhokana (£1)	13	5½	5½	13	+7½	2 5 0	1 6 6
Roan Antelope (5/-)	78½	31½	32½	75½	+43½	3 1 0	19 0
Malayan Tin (5/-)	48½	28½	32½	48½	+16½	7 0 0	8 6 0

x Ex-dividend. † Free of Income Tax. (a) Price before share bonus of one new share for each share held. (b) Since end of 1935 there has been a bonus of one new share for each ten held. (c) Based on a dividend of 50 per cent. (s) Comparison affected by bonus share distribution.

MOVEMENTS IN SECURITY PRICES SINCE 1932

ACTUARIES INDEX (DEC. 31, 1928 = 100)

End of	Fixed Interest Securities			Ordinary Shares		
	2½% Consols.	Miscell. Indus. Debts.	Miscell. Indus. Pref.	Home Rails	Iron and Steel	Miscell.
December, 1932	131.6	113.1	97.8	68.2	43.2	47.9
" 1933	131.6	111.7	111.6	82.9	48.0	60.3
" 1934	165.3	125.6	120.7	75.0	52.1	65.1
" 1935	154.5	124.8	120.6	64.9	57.8	75.2
January, 1936	152.2	125.4	121.3	71.7	70.8	78.0
February	151.4	125.5	121.3	64.4	73.1	78.1
March	151.0	125.5	120.4	70.4	71.4	75.5
April	151.7	125.8	120.7	72.9	70.7	75.8
May	149.7	125.7	121.1	68.8	67.7	74.4
June	152.7	125.7	121.6	66.4	71.7	75.5
July	150.8	125.5	122.4	69.5	79.4	79.0
August	150.6	125.3	122.9	77.1	79.4	79.0
September	150.9	125.6	122.8	81.5	80.1	79.6
October	151.0	126.2	123.0	86.3	84.1	81.3
November	150.1	126.1	123.0	87.1	83.3	81.6
December, 1936	150.9	125.6	122.5	88.6	83.0	81.3

NEWCASTLE-ON-TYNE.—As the production of coal in this district has been interrupted by the holidays, supplies for prompt delivery cannot be obtained. Inquiry from Scandinavia for Northumberland steam coals is good, and there are indications that quotations for these coals may be obtained. Further during the first few months of this year. Durham gas and increase manufacturing coals are in active demand from home consumers, and it will be necessary to increase production as a result of the resumption of trade with Italy. The market in coals of every class is steady.

GLASGOW.—The market is closing the year on a firm note. New export and home business is quiet, mainly because supplies are fully booked. Indeed, collieries find difficulty in covering contractual commitments. The arrival of delayed tonnage has created considerable congestion at the loading ports. Bookings after the colliery holidays are substantial, and the outlook is good.

CARDIFF.—Conditions on the Cardiff coal market have been exceptionally favourable this week. There has been a good supply of tonnage; collieries have been unusually well stemmed; prices have been firm with a rising tendency; and pits have been regularly employed. Colliery owners and exporters are quite optimistic concerning the probable course of trade during the early part of the new year. The chief fly in the ointment is the increase in transport and shipment costs. Since January 1st the rebate on the conveyance rate from pit to port is 5.4d., compared with the previous allowance of 6.86d. per ton, while of the scheduled rebates on shipment charges all that survive are 4d. per ton on tipping and weighing and 10 per cent. on wharfage rates. It is estimated that these cuts will add approximately £200,000 per annum to the transport and shipment costs on a volume of traffic equal to that of 1936. Representations have been made to the Great Western Railway Company on the subject, and Sir James to the Milne, the general manager, has agreed to receive a deputation of the Commercial Committee of the Monmouthshire and South Wales Coal Owners' Association next week. France is the most active market, but shipments are heavier in most directions, and there have been several fixtures for Italy during the past few days. The position of large coals is better than it has been for several years, while smalls of all classes continue scarce, price increases being recorded of 6d.-9d. per ton for bunker throughs, 6d. for washed smalls, 3d. for inferior qualities, and 1s.-1s. 6d. for bituminous peas. Coke is in active demand, and patent fuel and pitwood are firm.

IRON AND STEEL

LONDON.—Last week's report of the London Iron and Steel Exchange indicated that the year was drawing to a close with conditions of scarcity in practically all the world's iron and steel markets. British production in 1936 exceeded all previous records; but it was not sufficient to meet all requirements, and nearly all steelworks entered the new year in shortage of steel which has developed in other parts of the world. Continental deliveries under the quota seem likely to be delayed, as the Cartel countries appear to have no surplus steel for the British market. Business in pig iron has been limited by the reluctance of producers to add to their already congested order books. Efforts are being made to increase production, but uncertainty regarding supplies of coke and ore are checking developments.

In the semi-finished steel department the scarcity which was temporarily relieved a short time ago by increased imports from the Continent is again in evidence. British producers, although operating at capacity, are unable to meet the demand, and in several cases have booked up their production for some months to come.

quotations to over 11d. a lb. during the past week. At this higher level, however, demand eased off and speculators hastily made profit-taking sales. Quotations consequently reacted and closed on Wednesday well below the week's best. The spot price in New York on Wednesday was 21½ cents per lb., compared with 20½ cents per lb. a week ago and 18½ cents a month ago. Wednesday's official buyers' price for standard ribbed smoked sheet on the spot in London was 10½d. per lb., as against 10d. on the corresponding day last week. In forward positions, business has been done at 10½d. to 10¾d. for "February" shipment, as against 10d. to 10½d. a week ago. Stocks in London and Liverpool at the end of last week totalled 79,121 tons, against 80,315 tons a week earlier.

VEGETABLE OILS AND OILSEEDS.—Markets opened after the holiday with a strong tone. Linseed in particular rose further in price. Contributory causes being the modified prospects for the Argentine yield and confirmation of the small crop in the United States, which suggests that that country may have to import larger quantities. Moreover, consuming

centres are not too well supplied to meet the growing demand for oils and fats. The final official estimate of the linseed yield in the United States is only 147,700 tons, compared with 353,000 tons last season and 130,000 tons in the drought year 1934. At the present rate of oil consumption, America will probably require not less than 750,000 tons of seed to meet the demand for oil. United States imports in 1937 may reach 600,000 tons, against 400,000 tons purchased abroad in 1936. In Argentina, harvesting of the new crop is being interfered with by stormy weather. The latest bulletin places the exportable surplus, including the balance of the old crop, at 1,671,000 tons. The quantity of linseed afloat for Europe has increased to 152,400 tons, including 29,000 tons from India. The new crop has begun to arrive at the sea board in substantial quantities, and both Continental and English crushers have been good buyers in forward positions. Linseed oil is firm, and the year closed with prices at the highest level. Cottonseed is quieter but firm, while cotton oil is firmly held. Vegetable oils generally are firm at recently advanced quotations. Oleakes are in good request and firm.

WHOLESALE COMMODITY PRICES

UNITED KINGDOM: LONDON, December 30th

The prices in the following are revised with the assistance of an eminent firm in each department

CEREALS AND MEAT				POTATOES—				WOOL—			
GRAIN, Etc.				English King Edward				English Southdown, greasy, per lb.			
Wheat—				per cwt.				s. d. s. d.			
No. 2, N. Man. 496 lb.	52	0	0	English King Edward	9	0	9	6	17½	0	4½
Eng. Gaz. av. per cwt.	9	1	0	SPICES—					14	0	5½
Barley, Eng. Gaz. av.	9	9	0	Pepper, per lb.—					30	0	6½
Oats, 480 lb.	7	2	0	Black Lampung	0	3½			20	0	5½
Maize, La Plata, landed	25	9	0	White Muntok	0	5½			17	0	5½
280 lb.	38	9	0	Cinnamon—1st sort, per lb.	0	8½			13	0	10½
Flour, Lon. stan. ex mill,	38	9	0	Cloves—Zanzibar, per lb.	0	8			38	0	6½
Rice, No. 2 Burma, per cwt.	9	6	0	Ginger—per cwt.	60	0	0		21½	0	6
MEAT—				African	57	6	85	0	21	0	6
Beef, per 8 lbs.—				Jamaica, ord. to good	2	0	2	8			
English long sides	3	6	4	Mace	0	11½					
Argentine chilled hinds	3	6	3	Nutmegs, 65's	0	11½					
Mutton, per 8 lbs.—				SUGAR—							
English wethers	5	4	6	(Duty, 11/8 per cwt.)							
N.Z. frozen	3	4	4	Centrifugals, 96's, prpt.							
Lamp, per 8 lbs.—				shipped, c.i.f. U.K./Cont.	5	6					
N.Z. frozen	4	6	5	B.W.I., crystallised	16	9	18	9			
N.Z. New Season	5	6	5	Java, white, c. & f. India							
Pork, English, per 8 lbs.	6	0	6	Oct.-Dec.	Nominal.						
				Refined—London—							
				Yellow Crystals	18	7½					
				Cubes	22	10½	23	4½			
				Crushed	21	1½					
				Granulated	19	0	19	10½			
				Home Grown	18	9	19	1½			
				TEA—							
				Indian—per lb.—							
				Pekoe							
				Broken Pekoe							
				Orange Pekoe							
				Broken Orange Pekoe							
				Ceylon—per lb.—							
				Pekoe							
				Broken Pekoe							
				Orange Pekoe							
				Broken Orange							
				TOBACCO—							
				(Duty, 9/8-10/6½ per lb.)							
				Nitric							
				Empire growth, 7/5½							
				8/3½ per lb.)							
				Virginia leaf—							
				Common to fine	0	8	2	6			
				Rhodesian leaf	0	8	1	10			
				Nyasaland leaf	0	7	1	4			
				strips	0	9	1	6			
				East Indian leaf	0	5	1	4			
				strips	0	6	1	6			
				TEXTILES							
				COTTON—							
				Mid-American, per lb.	7	0	4				
				Sakellardis, i.g.f.	10	14					
				Yarns, 32's twist	17						
				60's twist	17						
				FLAX—							
				Livonian ZK, per ton	72	0	73	0			
				Pernau HD.	81	0	82	10			
				Slanz Medium 1st sort	81	0	82	10			
				HEMP—							
				Italian P.C., per ton	69	0					
				Manilla, Jan.-Mar. "J2"	35	10					
				Sisal, African	26	0	29	0			
				JUTE—							
				Native 1st mks, per ton							
				c.i.f. H.A.R.B.							
				Jan.-Feb.	£19/8/3						
				Daisce 2/3 c.i.f. Dundee	£19/7/6						
				SILK—							
				Jan.-Feb.	s. d. s. d.						
				Canton	6	0	8	6			
				Tussah	3	6	4	6			
				Japan	8	9	9	9			
				Italian—raw, fr. Milan	8	0	9	6			

† These prices are for fuel oil for inland consumption—other than for use in Diesel-engined road vehicles—and do not include the Government tax.

UNITED STATES

(New York quotations unless otherwise stated)

	Dec. 31, 1935	Dec. 2, 1936	Dec. 23, 1936	Dec. 30, 1936		Dec. 31, 1935	Dec. 2, 1936	Dec. 23, 1936	Dec. 30, 1936
Wheat, No. 2, Winter, nearest future, Chicago, per bushel	101½(c)	124½(b)	136½(b)	135½(c)	Sugar, Cuban Centrifugals, 96 deg., spot, per lb.	3-25	3-85	3-77	3-90
Maize, nearest future, Chicago, per bushel	60½(c)	108½(b)	108½(b)	105½(c)	Cotton, middling, spot, per lb.	12-10	12-63	12-83	13-04
Oats, nearest future, Chicago, per bushel	28½(c)	46(b)	51½(b)	51½(c)	Rubber, smoked sheet, spot, per lb.	13½	19½	20½	21½
Rye, nearest future, Chicago, per bushel	55(c)	97½(b)	113½(b)	116½(c)	Petroleum, Mid-continent crude 33 deg., to 33-90, at well, per barrel	94	104	104	104
Barley, nearest future, Chicago, per bushel	43½(c)	(a)	94(b)	84½(c)	Copper, "Electrolytic," Domestic, spot, per lb.	8-45	10-47½	11-50	11-57½
Coffee, Rio No. 7, cash, per lb.	8½	8½	8½	8½	Copper, "Electrolytic," Export prompt, per lb.	8-67½	10-70	11-72½	11-80
" Santos No. 4, cash, per lb.	8½	11	11½	11½	Spelter, East St. Louis, spot, per lb.	4-85	5-05	5-45	5-45
Cocoa, Accra, nearest future, per lb.	4-78	10-61	11-15	11-61	Lead, spot, per lb.	4-50	5-20	6-00	6-00
	(a) Nominal.	(b) December futures.	(c) May futures.		Tin, " Straits," spot, per lb.	48-60	51-25	51-90	51-45

THE ECONOMIST

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A Bare Promise

THE much-rumoured convention between the British and the Italian Governments was signed last Saturday; and the text of the three documents embodying the agreement has now been published. The principal document is a joint declaration in which the two Powers

recognise that the freedom of entry into, exit from, and transit through, the Mediterranean is a vital interest both to the different parts of the British Empire and to Italy and that these interests are in no way inconsistent with each other; disclaim any idea to modify, or, so far as they are concerned, to see modified, the *status quo* as regards national sovereignty of territory in the Mediterranean area, and undertake to respect each other's rights and interests in the said area.

There is also an exchange of notes in which SIR ERIC DRUMMOND recites, and COUNT CIANO confirms, the assurances which the British Government has received from the Italian Government about the latter's intention to respect the *status quo* in the Western Mediterranean in general and in the Balearic Islands in particular.

This agreement is the logical sequel to our British failure to uphold the Covenant of the League against Italy's conquest of Abyssinia. It is hardy to be expected, therefore, that the country will receive the Government's new pact with enthusiasm. We have to recognise, however, that the political and moral disaster of Italy's triumphant aggression is now an accomplished fact. Therefore, in so far as the likelihood of further aggression and conflict would be diminished by this pact, we could accept it with unenthusiastic approval as a step calculated to prevent a bad situation from becoming worse. But we cannot take it for granted that it is going to have even this negatively beneficial effect.

This pact is the inverse of the Anglo-German naval pact of Waterloo Day, 1935. With Germany we have agreed on naval strengths without any stipulations about policy. With Italy we have agreed on policy without any stipulations about naval strength. Whether or not the Admiralty were warranted in believing, the year before last, that HERR HITLER would keep to the naval ratio which he had accepted, it would be impossible now, in view of SIGNOR MUSSOLINI's treaty-breaking record, for any country to bind itself to any naval ratio agreement with Italy. To do so would be simply to place oneself at the Italian dictator's mercy. Therefore, in the new Anglo-Italian pact provisions for naval limitations are conspicuous by their absence; and Anglo-Italian armaments competition will silently continue.

The political bargain implicit in the Anglo-Italian Mediterranean pact is that Great Britain will refrain from doing anything which might be a threat to Italy's hold upon Abyssinia, in return for an Italian undertaking not to threaten British security in the Mediterranean by seizing the Balearics, by aggression in Spain itself, or by any other way. But a British observer has to ask himself whether this has now really been secured—as far as it ever can be secured by Italian promises: whether COUNT CIANO's declaration "that, so far as Italy is concerned, the integrity of the present territories of Spain shall in all circumstances remain intact and unmodified" really covers what *we* mean by the maintenance of the *status quo* in the Western Mediterranean. COUNT CIANO has also declared "that the Italian Government had not, either before or since the revolution in Spain, engaged in any negotiations with GENERAL FRANCO whereby the *status quo* in the Western Mediter-

ranean would be altered, nor would they engage in any such negotiations in the future."

There are, of course, other ways of altering the *status quo* than by cessions or leases of territory. It can be altered out of all recognition if FRANCO makes himself master of Spain by the aid of foreign arms, and is consequently compelled to place himself in the hands of the foreign Power without whose armed support he could no more hold Spain than he could have conquered it. The Anglo-Italian pact does not cover this eventuality—at least not in the letter. And SIGNOR MUSSOLINI, perhaps remembering MR EDEN's rôle in "sanctions," has elected to ignore the spirit of the pact right at the outset. On the very eve of the pact's signature and of the repetition of Italian assurances at Rome, the Italian Government was landing another 6,000 Italian troops in Spain to fight GENERAL FRANCO's battles for him. Thus, the pact seems already to have been nullified by the DUCE. It is what the Romans called *nudum pactum*, a naked pact—a bare promise on our part without any consideration in return. MR EDEN must report not a success, but the opposite, to our Government and to Parliament when it re-assembles.

Italy is puffed up by her recent defeat of the League of Nations. Yet she is still the weakest of the Great Powers. It is, therefore, probable that, in wrecking our post-war system of international law and order, she has been working not for herself but "*pour le Roi de Prusse*." The paralysis of the collective

system, and the world's consequent relapse into power politics, are likely to make the fortune, not of a weak Power which has an appetite for aggression, but of an aggressive Power with the strength to profit by the opportunity thrust into its hands by SIGNOR MUSSOLINI. That Power is not Italy but Germany.

From the point of view of Italy's future it makes little difference whether she continues to support GENERAL FRANCO as Germany's junior partner or swings back towards the Stresa Front. When a strong Power achieves supremacy, it is not very important whether the weaker Powers have postured as the conqueror's confederates or as his opponents. Germany is not a world conqueror yet. But she will have advanced a very long stage towards that goal if she makes herself mistress of Spain. And her reply to the Anglo-French invitation to define her attitude towards "volunteers," appears to leave her free to continue her intervention; for it makes her withdrawal conditional on being extremely difficult of fulfilment.

This is the setting in which the Anglo-Italian pact must be regarded. Instead of a triumph of British diplomacy it begins to look ominously like a second, perhaps even a more resounding, British diplomatic defeat at the hands of Italy and Germany. Victory can only be snatched from the jaws of such a defeat if, at this late stage, our own and the French Governments make plain their joint decision to oppose active intervention in Spain by all the means at their command.

The State of the Union

THE Seventy-Fifth Congress of the United States began its sessions this week, as is prescribed in the Constitution. And on Wednesday, in similar obedience to the same document, PRESIDENT ROOSEVELT delivered his annual Message "giving to the Congress information of the state of the Union, and recommending to their consideration such measures as he shall judge necessary and expedient." The Message, as is usual nowadays, followed the Constitution in the spirit rather than in the letter, for the PRESIDENT made little attempt to render an exact account of the political and economic development of the country. The accounts, in short, were taken as read, and the report on the state of the Union, as is customary with other presidential addresses at other statutory annual meetings, consisted mainly of eloquent generalisations. Nor were the recommendations for legislation much more specific. With the exception of the amendment to the neutrality Act (mentioned elsewhere in *The Economist*), the PRESIDENT listed only the broadest heads of the Bills he desired, and postponed further elucidation to a later occasion. Not even so strong a President as MR ROOSEVELT can tempt the political fates by presenting an incalculable and jealously independent Congress with a Speech from the Throne. The only novelty in the Message was a resurrection of the N.R.A. idea. The law, said the PRESIDENT, had been outlawed; but the problems had not; that of the Constitution should not be amended, it should at least be interpreted more liberally.

It is not unprofitable at this moment to consider the state of the American Union; for the disappearance of one uncertainty in the outlook has been succeeded by another. Three months ago it could be said with truth that the economic outlook was beginning, for the first time since the crisis of 1933, to appear really settled; but in the sphere of politics all was uncertainty and speculation. It was not known who would be the next President, or what his policy would be. Now the position is exactly reversed. The political uncertainties have been resolved in the most decisive manner possible. The only open question remaining is how the PRESIDENT is going to

interpret his mandate, how he will master Congress and how circumvent the Supreme Court. But an outbreak of industrial strife has disturbed the economic outlook, and Wall Street is inquiring, with some nervousness, whether it should elevate MR LEWIS to the niche so recently vacated by MR ROOSEVELT as the chief impediment to full-bodied recovery.

The present strike in the motor-car industry is not due to an attempt by the workers to escape from conditions imposed on them by the severity of the depression; for they effected their escape some time ago in the N.R.A. period. The main quarrel, as is frankly admitted by both sides, is whether the United Automobile Workers of America shall be recognised by the employers as the sole and exclusive bargaining agency of the workers in that industry.

Who are the ultimate parties to the dispute? It is complicated by the quarrel within the ranks of Labour between MR LEWIS and his Committee for Industrial Organisation on the one side and MR GREEN and his American Federation of Labour on the other. The A.F.L. has been built up on a craft organisation. MR LEWIS and the C.I.O., on the other hand, believe that all the employees of a single industry should be organised in a single union. That has been achieved in the coal-mining industry by the United Mine Workers, of which MR LEWIS is president, and the C.I.O. was formed to extend the same principle to other industries and pre-eminently to steel and motors. If MR LEWIS succeeds in his aim, he will rob the old-fashioned craft unions of their members. If MR LEWIS is defeated, it will be the Federation's victory.

Another complication is that the striking union does not include, and does not claim to include, a majority of the workers of the industry. It claims, of course, to represent their interests, but it does so unasked. Indeed, it is not a distortion of the purpose of the strike to say that it is intended to exert pressure on the workers as much as upon the employers.

In these circumstances, it is difficult to predict either

the outcome or the attitude that will be ultimately adopted by American public opinion. One may be wholly in favour of the organisation of the workers in trade unions, and yet doubt whether strikes of this nature are legitimate weapons to be used for the advancement of particular unions. But, on the other hand, there is at least an element of truth in MR LEWIS's contention that until the dominance of the automobile employers and their insistence on docile "company unions" has been broken, the workers of the industry will be unable even to begin with the process of self-organisation.

Right or wrong, however, the strike is going to prove a serious impediment to recovery unless it is speedily settled, for the ramifications of the automobile industry are so far-reaching that a stoppage at the centre is progressively affecting more and more ancillary industries. It is not quite true to say that there are no other threats to the smooth progress of industrial expansion, but it is at least a sober estimate that without labour trouble the advance of recent months would be continued. American recovery started about a year later than British recovery, and it has not, on balance, advanced so rapidly. America should, therefore, in all probability, have from a year to eighteen months more recovery to come before it reaches as mature a stage as that of Great Britain at the moment—and there is no reason to believe that Great Britain has yet reached the limit.

This contrast between the present position of Britain and America can be strikingly illustrated by a few of the salient statistics. In Great Britain many series are breaking into new ground month by month. In employment, in the production of such staple commodities as steel, houses, motor cars, in the note circulation or the total of bank clearings, we are touching what the Americans,

in the golden days of the 1920's, used to call "all-time highs." But in the United States, in spite of the rapidity of the advance in recent months, very few new records are being made. Nor is it a fair objection to remark that 1929, the previous record year, was quite abnormal and exceptional. In the stock market that is doubtless true. But it would be a confession of quite unwarranted defeatism to assume that 1929 was exceptional and unrepeatable in such respects as the consumption of food, the production of motor cars, traffic on the railways or, above all, the volume of employment. The American population has grown by seven millions since 1929; why should not its production of the necessities of life be at least equally large? Yet industrial production stands at little more than 90 per cent. of the 1929 level, residential building is only about half the 1929 amount, the production of motor cars is not yet up to the figure attained in that year, and the loadings of freight on the railways are just over three-quarters of what they were seven years ago. The index of factory employment has not yet reached 90 per cent. of its average for 1929, and the total volume of money moving in circulation, as measured by bank debits, even after the removal of the figures for New York City, is still about one-third below the level in that year of blessed memory.

In view of these facts, and countless more that could be quoted to the same effect, there is hardly room for doubt that the scope for further recovery in America is still enormous. The more is the pity that the troubled questions of industrial democracy have had to be fought out at this precise moment. The more also is the hope that some means will be found to bring the present strikes to an end, and to stave off their threatened successors, before the whole momentum of American expansion is slowed down.

The Newspaper Industry—II

Economics of the Press

ENOUGH has been said in the first of these articles to show that the industry of newspaper production has a number of features peculiar to itself. Not the least unusual of its characteristics are to be found in its financial construction. The nature of its chief assets is an example. It is not necessary to make heavy investments in fixed capital before bringing out a newspaper. It is true that most newspaper companies own the machinery on which their papers are printed. But the capital cost of this machinery is not very heavy in relation to the whole income of a newspaper, and it is always possible to have the printing done by an outside firm on a contract basis. *The Morning Post* and *The Observer* (to mention only two examples) are printed in this way. The fixed capital of such a paper need consist of no more than a suite of offices. But if a newspaper needs no tangible fixed capital, it needs a very large intangible investment. To be a financial success, a newspaper must be run at a loss during a period of development while it is building up circulation. When circulation has reached the paying point, the money thus sunk is represented by the copy-right of the paper's title. This is "goodwill" in the strictest sense of the term; it consists of nothing more substantial than the empirical knowledge that the people who bought the paper to-day, or the vast majority of them, will buy it again to-morrow.

This is the first paradox of newspaper economics: a very large expenditure before profitable production can begin, but nothing whatever to show for it. The second paradox is even stranger, and has an even greater

influence on the economics of the industry. The effects on an industry of large overhead expenses are familiar from the examples of the Lancashire cotton industry and others. But the contrary case is not so usual. A newspaper has comparatively few fixed expenses. Editorial costs are comparatively inflexible, at least as between two newspapers endeavouring to compete in the same market. But almost every other category of expense varies to a greater or less degree with output. Although the newspaper thus has very little overhead expense, it can be said to have a very large overhead income, distinct from the direct current revenue from sales of the newspaper, in the shape of its revenue from advertisements. The effects of this overhead income will be the theme of a third article.

These two peculiarities should be borne in mind in considering the finance of newspaper production. Newspapers do not publish their full trading accounts, but it is possible to make an informed guess at the probable size of the chief items in the profit and loss accounts of a large mass-circulation paper. The figures below were published by the body known as PEP in a broadsheet entitled "The State of the Press" in September, 1935. They were then stated to be "based on knowledge" but not to refer to any particular newspaper. The newspaper is assumed to consist of twenty pages a day and to have a circulation of 2,000,000. The figures can serve as an illustration of the probable appearance of such a paper's accounts, although the actual position of any particular newspaper might differ quite consider-

ably. This is particularly true of advertisement revenue, and the figure entered in the table is no more than the advertisement revenue which such a paper might reasonably be expected to receive. The figures are also represented in the accompanying diagram.

Revenue —	
Sales revenue	1,600,000
Advertisement revenue	1,800,000
Total revenue	3,400,000
Expenditure —	
Paper and ink	1,100,000
Production (composition and printing)	500,000
Editorial	350,000
Distribution (principally railway carriage)	350,000
Canvassing and publicity	300,000
Readers' insurance	100,000
Maintenance and depreciation	200,000
Miscellaneous (rent and rates, social services, etc.)	100,000
Total expenditure	3,000,000
Profit	400,000

These figures require a certain amount of annotation. In the first place, they refer only to the newspaper's own accounts. Thus the sales revenue amounts only to 0.6d. per copy per diem, the price at which the paper is sold to the wholesale newsagents. If the figures were to show all that happens to the purchaser's penny, a further large item of approximately £1,000,000 would have to be added to the list of Expenditure for costs and profits of newsagents, wholesale and retail. The figures bring out very clearly the well-known fact that the purchaser of a newspaper only pays part of its cost. In point of fact, on these figures, the paper costs 1.16d. per copy to produce, omitting both proprietors' profit and also newsagents' costs and profits. Including these items, the cost is 1.70d. per copy. The gap, of course, is filled by the advertiser.

Among the expenditure items, little needs to be said about paper and ink or production. The figure entered for editorial expenses will probably surprise most people by its comparatively modest amount. "Canvassing and publicity" is an item which is subject to considerable variation. Any newspaper which aspires to a circulation in the million class is compelled to undertake some expenditure of this nature, if only for defence against the depredations of other newspapers. But the amount varies with the ebb and flow of competition.

Not the least noteworthy feature of the Press as an industry is the remarkably high standards of work and wages which its employees enjoy. Printing labour is highly and intricately organised, and, at least in London, all the large offices are one hundred per cent. unionised. The strength of the unions arises from two facts. The first is that the cost of labour (other than the professional labour of the editorial department) is part only of the item "Production" in the table above, and this item itself is only one-sixth of the total expenditure of the business. The entire cost of direct labour, in other words, is, at most, about 10 per cent. of total costs. Secondly, newspapers, whose assets are peculiarly bound up with goodwill, which in turn depends on regular publication, are loath to risk a strike. In recent years, the chief newspapers have made arrangements among themselves for mutual support in certain events, but their bargaining position is still inherently a weak one.

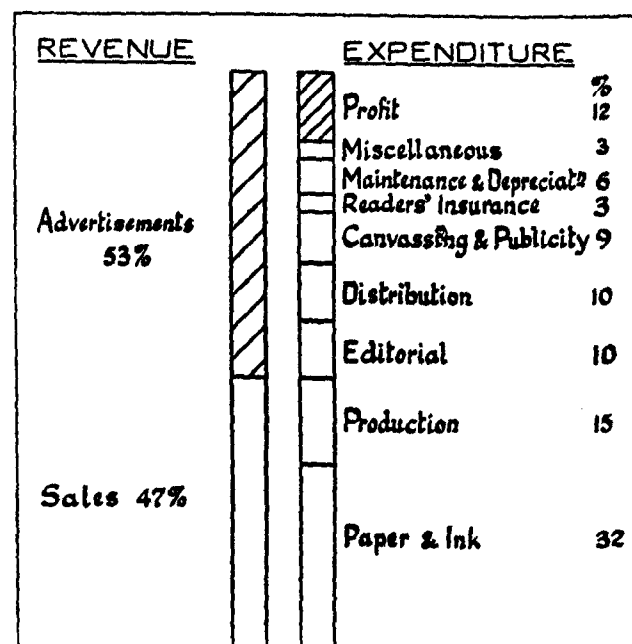
The effect of these circumstances is to produce astonishingly favourable labour conditions. Standard rates of wages on London morning daily papers start at 86s. 6d. per week for general labourers and rise to 160s. per week for compositors paid on time. These rates are increased, in practice, by the prevalence of overtime and piece-work. The aristocrats of printing labour, the compositors, are paid on a scale of piece rates of infinite complication, and their earnings range from £8

to £12 per week. Hours are equally favourable, being 44 per week for day work and 38½ per week for night work. In addition, the unions are in an almost dictatorial position as regards apprenticeship and recruitment of labour, demarcation of functions and assignment of jobs.

Journalists as well as printers have also benefited from these conditions. Since 1921 a minimum wage of £9 9s. per week has been in force in London for reporters and sub-editors with three years' experience on London national dailies. In the provinces there is a sliding scale, but the minimum wage, for work on weekly papers in towns where there is no daily, is £4 7s. 6d. a week. London hours are 44 for day work and 38½ for night work, with three weeks' paid holiday per annum.

There is nothing, then, of which the Press need be ashamed in its relations with its employees. The same

APPROXIMATE PROFIT AND LOSS ACCOUNT OF A HYPOTHETICAL NEWSPAPER (20 PAGES, 2,000,000 CIRCULATION)



cannot, however, be said with equal confidence of its dealings with the investor. For such a large industry, the Press is still to a surprising extent in private hands. Of the seven main London morning dailies, for example, there are only three in which the public can acquire any form of participation. Even in those three cases, so intricate is the tracery of holding companies that the lay investor would be hard put to it to determine the exact nature of his participation. In none of them can he hope, without the consent of the interests already in possession, to acquire any measure of control. Those newspaper securities which are quoted on the Stock Exchange are not rated very highly. The four which happen to be included in our weekly list of active security prices give at present an average yield of almost £5 7s. per cent., which, in these days, when seasoned industrial shares yield £4 per cent. or less, is an indication that the Stock Exchange considers the industry to be speculative.

At first sight, this may seem somewhat puzzling. The industry is organised in large units, with competition limited to the existing firms. It has an assured and expanding market and, in recent years, it has obtained its main raw material at low prices. The explanation is to be found in the expensive ways in which newspapers compete for circulation. To the layman, especially the investing layman, these struggles seem to be merely megalomaniac wastefulness. But even in this madness there is some element of method, arising out of the fundamental economics of the industry. Our third and concluding article will attempt to discover whether there is a rationale of mass circulations.

Rising Prices

MUCH has been heard recently of the sharp upward turn of the prices of primary products, such as wheat, cocoa, copper, lead, spelter, rubber and wool. What are the causes of this movement? How far is it likely to go? How will it affect the course of business activity at home and abroad? These questions are of vital import to the consumer, to the business man and to our monetary authorities.

The causes of the rise in prices are reasonably clear. Broadly, the years preceding the depression witnessed a marked expansion in the world's demand for raw materials and crude foodstuffs. But productive capacity increased even faster. Consequently, the increasing output of primary products could be sold only at declining prices. The downward trend was accentuated by the accumulation of unsold stocks, which, in the case of nine important primary products, increased by nearly 100 per cent. between December, 1923 and 1929.

The course of *The Economist* index of wholesale commodity prices, which includes a large proportion of unmanufactured goods, clearly reflects this tendency. As will be seen from a table on page 92, it declined by 33 per cent. between 1924 and 1929. The index of the United States Department of Labour also took a downward course during the years preceding the depression. Of the more important commodities, there is hardly one whose price had not begun to decline long before the depression. The average prices, in 1929, of cotton, jute, lead, crude oil, rubber, spelter, sugar, tin and wheat—to name only a few—were appreciably lower than in 1925.

When the demand for primary products began to fall off in 1930, the pace of the downward movement increased, and in 1932 many commodities sold at a mere fraction of their former price. In the case of some commodities, such as tin, the decline was arrested by artificial restriction of supplies. In general, however, the turning-point came only when world demand began to expand once more in 1932-33. At first the rise was gradual, for stocks were heavy and productive capacity remained only partially employed. But the upward curve soon became steeper. Between the end of 1932 and the end of 1935, the world's stocks of eight leading primary products declined, on the average, by 17 per cent. During the first nine months of 1936 alone, however, they fell by a further 12 per cent. By last autumn, broadly, surplus stocks had been eliminated, and the rapid expansion of demand had practically eliminated idle capacity. The commodity markets suddenly began to stir; the prices of wheat, cocoa, copper, lead, spelter, rubber and wool bounded upwards, and opinion, both professional and public, became excited and slightly apprehensive. Naturally, there were considerable divergences in the movements of the prices of individual commodities. Some, like sugar, flax and jute, even finished the year with a slight net loss. The extent of the rise in quotations for individual commodities, as well as of a group of representative primary products in the United States and in this country, is shown on page 92. The trend of British prices since 1924 is shown below:—

THE ECONOMIST INDEX OF WHOLESALE PRICES
Average 1913=100

Date	Cereals and Meat	Other Foods	Textiles	Minerals	Miscellaneous	Complete Index
Average, 1924 ...	159.9	169.9	210.6	145.2	131.5	159.3
" 1927 ...	139.9	159.3	153.9	121.6	124.6	137.6
" 1928 ...	145.0	149.4	161.7	111.9	119.3	135.1
" 1929 ...	135.6	136.8	141.9	116.2	112.7	127.2
" 1930 ...	113.4	122.9	99.1	101.6	101.5	106.8
" 1931 ...	104.1	104.1	77.0	88.9	85.3	89.3
" 1932 ...	93.4	99.6	75.7	88.6	77.1	86.1
" 1933 ...	90.1	93.5	77.6	93.9	81.7	86.3
" 1934 ...	96.7	94.0	83.2	93.6	85.7	90.3
" 1935 ...	97.8	96.5	87.8	97.1	93.1	94.3
" 1936 ...	107.5	97.3	95.2	102.9	97.4	100.1
End Dec., 1935 ...	100.6	98.3	95.0	100.1	97.3	98.2
End June, 1936 ...	98.2	102.8	91.4	98.2	96.9	95.9
End Dec., 1936 ...	120.9	104.5	103.9	116.0	101.1	109.1

This broad outline of the tendencies at work provides a clue to the future trend of prices. We are not primarily concerned with intermediary fluctuations due to crop

reports, or with the inevitable market rumours which produce erratic but ephemeral movements, but purely with long-term trends. Except in the case of a few commodities, such as coffee, stocks have now been reduced to reasonable proportions; in some cases, such as tin, supplies are even below the safety line. Moreover, production of many commodities has already reached a volume whose further expansion requires either the resumption of work by high-cost producers, who were forced out of production by lower prices, or the extension of current capacity. But the production of many raw materials presupposes the installation of costly and complicated machinery, and some time must elapse before capacity can be increased. Where supplies depend upon seasonal crops the delay may be longer still. Even if an increased area is sown to wheat this year, for example, the final yield will be determined by climatic influences. These have played havoc with North America's crops for the last three years in succession. On the other hand, all available indications point to a sustained increase in demand. Industrial activity is still expanding in most countries of the world, especially in the United States. The immediate outlook, therefore, strongly favours a further upward movement in the prices of primary products. In the past, such a rise has always stimulated an expansion of production beyond the point at which available supplies can be marketed at prevailing prices, and there is every indication that, sooner or later, history will repeat itself. But that time is not yet at hand.

The significance of the rise in the prices of primary products can scarcely be exaggerated. It has already raised the income of producers of raw materials and crude foodstuffs, the world over, by some hundreds of millions of pounds. This, in itself, should give a marked fillip to international trade; indeed, omens of an increase in the volume of goods and services exchanged between different countries are more favourable to-day than at any time in the last seven years.

The recent trend of commodity prices stands in striking contrast to the downward movement before 1929. Ten years ago a growing disparity was being created between the purchasing power of primary producers and of industrialists throughout the world. The continued expansion of industrial activity eventually culminated in a colossal over-expansion of capacity in the United States, and in the débâcle of 1929. To-day, quotations for primary products are rising in the middle of a cyclical upward swing in world industrial activity, whose end is not yet in sight.

The rise in quotations for primary products has as yet been scarcely reflected in the prices of manufactures and in the cost of living in this country. Moreover, the rise of wages during the past year, amounting to about 2½ per cent., has kept pace with the slight increase in the cost of living. Again, the Board of Trade index of the average price of British exports of manufactures rose by only 1½ per cent. between the third quarters of 1935 and 1936, when the index was still 17½ per cent. below the level of 1930.

There is, however, a real danger that the orderly rise in prices and production in this country and in the United States, stimulated by a liberal monetary policy, may shortly give way to a more precipitous advance which would shorten the recovery movement. In this country, where there is already a shortage of skilled labour at certain "key" points; and where many industries are now operating at capacity, the possibility of a steep rise in manufacturing costs is by no means remote. Moreover, although there are as yet no indications that the rise of prices will get out of hand in the near future, monetary control will become increasingly difficult as the rise gathers momentum. The authorities, who have hitherto proclaimed that higher prices are a goal of their policy, will be well advised to take stock of the movement at each stage in its future course, and to make every effort to prevent its assuming an inflationary character. In particular, producers operating under officially-sponsored output schemes should be given every inducement to ensure that restriction is self-liquidating.

Transition in the Coal Industry

Is there justification for the view that British coal-mining is a declining industry? Or is its *malaise* an obstinate but none the less a passing phase, after its long pre-war record of expansion? At a moment when legislation is pending which may be vital to the future of British coal-mining, it may be helpful to set out the underlying tendencies governing the fortunes of the industry.

The coal problem has its domestic as well as its international aspect. Coal was a main agent in the speeding-up of production towards the end of the 18th century, known as the "industrial revolution." Coal supplied the power necessary for the emergence of the factory and for the improvement of transport by land and sea. The demand for coal, consequently, rose almost without interruption, both in the United Kingdom and elsewhere, until the outbreak of the Great War. After the war, however, the dominance of coal was challenged by alternative sources of heat, light and power. Production of crude oil, which had been rising steadily before the war, suddenly increased by leaps and bounds. Liquid fuel was consumed by the petrol engine, in ships and for heating. Technical progress in electrical engineering, again, made possible the harnessing of water-power, which was accelerated in countries with poor coal resources as a result of the nascent desire for self-sufficiency.

But the sudden emergence of competitive substitutes after the Great War was not the only factor which tended to slow down the rate of increase in the demand for coal. Owing to the availability of a plentiful supply of cheap coal in many countries, little attention was paid, before the war, to the possibilities of its more economical utilisation. During the past sixteen years, however, technical progress in the utilisation of coal has made rapid strides and the proportion of coal consumed in a crude state has tended to decline fairly rapidly.

It is difficult precisely to assess the effect of these developments on the demand for coal, since they have themselves tended to increase the total consumption of heat, light and power. World production of crude oil rose from 53 million metric tons in 1913 to 139 million tons in 1924, 211 million tons in 1929 and 226 million tons in 1935. Production of hydro-electric power between 1924 and 1935 increased from 9,159 million kw.h. to 21,014 million kw.h. in Canada, from 19,969 millions to 39,965 millions in the United States, from 3,600 millions to 7,040 millions (1934) in France, from 6,193 millions (1925) to 11,560 millions (1934) in Italy, and from 3,275 millions to 5,705 millions in Switzerland. In Great Britain, where water-power resources are relatively small, production of hydro-electric power is still a negligible proportion of the total power consumption. But the rapid improvement in the utilisation of coal is attested by the increased quantity of gas and electricity which can now be produced from one ton of the black fuel. Between 1921 and 1935, the thermal efficiency of the gas and electricity industries, on this basis, has risen by 100 per cent. and 23 per cent., respectively. The amount of coal necessary to produce one ton of pig iron has declined from 44.4 cwts. in 1920 to 33.6 cwts. in 1935. Indeed, there is scarcely a field in which efficiency in the use of coal has not been increased. Even in the home, gas and electricity are displacing the cheerful but wasteful open fire, whose mark is still seen on the sooty face of our public buildings.

The intensification of these tendencies since the Great War not only made for a decline in the rate of expansion of the coal industry, but challenged the whole traditional basis of the coal-mining industry's organisation. World production of coal had risen rapidly, from 755 million tons in 1900 to 1,320 million tons in 1913; and in 1929, at 1,540 million tons, it had shown a further increase of 16½ per cent. But British production, after rising rapidly from 86 million tons in 1863 to 287 million tons in 1913, showed an absolute decline in the post-war period. The

position is summarised by the following table:—

BRITISH PRODUCTION, EXPORTS AND HOME CONSUMPTION OF COAL (In millions of Tons)				
	1913	1929	1935	
Production	287	258	222	
Domestic consumption { Total	184	174	164	
Per head of population (cwts.) ...	89	78	72	
Exports and shipments for use of steamers	98	82	56	
Workers employed (thousands)	1,104	970	768	
World Production	1,320	1,540	1,290	

The decline in exports has been due partly to shrinkage in total international trade in coal and partly to a reduction in Britain's share of world trade. British exports, expressed as a proportion of the aggregate exports of the United Kingdom, Belgium, France, Germany, Holland and Poland, declined from 53 per cent. in 1929 to 47 per cent. in 1935. During the same period the total exports of these six countries fell by more than 25 per cent.

Owing to the declining rate of expansion abroad and the absolute shrinkage of output at home, the industry has been faced since the war with a recurring problem of excess capacity, and the standard of living of its workers has been depressed. This, in turn, has given rise to frequent labour disputes.

During the first decade after the war the industry was somewhat bewildered by this change in its background, and many of those concerned have been slow to realise the imperative necessity to take up the challenge by a change in outlook and of traditional methods. In view of the important part played by coal in the rise of modern industry, it is surprising that the method of producing coal remained practically unchanged until quite recently. In 1913 only 8 per cent. of the total quantity of coal produced in this country was cut by machines. But between 1929 and 1935 the proportion cut mechanically suddenly rose from 28 per cent. to 51 per cent. Actually, the industry is now in the middle of its "industrial revolution," a process which was largely completed in most other industries during the past century. Despite the reduction in the output of coal disposable commercially, from 239.3 million tons in 1929 to 206.4 million tons in 1935, profits increased during this period from 4½d. per ton to 6½d. per ton. Moreover, this improvement was achieved without a further reduction in coal-miners' earnings, which actually rose from £29 11s. 7d. per quarter in 1929 to £29 12s. per quarter in 1935, though employment diminished rapidly.

But the scope for a further increase in the efficiency of the industry is limited by its present organisation. It is of the utmost importance that the conditions should be created under which the rapid progress of recent years can be continued. This involves the unification of royalties and the adoption of measures designed to enforce concentration of production. The Government must proceed forthwith, in the interests of the industry, not only to submit their promised Bill for unification of coal-mining royalties, but to reinforce its provisions with others providing for compulsory reorganisation after only a short period of grace. There is everything to be said for introducing the two series of measures simultaneously, and for vesting the administration of royalties in the same body as that charged with the reorganisation of the industry. The problem is the more urgent as the increase in wages a year ago was borne by the consumer, with a definite promise of speedy and far-reaching reorganisation.

Given the increase in efficiency which follows the establishment of a single landlord, accompanied by internal reorganisation, the industry may look forward to the future with moderate optimism. Despite increased competition from substitutes and economies in utilisation, consumption of coal is on the up-grade (as we show in a Note on page 59). Given agreement with other exporting countries, there is no reason why the coal-mining industry should not again enjoy a fair measure of prosperity. Technical progress in the production of oil from coal is making rapid strides and the world's oil resources are not unlimited. The world demand for heat, light and power, moreover, seems likely to continue its rapid expansion for many years to come.

Notes of the Week

Two New Dreadnoughts.—Punctually on the first day after the naval limitations in the Washington Naval Treaty of 1922 and the London Naval Treaty of 1930 had expired, i.e. on New Year's Day, two new British 35,000-ton battleships were laid down. The "King George V" is being built at Vickers-Armstrongs' yard on the Tyne; the "Prince of Wales" at Cammell Laird's yard, Birkenhead. They are the first to be built since 1922, when the Washington Treaty, and its successor, the London Treaty, stopped all capital-ship construction until January 1, 1937. The new dreadnoughts are reported to be armed in the main with 14-in. guns, to embody the latest provisions against submarine and aerial attack, and to show a speed of "not less than 30 knots." As the latest Italian and French 35,000-ton battleships—two are in hand for each country—are expected to show 35 knots and more, it may be presumed that the new British ships will have a margin of speed "up their sleeve." They are scheduled to take only three years for completion, i.e. two-thirds of the time taken on the "Nelson" and "Rodney," the latest British battleships; and it is authoritatively reported that two additional dreadnoughts will be begun later this year, when the 1937-38 programme has been sanctioned by the Commons; that tenders for these are to go out this very month; and that orders for three 5,000-ton cruisers in the current programme will be placed in February. The Great Powers' naval race has begun; and though this country can afford to bid the stakes well above those of all Great Powers save the United States, the running which our Government set on New Year's Day looks like proving a killing pace. It may even prove too hot for the British Budget, unless the rumoured "Rearmament Loan" is to be mainly allocated to the Navy's needs.

Spain—and Germany.—On Sunday, the rebel forces round Madrid launched a violent offensive against the Government's positions to the north-west and north-east of the capital, on the Guadarrama sector, and in the vicinity of Sigüenza. At the same time, Madrid has this week been subjected to continual bombardment by air and artillery. This week, the German Admiral sent an ultimatum to the Spanish Government, stating that if the warlike cargo of the German s.s. "Palos" were not surrendered within three days, he would "sell" two Spanish Government vessels he had captured on the high seas this week to the rebels. The Spanish Government have not replied to this ultimatum as we go to press. Meanwhile, the German Government on Thursday replied to this week's sharply reiterated British invitation to them to ensure non-intervention. They express surprise that the British and French Governments should now raise the question of "volunteers" outside the Non-intervention Committee; inveigh against "Bolshevik" intervention; and pose three conditions for German co-operation. First, all countries must abide by non-intervention; secondly, all foreign material aid, and foreign aiders and abettors of either side in Spain, even "propagandists," must be withdrawn, to arrive at the situation as it was last August; and finally, both this objective and non-intervention in future must be internationally supervised *in situ*. This is a poser for the London Committee. To call a halt to intervention at its present level and to ensure non-intervention in future, is feasible. To evacuate all foreign *matériel* and *personnel* from Spain is a task which could only be effectively accomplished if all the Powers proceeded to occupy Spain. The Italian reply is not to hand as we write; but the German Government's reservation of their right to allow "volunteers" to go to Spain as long as "Bolsheviks" are there is a broad hint that Germany is not anxious to ensure non-intervention from now onwards.

American Neutrality.—The desire of the American Government to preserve the strictest neutrality in the Spanish imbroglio has taken an active turn ever since it was discovered that American citizens were proposing to ship arms to Spain and that the Government had no legal means of stopping them. Since then it has been a race between these unneutral Americans and the processes of legislation. As soon as Congress reassembled, resolutions were presented, and passed in each House, giving the President the same powers, and the same mandatory instructions, to stop the export of arms to either side in the Spanish Civil War as he already possessed in the event of war between nations. One of the arms exporters, however, was too quick for Congress, and after every legal means of delaying him had been exhausted he got the ship away from New York and out of American territorial waters before the resolution became law. The episode illustrates to a nicety the disadvantages of mandatory legislation which, since it leaves no loophole for discretion, has to define its application with the utmost rigour. There was some talk of an intention of the President to declare that the behaviour of the German cruiser "Königsberg" had brought about a state of war between Germany and Spain, which would have enabled him, under the existing law, to ban exports to both sides in Spain. But it would also have compelled him not only to ban exports of arms to Germany, but also to warn Americans against travelling in German ships, and it was evidently thought that this was going a little too far. But the lesson will presumably not be lost on Congress when the time comes, as it must before May 1, to renew or revise the Neutrality Act itself. The President will repeat his request for discretionary powers, and this time he may secure them.

Road Accidents.—The statistics of road accidents for the year 1936 (or, more accurately, for the 52 weeks ended December 26th) give cause for a certain amount of very modified satisfaction. They are still appallingly high—6,489 persons killed and 225,689 persons injured. But the number killed is lower than in 1935—lower, in fact, than in any year since 1928. Compared with 1934, which was the worst year on record, the number of deaths has declined by nearly 12 per cent., in spite of the fact that the number of motor vehicles on the roads has increased in the same period by over 300,000, or very nearly 20 per cent. The number of non-fatal accidents shows an increase of about 3 per cent. in twelve months. Here again, some crumbs of consolation can be found. The rate of increase is smaller than that of vehicles on the road. Moreover, the Ministry of Transport claims that a large number of minor accidents which previously went unreported is now being included in the returns. And lastly, accidents to pedestrians, whether fatal or non-fatal, show a decline. The pedal cyclist is still the most rapidly increasing sufferer.

These figures supply a large measure of justification for the safety measures which have been taken by the Ministry of Transport during the term of office of the present Minister. The speed limit in built-up areas is

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holding down the toll of deaths in spite of increasing traffic, and it is stated that when the figures have been sub-divided to show separately accidents occurring in town and country, the effect of the speed limit will be still more apparent. At the same time, the provision of pedestrian crossings appears to be having some small effect in reducing injuries to this category of road user. If pedestrians would use the road less and the crossings more, the effect might be still more favourable. Nothing in these figures, of course, supplies any warrant for satisfaction with the present woefully inadequate state of our road system. On the contrary, they are an encouragement to press forward with the construction of new highways in the knowledge that they will not automatically become merely new death-traps. It is incidentally announced that the accident figures will henceforth be published monthly. This will not only enable them to be presented in a much more informative form, but will also avoid the present undue, and purely fortuitous, weekly fluctuations.

* * *

The Influenza Epidemic.—The Nation's public and private life is being threatened, at the moment, by an assiduously subversive force whose activities were apparently overlooked by the draughtsmen of the Public Order Act. A visitation of influenza (fortunately "of a mild type") has stricken down 1,400 officers and men of the Metropolitan Police. Among its other victims are the stipendiary magistrate and city coroner of Birmingham. Even the British Army has been affected, and gargling has divided attention with recruiting and rearmament at the War Office. Factories in the Midlands have been attacked, and the flow of motor-car production has thus been checked. Influenza, like its near relation the common cold, still has power intermittently to ravage high and low, rich and poor, without distinction of age, sex or creed. Its successive visitations at least reinforce one moral—that there must be no slackening of the effort to raise the standard of national hygiene and nutrition.

* * *

Railway Wages.—The claim for improved wages and shorter hours, made by the Associated Society of Locomotive Engineers and Firemen, has been rejected by the Railway Staff National Tribunal. This follows logically the Tribunal's decision of last July, when less extensive claims by the National Union of Railwaymen and the Railway Clerks' Association were refused. The Tribunal stated that to grant the claims, which included the restoration of standard rates of payment, and the introduction of a six-hours day, would cost the companies about £50 millions annually if the concessions were extended to all railway workers. While the Tribunal pointed out that the earnings of the railways could not bear this extra cost, even if the payment of interest and dividends were stopped, it was made clear that considerable improvement had taken place in the financial state of the companies, the gross receipts of 1936 exceeding those of 1935 by about £5,000,000. The suggestion that it may therefore be possible to restore in August the last quarter of the 5 per cent. cut made in 1931 is significant, and the principle is unexceptionable that "if the present improvement continues, railway employees should obtain a share in the improvement." But the companies might question the equity of restoring the wage levels of 1929, when the earnings of the railways are still considerably below the returns of that year.

* * *

Wages on the Road.—Attention to the remuneration of transport employees has not been confined to the negative decisions of the Railway Staff National Tribunal. The Road Transport Inquiry set on foot by the Minister of Transport and the Minister of Labour has this week been hearing evidence on the regulation

of wages and conditions of service in the road transport industry. The provisions of the Road Traffic Act of 1933 concerning wages and hours apply only to the holders of "A" and "B" licences, and it has been urged by the National Joint Conciliation Board for the Road Motor Transport Industry that these should be made compulsory in the case of "C" (private carriers) licences. Many considerations of impracticability have been urged in evidence by such bodies as the Shipbuilding Employers' Federation, the Institution of British Launderers, and Unilever, Ltd. We appreciate the force of these comments, but we maintain, nevertheless, our opinion expressed in 1933 (see *The Economist*, April 22, 1933) that a prime objective of transport regulation should be the protection of workers against exploitation and the general public against accidents due to fatigue.

* * *

The Netherlands and Germany.—The Nazi Press has seized the occasion of the Dutch royal wedding in order to stir up trouble between the Netherlands and Germany. It is an oddly perverse Prussian policy; and if the Dutch attitude towards Germany is denounced as unsatisfactory and even insulting, it is hard to conceive what any of us can do to keep in the Nazis' good graces. For the betrothal between a German prince and the crown-princess of the Netherlands was received by the Dutch public with enthusiasm. In the second place, a Dutch millionaire, Sir Henri Deterding, has just initiated a scheme for placing Dutch food supplies at the disposal of a hungry German populace at the expense of his own private purse. These are surely not the acts of an unfriendly nation. Yet the only thanks which the Dutch have got is to be abused as roundly as the Russians in the German newspapers. The Nazi grievances are that a Dutch crowd tore down a Swastika flag hung out by a German resident in Holland in honour of the royal marriage; and that the tune played in Prince Bernhard's honour by Dutch bands has been the Prince's own Lippe-Deimold march and not the German national anthem or the Nazi Party's Horst Wessel song. On these grounds the German police temporarily impounded the passports of a number of distinguished German friends and relations of Prince Bernhard, invited to attend the wedding. The Prince has now announced that, since he has taken Dutch nationality, it is his personal wish that nothing shall be played in his honour except the Dutch national anthem—as the Dutch Government protested, with some acerbity, to Berlin on Monday. And it is the only possible retort to a Nazi attack which appears to rest upon the thesis that Prince Bernhard ought to have abused the position which he is to enjoy in his adopted country by exploiting it for the benefit of the Third Reich in *partibus Batavorum*. No doubt, from the Nazi point of view, the Dutch are truants from the fold; for are not the Dutch, like the English, Nordic men with a Teutonic language? It is a point of view, however, which neither Dutch nor English can be expected to share.

* * *

The French Budget Passes.—At half past one in the morning of last Sunday the 1937 French Budget was finally passed—over a day late, and after five readings in the Chamber and four in the Senate. This time, instead of "stopping the clock" before midnight of December 31st, the traditional way of keeping the old year's session still in being, the sessions were merely "suspended," not adjourned, for the extra time. The final deficit on the ordinary Budget comes out at Frs. 4,585,268,442, compared with the earlier estimate of Frs. 4,366 millions. In addition, however, there is the extraordinary Budget for defence and State public works, amounting to about Frs. 15,000 millions, which must be covered by loans; and there is, finally, a further Frs. 7,000 millions for the railway deficit and pension funds loans—making a combined real deficit of State expenditure over public revenue of about Frs. 26,500

millions, or £250 millions at current rates. The Finance Minister, M. Vincent Auriol, pointed out recently that the ordinary 1935 Budget, which was balanced on paper, showed a deficit in the actual results of Frs. 6,500 millions, excluding the effects of the new social laws of that year, and of Frs. 10,000 millions, including them. He argued that it was better to budget for a deficit on a rising curve of business and profits than for a surplus on a descending curve; and he clearly anticipates greatly increased revenue as a result of increasing profits and the slow repatriation of French funds abroad. The latter are expected to lower interest rates and facilitate conversion of the Debt, the annual service on which accounts for 48 per cent. of total State expenditure. M. Blum's Government have reason to be pleased with themselves. The 1937 Budget is passed; the Tax Reform Bill and Arbitration Bill were also passed in the last hours of the 1936 session, with minor modifications by the Senate; and business and foreign trade are unmistakably and steadily on the up-grade. Indeed, M. Blum's Government have contrived with singular success to raise their goodwill value in the country as a whole to a very high proportion of their political balance sheet. In any break-up of the assets, M. Blum's name would command priority—which may explain why his Communist supporters are now seeking to prevent his glances straying away from them towards the Centre.

* * *

Congress and the Constitution.—With an outward display of solidarity, the Indian National Congress at Faizpur has given a remarkable demonstration of its disunity on vital political issues. Reiterating "its entire rejection of the Government of India Act, 1935," it expressed the opinion that "any co-operation with this Constitution is a betrayal of India's struggle for freedom." Almost in the same breath it resolved to postpone until after the provincial elections—for which the whole Congress organisation is diligently preparing—a decision on the question whether Congress party members elected to the legislatures should accept Ministerial office. The general expectation is that the party will take office where it has a chance of assuming real control, but will prefer political boycott to minority government. Yet, not long ago, Pandit Jawarhalal Nehru, who from all accounts dominated the Faizpur sessions, was roundly declaring that "it would be a fatal error for the Congress to accept office." The more realistic of his followers draw from the history of non-co-operation in the past two decades, in Ireland as well as in India, a different lesson, and are mingling their diatribes against the Federal Constitution with practical appeals to the people to vote them into such power as it offers. Pandit Nehru and other Congress spokesmen appear now to be drawing a distinction between the federation and the provincial autonomy associated with it. This may yet focus Congress policy into unanimity again on the co-opera-

tion issue, since a Congress Ministry at the Centre seems out of the question for a long time ahead.

* * *

Arabs and the Royal Commission.—The decision of the Higher Arab Committee on December 6th to rescind their boycott of the Palestine Royal Commission took no one by surprise. It had been fore-shadowed by inspired statements in the Press, and by consistent reports of the attitude of the neighbouring Arab rulers whose advice was being sought. It was made certain by the decision of Hassan Sidky Effendi Dajani, who organised last year's strike movement in Jerusalem and who had just returned from attending the Emir of Transjordan on an errand to Baghdad, himself to give evidence before the Commission. His explanation, that he now perceived the Arabs to have fallen into a trap deliberately laid by the British Government, smacks of the fabricated excuse for a change of front. So, indeed, does the whole appeal of the Higher Arab Committee to the Kings of Iraq and Saudi Arabia, whose intervention has saved the Committee's face once again. In retrospect, the boycott of the Commission appears to have been an unwise move from the beginning, for it was founded on no really compelling grievance, and it was tactically misjudged. Whether, however, the giving of evidence by the Arab leaders will now further their cause, on balance, remains to be seen. Any extreme presentation of their case would certainly excite no more sympathy with the Commission than appears to have been secured by extremism on the opposite side.

* * *

A Bulgaro-Yugoslav Pact.—The announcement that Yugoslavia and Bulgaria are to conclude a pact of amity is welcome news. This reconciliation is as remarkable a triumph for international good feeling and good sense as the foregoing reconciliation between Turkey and Greece. In this case, as in that, the initiative has been taken by the last party to suffer a reverse in an age-long but hitherto inconclusive feud. In resolving to bury the hatchet with Yugoslavia, King Boris has shown the same wisdom and magnanimity as were shown a few years ago by the late M. Venizelos when he made his famous good-will tour to Ankara. And the Yugoslavs to-day, like the Turks yesterday, have shown a laudable alacrity in responding to the overtures of a former enemy. The Yugoslavs and Bulgars are now of one mind in their desire to pass the sponge over this invidious chapter of past history; and the Yugoslav have gone to great lengths in smoothing the Bulgars' path. The Yugoslav Government have not demanded that Bulgaria shall join the Balkan Entente. They have not even made it a condition that she shall abandon her claims to a Bulgaria *irredenta*—as she would be doing if she were to renounce her right to work for a revision of the Peace Treaty of Neuilly even

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by peaceful means. Yugoslavia has had the active support of Turkey. On the other hand, the other two members of the Balkan Entente—Roumania and Greece—appear to have felt some misgivings lest the Bulgaro-Yugoslav Pact might inhibit Yugoslavia from fulfilling her obligations towards her partners in the Balkan Pact if a *casus foederis* touching Bulgaria were to arise. The Yugoslav Government have succeeded in overcoming these fears; and the announcement of Yugoslavia's proposed agreement with Bulgaria has now been made with the consent of all her allies. Greece and Roumania may well be satisfied at any arrangement with Bulgaria which satisfies Yugoslavia; for Bulgaria's largest claims to treaty revision are those which would be at Yugoslavia's expense.

A Cloud Over the Levant.—The Turkish word "Sanjak" arouses unpleasant historical associations. It has generally contrived to crop up as a prelude to great wars. This week the dispute between France and Turkey over the future status of the autonomous Sanjak of Alexandretta and Antioch has reached a sudden crisis. (The history and antecedents of the Turkish and the new Syrian Republic's conflicting claims to the region were given in *The Economist* of December 26, 1936, page 631.) The Turkish-French agreement of October 20, 1921, settled a boundary between Turkey and the French mandated territory of Syria on linguistic lines, i.e. between Arabs and Turks; but, perforce, it left the Turks of Antioch and Alexandretta in a "pocket" which had to be included in the French mandate in order not to cut off Aleppo from the sea. The French, in accord with a promise given to the Turks in the 1921 agreement, gave the region a greater measure of autonomy than the rest of Syria; but when the mandate was recently turned into the Syrian Republic—on the lines of the British renunciation of the Iraq mandate—the Turks urged two arguments. First, that the Syrian Republic could not give the same assurances as France that the Sanjak's autonomy would be scrupulously respected in future; secondly, that if the whole Syrian territory could become sovereign after being a mandate, then the Sanjak had an even greater right to that boon. The Turkish Government allowed the dispute to go to the League, where it is at present being sifted; but apparently Kemal Ataturk and his Cabinet expected the French Minister in Ankara to be able, when lately in Paris, to induce the French Government to do a "deal" over the Syrian Republic's head. This has not occurred; the French Minister has returned to Ankara empty-handed; and Kemal Ataturk, after hurried consultations with Cabinet and General Staff, has left for the southern frontier of Turkey. The French Government have every right to await the League's views; for the new Franco-Syrian Treaty secures special powers to France, and also secures the continuance of the autonomous regime for the Sanjak. With tact and patience, there is no reason why the future status of the Sanjak should not be adequately assured by negotiations, under the aegis of the League, between France, Syria and Turkey.

Argentine Transport Co-ordination.—After four-and-a-half years of painful Congressional gestation, an Argentine National Co-ordination of Transport Bill has been passed. Its every provision bears signs of inevitable compromise. Argentina has a federal form of Government, and "state rights" have proved sufficiently strong to limit the Bill's terms to inter-Provincial services. Some 90 per cent. of Argentina's import and export trade is still carried by the railways, which have played an invaluable pioneer's part in the development of the country, and must continue to play it in the outer areas. This, and the fact that a large part of Argentine railway capital is foreign-owned—mainly by investors in countries with which Argentina, for trade

reasons, must maintain good relations—argue the expediency of some form of safeguarding the railways against excessive road competition. But it has been found no more possible or equitable in Argentina than in England to deny the private trader the right to carry his own goods in his own vehicles. Under the Bill as finally passed, a National Commission for Co-ordinating Transport will be set up. Its personnel will comprise a chairman named by the Government and approved by the Senate, four members of an *ex officio* character representing the highway, State railway and port authorities, and one representative each of the railway and motor transport companies. All inter-Provincial motor transport services, carrying passengers or goods for hire, must obtain a licence from the Commission, unless they work only one vehicle. In granting licences the Commission will have regard to public necessity, efficiency, continuity and the avoidance of duplication. All road transport tariffs will be subject to the Commission's approval. Routes, services, charges, wages and working conditions will be controlled, and licensed transport companies will become public carriers in the fullest sense of the word, since they will be obliged to accept all goods offered to them for transport. A Road Maintenance Fund will be financed by a tax of 100 to 400 pesos (approximately £6 to £24) on each vehicle in service.

The railways, naturally, will regret the non-application of the Bill's provisions to intra-Provincial trading, for road competition is a serious factor in extensive and well-populated Provinces like Buenos Aires. And they may regret still more a provision in the Law under which services which now operate wholly inside a Province can, apparently, continue their present operations for five years, even if they extend their services into another Province. On the other hand, the denial of the right to pick and choose consignments to road companies coming under the law, and the prevention of competitive rate-cutting by insistence on the approval of all tariffs by the Commission, are most valuable concessions to the railway viewpoint. We discuss the effect of the Bill on prospects for Argentine railway stockholders in a Note in our Stock Exchange Section on page 74. Much will depend on the spirit in which the Commission interprets its mandate; and, with all due respect to the railways' legitimate interest, it may well be that the rigid policy hitherto pursued by the road transport authorities in Great Britain will be out of place in a newer country like Argentina.

Newspaper Canvassing.—The share of canvassing expenses in the total bill of costs of a modern newspaper is discussed in a leading article on page 51 of this issue of *The Economist*. In this context, confusion may have been caused to some readers of last week's article (page 4) by inadequate definition of terms. It was stated that "*The Daily Telegraph* is a standing challenge to the theory that canvassing is necessary for the maintenance or increase of circulation"; and it was added that "this newspaper . . . has increased its circulation fivefold without any of the adventitious devices of the mass-circulation papers." In point of fact, it is understood that *The Daily Telegraph* does employ canvassers who attempt to induce an increase in the paper's circulation by means of personal persuasion. But "canvassing" has come in the newspaper industry to have a much wider significance. What it was intended to convey was that *The Daily Telegraph* has not supplemented the arguments of its canvassers with such blandishments as free silk stockings, or clothes-mangles or the collected works of Charles Dickens.

Sustained Shipping Revival.—The marked, though partly seasonal, increase in the demand for shipping tonnage since last autumn continued during the

past month. Consequently, the margin between the supply of, and the demand for, tonnage has narrowed still further and freight rates continued their rapid upward movement. As the following table shows, *The Economist's* index of freight rates in December showed an increase of no less than 34 per cent. over the corresponding month a year ago. Moreover, while the index for 1936 as a whole is still 12.6 per cent. below the average for 1929, the figure for December is 13.9 per cent. above the average for the pre-depression year:—

(1898-1913 = 100)					
	Average 1913	Dec. 1935	Oct. 1936	Nov. 1936	Dec. 1936
European waters	110.0	104.8	113.0	126.1	142.5
North America	113.1	91.2	96.8	100.1	105.6
South America	123.4	86.2	102.6	102.9	127.8
India	106.3	107.1	110.6	123.1	125.0
Far East and Pacific	117.4	92.6	109.1	113.5	126.2
Australia	127.9	92.6	103.6	108.6	142.1
Total	116.3	95.7	105.9	112.4	128.2
1913 = 100	100.0	82.3	91.1	96.6	110.2

As will be seen from the more detailed analysis of changes in freight rates between November and December, striking rises took place on some of the routes:—

	Index No.	Inc. or dec. Points		Index No.	Inc. or dec. Points
Home trade	134.3	+18.2	South America:—		
Bay—outwards	157.8	+25.7	Outwards	82.6	+13.8
Bay—homewards	179.0	+4.8	Homewards	173.0	+36.0
Mediterranean:—			India—outwards	92.6	+4.2
Outwards	101.8	+8.7	India—homewards	157.4	—0.4
Homewards	147.8	+22.9	Far East, etc.	126.2	+12.7
North America	105.6	+5.8	Australia	142.1	+33.5

Since the indications point to a more marked expansion of international trade this year, and as shipping tonnage cannot be increased at short notice, a further improvement in freight rates may be expected this year.

Improved Coal Outlook.—The latest returns of production and profits in the coal-mining industry provide further evidence of the improvement in this branch of activity, to which we draw attention in a leading article this week. Production showed an increase of 2.3 million tons between the third quarters of 1935 and 1936, and a loss of 1½d. per ton was converted into a profit of 5d. per ton. The measure of the improvement may be gleaned from the fact that the third quarter's operations have shown a loss in every year since 1924, when profits were ¼d. per ton:—

Period	Tonnage Dis-posable (Mill.)	Costs per Ton		Proceeds per Ton	Profit per Ton	Output per Man-shift	Earnings per Man-shift †
		Wages	Total net				
1932		s. d.	s. d.	s. d.	s. d.	Cwts.	s. d.
3rd quarter 1932	40.9	9 3½	14 2½	13 7½	—0 7½	21.50	9 2
3rd quarter 1933	42.1	9 11½	13 8½	13 3½	—0 5	22.05	9 1½
3rd quarter 1934	46.3	8 8½	13 3½	13 1½	—0 1½	22.55	9 1½
1st quarter 1935	51.3	8 6	12 9½	13 6½	0 8½	23.40	9 2½
2nd "	47.8	8 7½	13 2½	13 2½	0 0½	23.10	9 2½
3rd "	46.6	8 8½	13 0½	13 2	—0 1½	22.93	9 3½
4th "	54.1	8 4½	12 7½	13 11½	1 4	23.89	9 4
1st quarter 1936	54.4	8 11½	13 2½	14 8½	1 5½	23.95	9 11½
2nd "	48.2	9 3½	13 11	14 3½	0 4½	23.26	10 0½
3rd "	48.9	9 3½	13 11½	14 4½	0 5	23.12	10 0½

† Excluding allowances in kind.

If the industry had not been able to pass on to the consumer last year's increase in wages, the result would have been very different. But the scope for further increase in the efficiency of the industry is such that, given the conditions outlined in our leading article, it should have little difficulty in improving its earning capacity at slightly lower inland selling prices.

The outlook is further improved by the unmistakable upward trend of coal consumption. Despite a further

decline of 4.9 million tons in exports and shipments for the use of steamers between January-November, 1935 and 1936, production rose by 4.6 million tons to 207.9 million tons. Home consumption during the first eleven months of 1936, therefore, was 9.5 million tons higher than during the corresponding period in 1935. As exports are now on the up-grade, and home demand is still expanding, the current year gives promise of substantial relief from the depression which has harassed the coal-mining industry almost without interruption since the war.

Record Oil Production.—While demand for coal has tended to expand during the past year with the progress of world recovery, the increase in oil consumption has been even more marked. Thus, while world production of coal recorded an increase of 8 per cent. between the first nine months of 1935 and 1936, world production of crude oil rose by 11 per cent. during this period. According to a preliminary estimate, world production of crude oil rose from 226 million metric tons in 1935 to 245 million tons in 1936, compared with 211 million tons in 1929. Nearly all oil-producing countries have increased their output, but the improvement was particularly marked in the United States, the U.S.S.R. and Venezuela. Moreover, the increase in production has been accompanied by a further recovery of prices. The index of gasoline prices (f.o.b. Gulf), compiled by *Petroleum Press Service*, rose from 57.4 (1929 = 100) in 1935 to 62.2 in 1936, and the index of fuel oil prices advanced from 103.4 to 113.3. Quotations for kerosene, on the other hand, showed a slight decline in 1936. The general tendency of demand and prices, however, remains upwards.

An Electric Supply Problem.—It is now generally agreed that reorganisation of the electrical supply industry should include the consolidation, on a territorial basis, of the existing 650 undertakings into a much smaller number of concerns. This will involve the question of the terms of transfer of independently owned undertakings to the new large operating units, and the prices to be paid for such acquisitions. It is generally agreed, writes a correspondent, that where a local authority owns an undertaking and operates it simply with a view to giving a supply on the most economical terms, the undertaking should be transferred to the newcomer (whose objects will presumably be the same) on the basis of the physical value of the assets. Where a company, however, has established an undertaking of which it is to be dispossessed, its compensation, besides covering the physical value of its assets, should reasonably include an element for "goodwill"—i.e. the expectation of profits over the period for which it

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obtained its rights. The bodies to which these undertakings will be transferred will be either public authorities, charged only with the duty of covering their capital charges, or companies whose rate of capital return is controlled by a sliding scale. But if the costs at which they acquire their properties are the same as those paid to the outgoing proprietors, inequitable results will ensue. For example, in London there will be one operating unit to which will, probably, be transferred both the Finsbury undertaking of the County of London Electricity Supply Company, and the undertaking of the St. Pancras Borough Council. These areas are adjacent and not dissimilar. The flat rate price for lighting charged by the Borough Council is 3d. per unit; the price charged by the County Company is 5d. If the joint undertaking pays more heavily for the Finsbury than for the St. Pancras undertaking, and proceeds to pool its charges and operating expenses, the consumers of St. Pancras will be saddled with charges relating to Finsbury. The economies of pooling will thus inure, for a long time to come, almost entirely to the residents of Finsbury and not to those of St. Pancras.

Another example is provided by the adjacent undertakings of the Barnes Corporation, which has always been in municipal hands, and the Brentford and Chiswick Corporation, which was transferred by a company to the Corporation in 1935. The terms of transfer included a substantially smaller price for goodwill than is to be expected in the majority of cases. The present flat rate lighting price at Barnes is 2½d. per unit; at Chiswick 4½d. If the two undertakings were pooled on a fifty-fifty basis, the resulting price would be 3½d. If allowance were made for economies, it might be reduced to 3d. Such a price would represent a reduction of 33½ per cent. for Chiswick, and an increase of 20 per cent. for Barnes. What is the cure for such inequalities? It may be suggested that the people of St. Pancras and of Barnes, through their local government, took the risks of establishing their own supply of electricity; the people of Finsbury and of Chiswick handed them over to private enterprise, which is now entitled to its reward of its enterprise. It would be reasonable, therefore, if, in the new regime, the compensation to the outgoing proprietors included goodwill where necessary, but the incoming undertaking acquired its property merely on a valuation of the physical assets acquired. The difference would be borne by the ratepayers of the local authority which had created the anomaly in the first place, by handing over the risks of electric supply operation to private enterprise. A general reduction of electricity prices would follow, and the burden of paying a handsome reward to the descendants of the private electricity pioneers of fifty years ago would be placed where it rightly belongs.

Banking in Latvia.—In a Note under this heading last March 14th (page 591) we referred to the extensive and extending powers of the Latvian Finance Ministry over all banking and finance in Latvia, whether local or foreign-controlled. We then pointed out that new legislation had given the Finance Minister plenary powers, by non-appellable decrees, over domestic and foreign banking concerns. The Latvian Cabinet have now approved an important change in the Credit Law. By Article 492 the Finance Minister already had the power to dismiss from office, at any time, members of the Board, Council, or Auditing Commission of any credit institution within the meaning of the Credit Law (which applies to foreign as well as Latvian institutions). Under an amendment to this Article, the Finance Minister may now recall from their posts, employees engaged under a private agreement. Now, British trade with Latvia involves financial services of British merchants and bankers. If these reports are true, and the Finance Minister proceeds to apply his powers literally and extensively, British traders and bankers may soon have to choose between retiring from business with Latvia, or undertaking it as an *appanage* of the Latvian Finance

Ministry and its sub-department, the Latvian Credit Bank.

New Life Assurance.—The amount of new life Assurance business transacted by British offices as published in their preliminary statements is given in the following table. Industrial assurances are excluded.

(£ thousands)			
Office	1936	1935	Increase + decrease -
Atlas	4,300	3,564	+ 736
Britannic	3,860	3,654	+ 206
British Equitable	829	866	- 37
British General	871	760	+ 111
Caledonian	2,039	1,686	+ 353
Clerical Medical and General	2,820	2,511	+ 309
Commercial Union	5,533	5,120	+ 413
Co-operative	3,461	3,320	+ 141
Equitable	1,700	1,337	+ 363
Equity and Law	4,658	3,931	+ 727
Friends' Provident	2,718	2,436	+ 282
General	2,854	2,885	- 31
Guardian	3,748	3,370	+ 378
Law Union and Rock	1,760	1,585	+ 175
Legal and General	2,746	2,455	+ 291
Liverpool and London and Globe	16,654	15,764	+ 890
London	3,200	2,461	+ 739
London Life	2,790	2,764	- 26
Mutual Property	2,702	2,806	- 104
National Mutual	856	590	+ 266
Northern	608	542	+ 66
Northern British	1,011	967	+ 44
Northern	1,875	1,837	+ 38
Northern Union	5,634	5,507	+ 127
Pearl	1,812	1,545	+ 267
Phoenix	11,000	10,788	+ 212
Prudential	8,802	8,598	+ 204
Refuge	4,850	3,806	+ 1,044
Royal Exchange	28,500	28,745	- 245
Royal London	8,766	8,457	+ 309
Scottish Amicable	4,321	4,350	- 29
Scottish Life	6,314	5,510	+ 804
Standard	2,065	1,964	+ 101
United Kingdom	2,389	2,153	+ 236
Yorkshire	4,071	3,911	+ 160
	4,618	4,551	+ 67
	2,750	2,430	+ 320
	170,285	159,326	+ 10,959

* Include decreasing term and group assurances.

The aggregate new business of the offices shows further increase, and about one-half of the offices succeeded in obtaining new record figures. Too much importance should not be attached to a comparison of the figures for different offices. The type of business transacted varies considerably; and different methods are followed in computing the sum assured under certain special low-rated plans.

Co-operative Production and Policy.—The report of the directors of the Co-operative Wholesale Society for the nine months ended October 10th records sales of £76,826,648 for that period—an increase of 9½ per cent. over the corresponding period of 1935. Of this total, some £26,451,918 consisted of supplies for the Society's own productive works, which increased by 9½ per cent. This approximation of the increase of co-operative productive sales to the rise in the total turnover suggests (writes our Co-operative correspondent) that the policy of giving additional dividend on the former has incited societies to increased loyalty. Grocery and provisions are the main factor in co-operative business, and were responsible for £57,478,772 of the turnover, while drapery accounted for £3,644,081; furnishing for £3,773,503; men's wear for £2,490,093; boots and shoes for £1,951,232; and coal for £3,329,020. Significant of the changing policy of the Wholesale Society in association with the retail societies is the encouragement that is being given to federations of local societies for mutual services. Encouragement is being given to eight societies in the formation of the West Wales Boot Repairing Society, Ltd., and also of the West Wales Co-operative Bakeries, Ltd. The C.W.S. is also definitely embarking upon an extended agricultural policy, having purchased land for another bacon factory at Winsford, an egg-collecting centre in Lincolnshire, and sites for tomato cultivation under glass at Tadcaster (Yorkshire) and near Darlington. A milk depôt is to be developed on a 25-acre site near Accrington, and creameries are to be set up in Cornwall and Leicestershire. These, with a meat depôt at Ipswich for the eastern counties, suggest the increasing concern of the industrial co-operators over the agricultural problem.

Overseas Correspondence

From Our Special Correspondents

France

Public Opinion and the Revival of Business

PARIS, January 6.—In his New Year broadcast speech M. Blum declared that his Government was not a Socialist Government, but a "National Government," a Government for the public welfare, that the country has recovered its faith in its destinies, and that the revival of business was certain. It sounded like an appeal for the collaboration of capital. It followed another speech of M. V. Auriol in favour of the liberty of markets. These good intentions were a few days later partially verified by extending to the hoarders of gold in foreign countries and to the holders of foreign currency the amnesty which was formerly guaranteed to the internal hoarders.

The public did not take over-seriously the catastrophic forecasts which the Opposition had made during discussion of the Budget. The final figures are as follows:—

	Frs.
Expenditure	48,071,167,731
Revenue	43,485,899,289
Deficit	4,585,268,442

Both the Senate and the Government made concessions at the last hour, as they did for the Tax Reform Bill, notably on the question of the 2 per cent. super-tax on the profits of joint-stock companies, which will not be imposed on profits which do not exceed 5 million francs. On the other hand, the death duties proposed by the Government were lowered; the publication of income-tax payment at the local civic centres has been rejected; the famous pension fund has been created, but for two years only, etc. Ministerial words of goodwill, like sinister predictions, seem to have lost much of their influence on public opinion and on the Stock Exchange, where everyone is inclined to observe with a more realistic spirit the signs of a revival of business.

The Strike Problem

Therefore the perpetual strikes are a most regrettable fact. They are not, however, actually as great as the detailed daily lists of the Opposition Press might suggest. But the facts are unpalatable in a country where saving is very sensitive to that sort of trouble. The initial application of the new law of December 31, 1936, introducing compulsory arbitration in all industrial disputes will perhaps have the favourable effect of preventing social conflicts from being solved only after lengthy strikes. This law, however, fixes no punishment against the party which refuses the findings of arbitration when they do not fully correspond to its wishes. The declaration of certain members of the trade unions and Communist Party that they will refuse to accept findings every time they do not obtain full satisfaction from the arbitrator is not very encouraging.

It must be noticed, on the other hand, that after six months of social reforms the authority of the extremist leaders on their troops is perhaps less, while that of the Government on Parliament, and that of Parliament on the partisans of movements in the streets, has certainly gained.

Favourable Business Pointers

Railway receipts for the fiftieth week of the year were 192 million francs, or 21 millions more than for the same week of 1935. Loaded wagons for the fifty-first week were 319,183, against 287,568 in the same week of 1935, or an increase of 10.99 per cent., against one of 1.68 per

cent. for the first fifty-one weeks of the year. At the end of December the figure of unemployed was 410,785 (309,884 were men and 100,901 women), against 408,336 at the end of the preceding week and 439,782 at the end of 1935. Production of pig iron in France was 552,000 tons in November, against 551,000 tons in October and 468,000 tons in November, 1935. Production of ingot steel and steel casting was 581,000 tons, against 627,000 tons in October and 508,000 tons in November, 1935.

Coal Mines and the 40-Hour Week

The French coal mines' production was 3,536,912 tons in November, against 4,265,682 tons in October and 4,065,310 tons in November, 1935. This is the first month in which the 40-hour week was in operation, with the same daily hours, but for five days only. There were thus effectively 20.8 work days only, against 25.7 in October and 22.3 in November, 1935. Average daily production was 170,000 tons in November, 1936, against 166,000 tons in October and 182,000 tons in November, 1935. The number of men employed was 228,792 at the end of November, against 226,369 at the end of October, 222,192 at the end of June and 223,309 at the end of November, 1935. The increase of 6,600 units is lower than the number of new employed. In the North, for instance, there were 9,734 new employed for an increase of only 2,747 units in the staff. Of the diminution of 528,000 tons in the production of November, 1935, and November, 1936, 300,000 tons is due to the reduction of the work time and 230,000 tons to the diminution of the individual yield as a consequence of the new work-regulations of May and June. The consumption in November has diminished by 140,000 tons, and the decline in production could easily be covered by taking 322,000 tons from the stocks. The production of coke in the coke plants of the coal mines was 304,126 tons in November, against 328,333 tons in October and 319,579 tons in November, 1935.

Germany

Germany's War "Liabilities" in Spain

BERLIN, January 6.—The international situation is regarded by business circles with ever less favour, and early this week shares dropped sharply. But it cannot be said that the latest aggravation, the ship-seizing incidents in Spain, caused any surprise. It was from the first foreseen that even if all countries remained genuinely neutral in the Civil War, dangerous international incidents would occur; and that if, as has proved to be the case, most of the Great Powers were not genuinely neutral, plenty of pretexts for armed intervention would arise. That Germany should lead in quasi-intervention is natural, for from Berlin came the first formal expression of sympathy with either side.

The Reich has in great measure committed itself. It forecasted incorrectly the course of hostilities between the two Spanish factions, since it was convinced early in November that the Madrid party was on the eve of collapse. When that calculation was falsified there was a temptation to validate it by active measures. Further, in certain quarters there is a natural desire to demonstrate once more the vigour of Nazi foreign policy, and to show that the new armaments are already a potent factor in international affairs. Cautious observers are not so enthusiastic. War, they realise, cannot be conducted on limited liability principles; and there is no

knowing how far Germany, having gone so far, will ultimately have to go. This consideration naturally appeals to military and naval experts. The liabilities of intervention against Madrid, it is realised, are unlimited. But the gain is likely to be meagre. Few intelligent persons believe that Germany, Russia, or any other outside Power is destined to determine the future political system of Spain.

The State and the Productive Machine

Problems of prices, food supplies and raw material supplies dominate most surveys of business in 1936 and forecasts for 1937. The forecasts stress the importance of preventing a further rise in prices, of adapting food consumption to the limited supply, and of increasing the stringency of raw material control. No doubt is expressed over the continued activity of industry. The Trade Research Institute's quarterly report estimates total industrial production last year as 14 per cent. over that of 1928, the standard good trade year. Many industrial branches are occupied to full capacity as determined by plant, labour supply, or raw material stocks. Investment for expansion and renovation in 1936 totalled Rm. 13 to Rm. 14 milliards, which was also the figure of 1928, when, however, capital goods were 17 per cent. dearer. (The Bureau of Statistics' recent estimate was Rm. 12½ milliards.) The national income rose in 1936 by Rm. 4 or Rm. 5 milliards, to Rm. 61 to 62 milliards. Governmental policy, as described by the Institute, will aim at preventing trade-cycle fluctuations, a factor in which policy will be the enforced stability of prices and wages.

A policy of increasing and influencing the character of production has replaced the former policy of reducing unemployment. In general, the unemployment problem is considered solved. In 1937 there will be only 300,000, and in 1938 only 100,000 "genuinely" unemployed. It is a mistake, however, says the Institute, to think that with the cessation of unemployment there will be no labour reserves. The labour supply is more elastic than is generally believed. In the period 1882-1933 the number of manual workers and other employees doubled; but only 64 per cent. of this increase was due to growth of population, the remaining 36 per cent. representing a decrease in the proportion of non-workers. On this basis, the Institute predicts that the number of employed persons in the years 1937 and 1938 will increase by two millions, of whom only a few will come from present unemployed ranks. If this is so, the expansion of industry can be checked, it seems, only by raw material shortage. Whether the Four-Years' Plan will make good this shortage in the near future is not certain. Few analyses of the raw material problem are entirely optimistic. The problem of capital-supply is generally ignored.

Foreign Trade and Exchange

The Reichs-Kredit A.G. Bank publishes lengthy comments on foreign trade and exchange questions. It implies that the recent gold *bloc* devaluations will compel intensification of the export subsidy system. On this subject little has been said of late. The paucity of German receipts in free foreign exchange, despite an export surplus last year of some Rm. 500 millions, is attributed by the R.-K. Bank to seven different factors. The bank accepts the statement of the official balance of foreign payments that in 1935 Germany transferred (net) Rm. 550 millions for interest; and adds that the figure for 1936 was no smaller. The official balance of payments for 1935 in fact showed receipts from "interest, dividends, etc." Rm. 100 millions, and payments therefor Rm. 650 millions. This figure is inexplicably large. According to a Reichsbank estimate the debt service transfer in 1935 was Rm. 250 millions. The second factor mentioned by the R.-K. Bank is tourist traffic under clearing agreements. Next comes the repayment of old trade debts out of the active trade balance. The largest repayments have been to France and Yugoslavia. Germany's new indebtedness under clearing agreements was reduced from Rm. 567 millions in March, 1935, to Rm. 415 millions in October, 1936.

Such debt reductions reduced Germany's cash receipts in exchange. Yet another factor is German gratis coal deliveries in payment for the Saar mines, about Rm. 20 millions yearly. Some 150 million francs were lost through insolvencies of French importers. A temporary loss of exchange naturally resulted from giving long-term credits, against which Germany paid for a great part of her imports, in particular from overseas, immediately. Finally, the gold *bloc* devaluations caused an estimated loss of Rm. 80 to Rm. 100 millions. All these factors are given as reasons why the active trade balance of last year failed to replenish the Reichsbank's reserves.

Prices, Production—and the Public

The official cost-of-living index number for December was the same as for November. As compared with December, 1935, the index rose by less than 1 per cent. For January, 1933, when the present Government took office, the index number was 117.4. The rise in the four years is therefore shown as less than 6 per cent. So small a rise can only be appreciated by a Bureau-of-Statistics family. The real rise for a real family is certainly 20 to 25 per cent. The cereals returns for November show continuing heavy consumption, partly for food—owing to the meat shortage—partly for fodder, partly in consequence of the bad quality of the 1936 crops. The hectolitre weight (which is the German quality standard) of both wheat and rye was much below that of 1935. In November farmers consumed on the spot 46 per cent. more wheat than in the same month of 1935; and the total consumption in the first four months of the crop year was 2,154,000 tons, against 1,835,000 tons in the same months of the preceding crop year.

Industrial consumption of electricity in November was 17 per cent. higher than in November, 1935. On December 1st 1,014 kilometres of the new Reich motor roads were open for traffic, and 1,553 k. were under construction. The Reich Railways Corporation returns its operating surplus in 1936 at Rm. 460 millions, as against Rm. 152 millions in 1935. Operation cost was 88.89 per cent. of operation receipts, as against nearly 96 per cent. in 1935. Non-operation expenditure was some Rm. 515 millions, of which Rm. 235 millions was for traffic tax, Rm. 70 millions for contributions to the Reich, and Rm. 160 millions for pensions, etc. With the aid of certain extraordinary revenue, this non-operation expenditure will, for the first time since the depression, be fully covered.

Holland

Equalisation Fund Policy

AMSTERDAM, January 1.—The Netherlands Government are evidently taking the view that depreciation of the guilder in the neighbourhood of 20 per cent. needs to be maintained. The policy of the equalisation fund, at least, has recently been concentrated upon absorbing all offers of foreign currency appearing on the market at around that level. This is apparently why the Netherlands equalisation fund, after its few months of operations, now consists entirely of foreign currency and gold. In order to embark upon further operations on the foreign exchange market, the equalisation fund has found it necessary to resell to the Netherlands Bank about 150 million guilders' worth of gold. Prior to the devaluation of the guilder, leading opinion in the Netherlands was divided into two fiercely controversial groups, the advocates and the antagonists of the gold standard. The pro-gold group prophesied that devaluation of the guilder would involve catastrophic consequences for this country; a chaotic situation would inevitably ensue, the credit of the State would be disrupted, the cost of living would soar, resulting in agitation for advanced wages, and so on. The other group regarded devaluation as a real boon for the country. They foresaw that it would result in reduced unemployment and only a slight increase in the cost of

living, they anticipated enhanced industrial activity and an improvement in State credit and State revenue. Now that devaluation has become an actual fact practically nothing more is heard from the opposing factions, and from their silence there is surely justification for the conclusion that on the whole the people of the Netherlands are satisfied with the measures their Government have adopted. Calm has been restored, and that in itself is already a factor of great significance. In addition, the economic situation of this country is indisputably showing an improvement, and the greatly advanced prices on the Stock Exchange are already discounting a decidedly better future. The revival is manifesting itself in many branches, and already in the first weeks succeeding the devaluation unemployment became less acute in the larger urban districts. In the cost of living there has been practically no advance. This should be an inducement to face the future with optimism and greater confidence. It is a great relief to see a ray of hope.

Gold Clause in the Netherlands

A Bill has been presented to Parliament providing for the nullification of the gold clause in certain commitments within the Netherlands. If this Bill is passed into law the gold clauses on domestic bonds, mortgages and tenancy contracts will be declared void, except those entered into since September 27, 1936.

The Government take the attitude that in the event of currency devaluation, the gold clause burdens the debtor unduly, at the same time benefiting the creditor, which is unreasonable, especially as the Government have taken measures to combat rising prices. It is a different matter with debts contracted by foreign borrowers in gold guilders; they will not lose by the gold clause, apart from instances in which their own currency has depreciated too. In the same way, a foreign creditor with claims in gold guilders will not derive benefit from maintenance of the gold clause. For this reason the proposed legislative measures are only to apply to inland issues, that is to say, agreements to be fulfilled solely in the Netherlands.

They do not apply, however, to gold clauses on bonds quoted on the Stock Exchange. The Government regard the bonds quoted on the Stock Exchange as being in the nature of merchandise. Contrary to loans without gold clause, the borrower incorporates the gold clause in his bonds with the express object of ensuring the highest possible valuation on the exchange, manifesting itself either in the percentage of interest or in the issue rate. The Government are of opinion that it would not be just if this difference, brought into being by the borrower at his own desire, were to be nullified by action on the part of the Government. In addition, the securities concerned pass into international circulation, and therefore loans of this sort are not of a specifically domestic character.

Imports and Exports up Again

The depreciation of the guilder was already reflected in the import and export figures of the Netherlands for the month of October. In that month imports and exports both advanced in comparison with September, contrary to the usual trend for those months. The trade returns for the month of November, too, make a satisfactory showing. According to the data compiled by the Central Statistical Bureau, the imports in November amounted to 1,813,000 tons (value 100,577,000 guilders), as compared with 1,894,000 tons (value 92,388,000 guilders) in October. Exports aggregated in November 1,283,000 tons (value 77,015,000 guilders), against 1,364,000 tons (value 75,375,000 guilders) in October. The adverse balance for the month of November, amounting to 23,532,000 guilders, was well above the 17,013,000 guilders shown by the preceding month, but it was almost 2 million guilders lower than in November, 1935.

State Revenue Increasing

The revenue returns for November leave a satisfactory impression. The item called "sundry sources" yielded 34.4 million guilders, comparing with 29.9 million guilders in November, 1935. The estimate was surpassed by 3.4 million guilders.

Thanks to the improved yields of the last two months, the revenue position is now making a decidedly better showing. At the end of September the total for the first nine months of the year was 6.1 million guilders in arrears in comparison with 1935, but by the end of last November the aggregate yield of the eleven months was 2.2 million guilders in excess of the 1935 figure. The deficit in relation to the estimated revenue was reduced to 3.3 million guilders; if December turns out advantageously, too, the estimate for 1936 may even be reached, contrary to original expectations.

Less Unemployment

The unemployment situation continues to be satisfactory, and in the last week of November the number of unemployed was even below the 1935 level. The official return shows that of the 457,100 insured persons (agricultural workers excluded) the following percentages were entirely unemployed:—

23rd-30th November, 1936	29.5 per cent.
9th-14th November, 1936	29.0 "
Corresponding week 1935	30.4 "

Money Rates Still Dropping

Liquidity on the money market is still increasing. We give below a table of money rates compiled by the Central Statistical Bureau (in percentages):—

	1936	Nov. 15/21	Nov. 22/28	Nov. 29/Dec. 5	Dec. 12/13	Dec. 13/19
Official bank rate	2.50	2.50	2.29	2.00	2.00	2.00
Private discount	0.91	1.00	1.04	1.01	0.76	0.76
Prolongations	1.50	1.35	1.56	1.46	1.62	1.62
Call money	0.50	0.50	0.50	0.50	0.50	0.50

This enhanced liquidity of the money market is, naturally, coupled with increased activity on the part of the issuing houses. Numerous conversion loans are appearing on the Amsterdam exchange, and now the market is on the look-out for a new State loan.

Hungary

Favourable Political and Financial Omens

BUDAPEST, January 2.—New Year prospects are favourable. Political truce in domestic affairs, higher wheat prices in the world markets, and a practically balanced Budget, the first since 1930, promise well for many impending political and economic problems.

It is expected that electoral reform will be part of the constitutional reform, aiming at extension of the prerogatives of the Regent and the Upper House and leading to an extension of secret ballot in rural constituencies. In the preliminary discussions between the Government's supporters and the leaders of the Opposition parties, it was agreed that reforms must be carried out in the prevailing favourable political circumstances and in the lifetime of the present Parliament. Since this does not expire until 1940 there is no need for undue haste. It is significant that all parties declared themselves in favour of the parliamentary system and against dictatorships, and that the constitutional reform, notably the extension of the prerogatives of the Regent

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and the Upper House, is proposed as the best means to safeguard the traditional parliamentary form of Government against possibilities of untoward contingencies. These might arise as a result of a sudden introduction of secret ballot in the rural areas.

Higher wheat prices will undoubtedly benefit the country. The Rome Protocols regulating the guiding principles of trade between Italy, Austria and Hungary will have to be modified before the next harvest to secure the advantages of higher world prices to Hungary. Higher prices and improved marketing possibilities for wheat and certain other agricultural products have partly compensated Hungary for the losses resulting from the devaluations in the gold bloc.

Improved National Finances

In the first four months of the financial year receipts of the Budget proper amounted to 285.3 million pengő, against expenditures totalling 266.5 millions. The State undertakings also show a modest operating surplus for the July-October period. It is satisfactory to note that while receipts have increased by more than 10 per cent. over last year, expenditure has risen by a lesser percentage. Provided the trend of prices continues to rise, it is not unreasonable to hope that current receipts will suffice to meet current expenses plus the deficit on the State undertakings.

In spite of the above improvements, exchange control and the transfer moratorium will be continued in 1937. Foreign debts, though subject to a moratorium so far as transfer is concerned, receive in practically all instances a regular interest, which amounts roughly to 2 per cent. in the original currency of the creditors. Neither the exchange control nor the transfer moratorium can be finally regulated until Hungary's foreign debts are settled. It is hoped that further progress will be achieved in this direction during 1937. A considerable part of the transfer on account of interest on foreign debts was only made possible by such extraordinary measures as the export of certain commodities at a premium, the cost of which was met by the creditors out of their blocked balances. Such expedients cannot continue under normal circumstances, if and when the exchanges are stabilised and the premia are discontinued.

A Stock Exchange Boomlet

The Stock Exchange after a continuous boom, which began in the latter part of 1935, came to a halt in December. But even after the minor losses suffered in the last weeks, quotations of the leading shares are 50 to 100 per cent. higher than at the end of last year, and they all anticipate considerably higher dividends in 1937. The bond market remains firm, securities yield about 6 per cent., and some of the mortgage bonds, which are sought for capital repayment, have reached their par for the first time since 1931. Owing to the repatriation of the Hungarian shares and bonds there is a very considerable discrepancy between their prices at home and abroad. This discrepancy towards the end of the year was lessened in the case of shares, but remained at its worst in the case of bonds.

Poland

Colonel Beck on Danzig

WARSAW, January 4.—Speaking before the Foreign Affairs Committee of the Senate on December 18th Colonel Beck, by ignoring Czechoslovakia and Lithuania, viewed the foreign relations of Poland with more satisfaction than the public at large feels. Most of the Opposition newspapers believe that the Danzig problem is far graver than Colonel Beck admits, and that the "satisfactory progress" which he reported in the negotiations with the Senate of the so-called Free City may turn out to be much more satisfactory for

Danzig and the Reich than for Poland and the League of Nations.

These negotiations, now in progress, concern the "mediatory mission" which the Polish Government accepted from the League last October, the better safeguarding of Poland's rights and interests, and the position of the Polish minority on the Danzig territory. It now seems to be regarded here as probable—though by no means desirable—that before long the Danzig Constitution will be changed to suit Nazi tastes, and that in consequence the League High Commissioner who will shortly succeed Mr Sean Lester will have a much easier task than his predecessor. The Polish minority, which is very small, would then be in much the same position as the Polish minority in the Reich. In other words, they would be tolerated.

Colonel Beck is understood to attach much greater importance, however, to the safeguarding of Poland's rights and interests. It has been alleged in this connection that Poland is exploiting her "mediatory mission" to strengthen her economic position in Danzig. This is probably true, but with reservations. The original reason for placing a League High Commissioner in Danzig was to protect the Germans against the Poles. Poland's economic arrangements with the Free City have been steadily built up over the last sixteen years with the present Danzig Constitution as the foundation. If this Constitution is now to be "Nazified," and the League High Commissioner to become in effect the guardian of a Nazi Constitution, Poland must try to strengthen her rights and interests in order to safeguard them.

Germany and Danzig

It is, moreover, contended that by strengthening her rights Poland could in some measure retard the movement towards complete "Nazification" of the economic life of Danzig. Poland, for instance, can properly demand changes in the organisation of the Labour Bureau, so that Polish enterprises, of which there are many in Danzig, would not be forced to employ only Nazis. Some measure of protection could also be given to the trade unions and to the principle of collective bargaining. This may not be a very dignified and courageous method of combating "Nazification," but Poland alone could hardly be expected to stand firm for the prestige of the League and the rights of the non-Nazi Germans in Danzig. The Nazis have at least understood that Poland feeds Danzig and that the Reich would have difficulty at present in doing so. It is being charged, and with much justification, that Colonel Beck is pursuing a short-range policy with Germany and Danzig, and that eventually the Nazis will establish complete control over the mouth of the Vistula. But Colonel Beck seems to be about the only European Foreign Minister at present who is able to "view with satisfaction" not only his general line of policy but the results so far attained.

Financial Help from France

The loans and credits which Poland is to receive from France for national defence purposes have been fixed at 2,600 million francs (about £25 millions). The cash portion, against which bonds guaranteed by the French Government, with an interest rate not exceeding 6 per cent. per annum, will be issued, amounts to 1,350 million francs. The cash will be used in large part for completing the Silesia-Gdynia railway. There will be deducted from this amount 45 million francs for buying out the French shareholders of the Zyrardow textile mills, now entirely under Polish ownership, as well as the sums due to French creditors whose interest claims have been "blocked" since the announcement last June of the suspension of transfer on debt service to countries with which Poland has an unfavourable balance of trade or an adverse balance of payments. Until such time as the cash portion of the loan has been entirely transferred to Poland, which may be two or three years, French creditors will no doubt continue to receive their debt service claims in francs.

It is understood that of the arms credits, amounting to 1,250 million francs, approximately 1,000 million francs will be spent in France for equipment which cannot at present be manufactured in Poland, the balance of 250 million francs to be used for fitting out Polish armament plants under the direction of French experts. This transaction is a purely military affair. The loan and credit arrangements are quite separate from the ordinary rediscount operations between the Bank of Poland and the Banque de France, which usually amount to several hundred million francs a year. There is a general feeling of satisfaction here that the visit to Warsaw last month of General Samsonovici, the Roumanian Chief of Staff, has re-established close military collaboration between Poland and Roumania, which promises also to benefit their economic relations. These understandings are taken to mean that France, without necessarily weakening her arrangements with the Soviet Union, has finally understood that a "strong" Poland closely allied to Roumania, and good relations with all the Baltic States except Lithuania, offer the best insurance available against trouble in Eastern Europe.

Improved Trade

Business conditions improved noticeably during the final quarter of 1936 under the stimulus of active re-armament, public works and much better prices for timber, grain and other agricultural products, and sentiment appears on the whole to be more hopeful than at any time since 1929. An encouraging factor in the later months of 1936 was the substantial increase in the export of pig products to the United States, mainly in consequence of the drought, with the result that the pressure of a large adverse trade balance with the United States has been lifted. This improvement has occurred simultaneously with the suspension of transfer on debt service to the United States, which amounts to over 50 million zlotys a year.

Difficult Negotiations with Germany

The Polish-German compensation trade agreement of October, 1935, which expired at the end of October, 1936, and was then extended for two months, has been further prolonged until the end of February. A new agreement is proving very difficult to negotiate, partly because those German manufactures which have to compete with British are too expensive under the existing barter arrangement, and also because Poland can now find advantageous cash markets for most of the products which she contracted in October, 1935, to export to Germany. Economic relations between the two countries are further complicated by the transit charges for German railway traffic across the "Corridor," on which there are arrears amounting to over £3,000,000 still outstanding.

U.S.S.R.

Production and Armaments

Moscow, January 2, 1937.—Soviet leaders are well satisfied with the political, financial and economic position of their country at the end of 1936. Armaments have been brought nearer the level considered adequate for defence, Moscow's stabilising influence in Europe and the Far East has been more generally recognised, foreign trade has been balanced at less expense to the population, and the standard of living has improved.

The chances seem better than for several years that the Soviets will be able to avoid war. With Japan more deeply involved in China, Japanese pressure upon Soviet Far Eastern borders has been reduced. The rapid increase in the Soviet armaments is believed to have diverted Germany's attention elsewhere.

During 1936, Russia moved steadily toward the admitted goal of self-sufficiency. Foreign purchases

were concentrated, as in the past, upon armaments, machinery and machine tools. Industrial production increased by about 30 per cent. as compared with 1935. Extension of mechanised agriculture and irrigation partially offset the drought; cereal grain crops, estimated at 82 million metric tons, covered the needs of the population. A record cotton crop of 2,200,000 tons made Russia independent of foreign supplies. Increases were reported in sugar-beet and flax crops.

Soviet leaders estimate their progress by reference to the State plan, which is their own estimate of what should be accomplished. The plan was fulfilled in production of pig iron, steel, rolled metals, synthetic rubber, gold and platinum, and generally in light and food industries. Production fell below the plan in oil, coal and timber. The unpublished plan for armaments apparently was over-fulfilled, as the armament industry has first call upon men and materials.

"According to Plan"

Development of the gold and synthetic rubber industries without regard to expense shows the determination to attain self-sufficiency. Money has been poured into these industries for several years, with the result that in 1936 synthetic rubber constituted 44 per cent. of that used, and gold production was estimated at eight million fine ounces, about three times that of 1932. Russia's gold apparently is being held for use in case of war; there is no suggestion that it will be used for currency-backing. It is claimed that in two or three years Russia will be able to manufacture enough synthetic rubber to supply all it needs; several different formulas are used.

During 1936, internal bond issues bearing 12, 10 and 8 per cent. interest, totalling 14,600 million roubles, were exchanged at par for 20-year 4 per cent. non-negotiable bonds, and a new issue of 4,000 million roubles was quickly absorbed. Foreign debts against imports were reduced to \$75 millions, which will be paid off in 1937. The Commissar of Foreign Trade, M. Rosen-goltz, declared that Russia is now in a position to pay cash for all necessary foreign purchases, but will buy more abroad if credits are offered on acceptable terms.

The State plan for 1937 slows down the rate of increase in industrial production; attention will be concentrated upon improvement in quality, which is badly needed. The damage to materials is appallingly high in many industries, both in capital and consumers' goods. The enormous expense of industrialising Russia with abnormal rapidity and of mechanising and collectivising agriculture of peasant holdings, has imposed heavy burdens upon all classes of the population. This process has now been sufficiently advanced to enable the consumer to get more attention. Service and supplies in retail shops were improved in 1936; in 1937, the people hope that a larger share of the national income will be devoted to housing, to mitigate over-crowding and slum conditions.

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Denmark

Trade Agreement with Germany

COPENHAGEN, January 3.—A trade agreement for 1937 between Denmark and Germany was concluded just before Christmas. For the first quarter Germany undertakes to buy Danish products to the value of 70 million Kroner; of this, about 61 million Kroner will be for agricultural produce, and about 3 million Kroner for fish. For the second quarter, Denmark's exports will be in proportion to Denmark's imports during the first quarter, and so forth for the third and fourth quarter. It is stipulated in the agreement that Denmark's imports from Germany shall exceed the exports to such an extent that the present credit balance with the Reichsbank, which is believed to be about 20 million Kroner, will be liquidated. The maximum for Danish exports under the agreement is estimated at 280 million Kroner.

Revision of Exchange Control

Although the present Exchange Control Act does not expire until December 31, 1937, the Government has already intimated that certain changes in the Act will be carried through during the present session of the Rigsdag. The present system of exchange control will remain in force until the end of 1938. The practical administration of the Act will be improved so that importers will have ample time to make purchases before the expiration of the import-permits, for at present the time between the issue of import-permits and their expiration is too short. A special clause limiting Danish tourists' expenditure abroad is foreshadowed. The Prime Minister has on various occasions hinted at this, but such a clause is apparently rather a bone with some meat on it thrown to the socialist voters than necessitated by the foreign exchange position.

On December 16th, a 25-year loan of £1,500,000 at 3½ per cent. interest at 93 was contracted for between Hambros Bank, Limited, and the Mortgage Bank of the Kingdom of Denmark (*The Economist* of December 26th, page 647). The proceeds of the loan will be a welcome addition to the foreign exchange balances of the country, and it is taken to indicate that the recurrent rumours of further Krone devaluation are entirely unfounded.

On November 19th, the discount rate of the national bank was raised by ½ per cent. to 4 per cent. The general opinion in financial circles is that this increase should have been made long ago, but for political reasons it was postponed until after the Landsting elections, and until the renewal of the 65.5 million Kroner 4 per cent. three-year treasury bonds was secured.

Winding-up of Shipbuilding Company

The committee for the winding-up of the old Burmeister and Wain Shipbuilding Company has published a proposal for a final winding-up. The creditors are to receive 11/25th in cash and 14/25th in 6 per cent. preference shares in Burmeister and Wain, and the shareholders will receive 350,000 ordinary shares at Kr. 1 each, in exchange for the old share capital amounting to Kr. 35,000,000, with the prospect of appreciation of their new shares as and when earnings permit repayment of the preference share capital. Even with the present satisfactory earnings, any appreciation of the new ordinary shares is a bill drawn on a distant future. No dividends will be paid on the ordinary shares until the whole preference share capital of Kr. 14,000,000 has been repaid. A large block of old Burmeister and Wain shares is believed to be in British hands.

New Year Prospects

The various New Year résumés by prominent personalities in trading, industrial, financial, agricultural and shipping circles contain different comments on the

results obtained in 1936. The wholesale trade calls attention to the regrettable fact that the exchange restrictions make it exceedingly difficult to develop markets to advantage, while retailers and industry are, on the whole, satisfied. Some relief of the financial situation of farmers has been experienced, but the position of agriculture as a whole is not considered satisfactory. In shipping circles comparatively favourable results for the year are expected, but it is emphasised that the improvement of freight rates only applies to the last few months of the year, and many holes from the lean years have still to be filled.

Letters to the Editor

Raising the Standard of Living

TO THE EDITOR OF THE ECONOMIST

SIR,—If a layman is eligible to reply to Mr Murphy's inquiry I offer the following in notebook form in order to save space. "Material prosperity" available per head of population depends upon (a) total national income; (b) manner in which income is divided. Therefore, to increase prosperity per head it is necessary to increase income either by working harder and/or more efficiently. Or we may be content with present output and re-distribute income so that many poor people become a little richer and a few rich people become much poorer. Or we may combine efforts to increase the total income with measures to distribute it on a more equalitarian basis than is at present the case. There is a third possibility, viz., that we should increase annual consumption per head by spending more and saving less of our total income.

You will not expect me, Sir, to tabulate here the various technical proposals which exist or could be devised for increasing our output of goods and services, or the many ways in which existing income could be re-distributed. On this point the Labour Party will supply full details.

It may, however, be pertinent to point out that a "standard of satisfaction" (I prefer that expression to standard of living) may, and in my case does, include a week-end devoted so far as possible to uneconomic pursuits. An increase of national income obtained through a decrease in national leisure would be a lowering of the standards of living, unless the decrease of leisure took place in the depressed areas. You can't get something for nothing; and an increase in national income can only be obtained by more work and more efficiency. Since manufacturers must be presumed to be working as efficiently as they feel worth while or know how, some people think extra stimuli should be provided, i.e., courts-martial followed by ten years' hard labour for directors who blunder. This might, however, check enterprise, and so lower total income.

Yours truly,
STEPHEN KING-HALL.

Hartfield House,
Headley,
Hants.

TO THE EDITOR OF THE ECONOMIST

SIR,—Mr. Frank Murphy's first suggestion is right. It is not fair to address his question about the means of raising the standard of living to the professional economists. He should approach the political scientists.

There is no politically practicable panacea for the poverty and inequalities of this silly world. No politician honestly proposing reforms which would exterminate physical suffering and create equality of opportunity could survive an election. He would be ridiculed by the stupid but effective cry of *laissez-faire*. The vested interests in poverty have captured the mind of the intelligentsia and have a powerful hold on public opinion. That is the crux of the matter.

Let Mr. Murphy ask the political scientists why the poor should continue to tolerate or even to fight for poverty—precipitating policies in the belief that they are thereby curbing an exploiting capitalism.

Yours faithfully,
W. H. HUTT.

63 Derby Road,
South Woodford, Essex.

Books and Publications

The Colonial Question

As Mr Macaulay agrees, his book* is essentially a polemical tract, and as such it must be judged. Presumably it is addressed to those who do not yet share his view that a short and final "No" is the only sound answer to Germany's colonial demands. Is it likely to convince them? One cannot help feeling doubtful. Mr Macaulay speaks plainly and hits hard, but he hits all round him with his eyes shut, not only at Dr. Goebbels and General Ritter von Epp, but equally at Mr Baldwin, Mr Eden, Mr Pirow and anonymous High Financiers. His argument is like a Chinese cracker; it sizzles for a while and then bangs, and hops about disjointedly.

Curiously, he seems not to realise the strength of his case, but rests it largely on two aspects of the colonial problem that are almost the least secure he could have chosen to justify a flat negative to Germany—the status of mandated territories and the comparative wisdom and humanity of German and British methods of governing African natives. On both these matters Mr Macaulay has some valuable and trenchant things to say (though it would have given a greater impression of fairness if, for instance, he had said more about the notorious Bondelswartz rising of 1922 in South-West Africa than that the natives who took up arms "were taught a swift and salutary lesson by local police and other forces"; this is just the kind of thing a German apologist might have said about the Herrero rebellion). But surely Mr Macaulay would have found his task easier if he had based his theme on German motives rather than British rights. The economic motive is clearly a forced card; German trade is already safeguarded under the Open Door, and the proportion of her required raw materials that she could procure from the whole of her former colonial empire, and that she does not already obtain there under the present regime, is negligible. The familiar argument about a single currency system, whatever its merits, does not alter the fact that what is bought has to be paid for. That leaves strategy and prestige as the two genuine motives inspiring German demands. Whether we should satisfy German strategical interests and the prestige of Herr Hitler's Government, possibly at the expense of our own, is a question Mr Macaulay would know well how to answer.

This is not, however, his approach. Apart from quoting some figures about raw materials, his treatment of the economic aspect of the matter is frankly incomprehensible, confused as it is with some strange vaporisings apparently borrowed from the latter-day gospel of Douglas Credit. The following sentence, for example, is among the more straightforward of those that have baffled the reviewer: "Another factor which benefits the foreign merchant is that in British colonies such as Kenya and the neighbouring mandated territory, Tanganyika, the local currency is pegged to sterling, although Great Britain herself has abandoned the gold standard." Again, Mr Macaulay needs but one short paragraph to prove that "the necessity for direct or indirect taxation of any community does not exist." It is not by such eccentricities, nor by such haphazard argument as Mr Macaulay's, that the colonial question will be answered. But he has come to his task with at least one advantage over keener-minded controversialists; he talks the same language as those with whom he has to contend, and wears the same intellectual spectacles as Herr Hitler and General Goering. His antipathies extend beyond the "bankrupt" League, and the "sinister" Bank for International Settlements, and the "godless" Russia, to "the world hegemony of Judæo-Masonry."

* "Mandates," by Neil Macaulay. (London) Methuen. 213 pages. 6s.

Shorter Notices

"Silber." Wandlungen in der Erzeugung und Verwendung nach dem Weltkrieg. By Dr. Herbert Wegner. Heft 5, Wandlungen in der Weltwirtschaft (edited by Prof. Schumacher). Bibliographisches Institut A.G. I. Leipzig, 1936. Pages 176. Rm. 7.50.

Although silver has not yet quite lost its old romantic character, its story in recent times, as Professor Schumacher points out in the preface to this book, has been no longer one of brilliant ascendancy, but rather of the declining status of an aristocrat ("Verbürgerlichung eines Aristokraten") with all the disappointments and difficulties as well as the hopes born of past memories carefully kept alive. Dr Wegner is mainly concerned with an inquiry into the causes of this "decay" and the prospects and conditions of an improvement in the status of silver. His conclusions imply the same pessimism which is shared by all those who do not vaguely talk of a rehabilitation of silver, but have cared to probe deep into the causes of its vicissitudes.

Dr Wegner has drawn on varied sources and he provides a useful bibliography. His book is both informative and interesting, particularly Chapter II, on the trend in the industrial consumption of silver, and Chapter III, on the development in the monetary demand for silver.

"Spanish Front," by Carlos Prieto. Nelson. 2s. 6d.

In less than a hundred pages "Carlos Prieto" has given us the best introduction available to Spanish affairs. The complexity of the historical background is the initial point he makes, and one is glad to see his summary disposal of the notion that the Spaniards are a "Latin" race. Coming to recent history, he makes us appreciate what might be called "the necessity of anarchism"—as a healthy reaction against the persistent despotism of Church and State. The

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pseudo-parliamentary system of 1876-1923 was enough to damn democracy in the parliamentary sense for all time. Yet, as Carlos Prieto insists, what is happening in Spain is essentially a struggle between Fascism and Democracy—an engagement being fought out on the Spanish Front. And, should the democratic Government in Madrid win the day, "it is the republican democrats who would have to do most of the preliminary work for a Communistic Left. . . ." The author is convinced that the best outcome of the present travail would be "a new philosophic Anarchism . . . based essentially on the old slogan of the French Revolution: Liberty, Equality and Fraternity." But he foresees a preliminary phase of either Fascism, or Communism, or both. That depends, clearly, on extra-Spanish factors which no one can evaluate. Carlos Prieto is scathing about the behaviour of the British Government. The book contains a valuable "note on Spanish character" and the observation that "the Spaniard loves ritual, but he is not really a pious, religious person. He is a pagan . . ." It is a mistake, however, to compliment (page 75) Largo Caballero on his "astuteness in bringing about the Popular Front," since he was actually against it, favouring a United Proletarian Front. And a new edition should replace Miguel by Manuel Azana.

"Dividend on Co-operative Purchases." By J. A. Hough. Co-operative Union, Ltd. 187 pages. 7s. 6d.

This book is a useful summary of the economic position of the wholesale and retail co-operative societies in Great Britain. The discussion centres round an examination of dividend policies, and the arguments in favour of high and low dividends are examined in detail. Mr Hough inclines to the view that societies in the south of England have been justified in their adoption of a low dividend policy, without which they would have been far less able to withstand the competition of large private stores. He puts the case for lower prices and lower dividends moderately but persuasively, and thinks that there should also be greater uniformity of policy on the part of retail societies.

The least satisfactory part of the book is the chapter on the uses to which co-operative capital is put. Many of the really important questions, e.g. the proportion of capital invested outside the movement, and the significance of changes in the rate of interest on shares and loans, are not examined at all, or are only treated in a superficial manner. The arrangement of the statistical tables is also not always satisfactory. These shortcomings do not, however, detract from the general utility of the book. One may hope that the Co-operative Union will undertake a more detailed study on the economics of co-operation, which will deal fully with some of the important general problems which are here left unanswered.

"Southern India." By Gilbert Slater. Allen and Unwin. 373 pages. 15s.

"Southern India" gives an account of Dr. Slater's service in India as Professor of Economics, Acting Publicity Officer and nominated member of the Madras Legislative Council, together with comments upon Indian social, political and economic life. The first eighteen chapters consist of reminiscences of the author's first impressions of India, of his teaching experience, and of his visits to and studies of many villages and rural areas in the neighbourhood of Madras. Subsequent chapters comment upon such various aspects and problems of Indian life as organisation of modern large-scale industries, the results of the War on economic and political life and thought, the problems of industrial labour in Madras, and the working of the reformed, dyarchical constitution.

The author's views are often controversial, but are invariably based upon close and critical observation, and a broad-minded study of the heterogeneous, but intimately interwoven aspects of Indian life. He records the high admiration evoked in him by the Indian students of the university, British and American missionaries, and last, but not least, the members of the I.C.S. Of the latter he says that they "as a body, are beyond any other corps of administrators, distinguished for complete freedom from even suspicion of corruption and nepotism, and for whole-hearted zeal in the public service. For the causes of what is wrong in Indian Government—and there is much that is wrong—we must look elsewhere and particularly at home." His judgments on home policy, as can be inferred from this quotation, are much more severe.

The book deserves to reach a large public, as it gives a vivid picture of Southern India, and includes a large number of little-known, but most interesting and illuminating information about such varied subjects as marriage customs, local lore, agricultural methods and deficiencies, and the working of the Montford Constitution.

Books Received

- Hiller's Drive to the East.* By F. Elwyn Jones. (London) Gollancz. 126 pages. 2s. 6d. net.
- Forward from Liberalism.* By Stephen Spender. (London) Gollancz. 295 pages. 7s. 6d. net.
- The Position of Women in the U.S.S.R.* By G. N. Serebrennikov. (London) Gollancz. 288 pages. 7s. 6d. net.
- The Nazi Conspiracy in Spain.* By the Editor of The Brown Book of the Hitler Terror. (London) Gollancz. 256 pages. 5s. net.
- Labour Conditions in Western Europe.* By J. Kucynski. (London) Lawrence and Wishart. 118 pages. 4s. 6d. net.
- The People's Year Book (1937).*—Prepared by The Publicity Department of the Co-operative Wholesale Society. C.W.S., Ltd., 1, Balloon Street, Manchester. 3s. cloth. 1s. paper.
- Bank and Public Holidays Throughout the World, 1937.* Guaranty Trust Company of New York.
- Coins of the Modern World, 1870-1936.* By M. Gomencini. (London) Methuen and Company, Ltd. 7s. 6d. net.
- World Trade and Its Future.* By Sir Arthur Salter. (London) Humphrey Milford, Oxford University Press. 7s. 6d. net.
- Egyptian Cotton Year Book, 1935-36.* Edited by George Pilavachi. Societe de Publications Egyptiennes.
- Rebuilding Trade by Tariff Bargaining.* By George P. Auld. (New York) National Trade Council, Inc.
- Report of the Thirty-sixth Annual Conference of The Labour Party.* (London) Transport House, S.W.1. 1s. By post, 1s. 5d.
- The South African Journal of Economics.* Quarterly Journal of the Economic Society of South Africa. 6s. net.
- The Hibbert Journal.* (London) Constable and Company, Ltd. 2s. 6d.
- Sur-Tax and Companies Sur-Tax.* By Chas. H. Tolley. (London) Waterlow and Sons, Ltd. 3s. 6d.
- Nouvelle Revue de Hongrie.* January, 1937. Société de la Nouvelle Revue de Hongrie. (Paris) Librairie Guillaume Budé. 6 fr. or 2,50 pengo.
- The Oriental Economist.* November, 1936. Edited by Tanzan Ishibashi. (Tokyo) The Toyo Keizai Shimpō Sha, Ltd. 1s.
- Statistiques du Commerce International, 1935.* Volume 3. League of Nations. Allen and Unwin, Ltd. 10s.
- Japan at the Cross Roads.* By Walter Smith. (London) Lawrence and Wishart. 125 pages. 3s. 6d. net.

Official Publications

The following may be obtained from H.M. Stationery Office, Adastral House, Kingsway, W.C.2.

- Colonial Reports: No. 1775. Hong Kong, 1935.* 2s. 6d. net. No. 1776. Nyasaland, 1935. 2s. 6d. net. No. 1777. St. Helens, 1935. 1s. net. No. 1778. Cyprus, 1935. 2s. 6d. net. No. 1779. Gibraltar, 1935. 9d. net. No. 1780. State of Trengganu, 1935. 2s. net. No. 1781. Fiji, 1935. 3s. net. No. 1782. Leeward Islands, 1935. 1s. 6d. net.
- On the State of the Public Health. Annual Report of the Chief Medical Officer of the Ministry of Health for the year 1935.* 3s. 6d. net.
- Twenty-seventh Report of the Commissioners of His Majesty's Customs and Excise for the year ended March 31, 1936.* Cmd. 5296. 3s. 6d. net.
- Empire Settlement. Memorandum on the Proposed Financial Resolution.* Cmd. 5326. 1d. net.
- Housing Act, 1936. Tables of Comparison showing (1) The mode in which earlier enactments are dealt with by the Act; (2) The sections of the Act and corresponding provisions in earlier Acts.* 6d. net.
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- Department of Overseas Trade: Report on Economic and Commercial Conditions in India.* 3s. 6d. net.
- United States No. 3 (1936): Papers relating to the British War Debt. November-December, 1936.* Cmd. 5330.
- Board of Trade: Paper showing how the provisions of the Trade Marks (Amendment) Bill, 1936, affect the Trade Marks Acts, 1905-1919.* Cmd. 5328. 1s. net.
- Imperial Economic Committee: Dairy Produce—A summary of figures of production and trade relating to Butter, Cheese, Eggs, etc.* 2s. 6d. net. *A Survey of the Trade in Motor Vehicles.* 2s. 6d. net.
- Import and Export List, January 1, 1937.* 9d. net.

MONEY AND BANKING

Sterling Exchange Policy

A YEAR which may well prove decisive for the future of sterling exchange policy has just closed; and we may profitably draw lessons from 1936 for the conduct of that policy in 1937. The long-deferred devaluations of the gold *bloc* currencies last September, and the surprising suddenness both of these and of the agreements between the authorities handling the world's leading Exchange Funds, have raised up new problems which must be solved by these authorities both *ambulando* and in common. The outlook for sterling by itself—i.e., apart from sudden withdrawals of foreign funds lodged in London—is not as discouraging at the outset of 1937 as at one time seemed likely. The so-called unfavourable balance of trade is up by over £80 millions; but Sir Robert Kindersley's recently published estimates of our investment and shipping freight income from abroad (see *The Economist*, December 26, 1936, page 631) show notable increases, and it is known that the balances of the sterling area, which have to be kept in London, are showing no diminution. Nevertheless, since last September we must take more account of international forces if we are to apply the lessons of 1936 in 1937.

Devaluation of the gold *bloc* currencies last September was achieved suddenly and in the best possible way. It was heralded by the tripartite monetary agreement between Great Britain, France and the United States, pledging all these nations against competitive currency depreciation. Other nations rapidly acceded, and by the end of October, France, Switzerland, Italy and Czechoslovakia had all devalued, the Dutch guilder was riding free of gold, and other countries had forsaken gold for sterling. This restoration of comparative monetary equilibrium came as a tonic to the whole world—a tonic added to the natural recovery of world commodity prices. Consequently, in the purely monetary sense, there was a definite shifting of the centre of gravity from one side to the other of the whole pound-dollar-franc triangle. The franc ceased to be hopelessly over-valued, and while the degree of devaluation may not have fully offset the reactions of M. Blum's "new deal" with its influence upon French prices and costs, the franc is no longer seriously out of alignment. Instead, the rapid rise in British prices during the closing months of the year has tended to make sterling once more an over-valued currency; and we should note the warning that only the absence of a similar increase in wages and the cost of living is saving us from serious over-valuation. As matters stand, the time has come to pay heed to our internal trade boom, with its rising prices and shortages of skilled labour; to our growing imports and languishing exports; and to the increasing demands for credit. If our exchange position is strong, it is partly due to circumstances beyond our control, and notably to the reluctance of Frenchmen to repatriate their funds sent abroad during the earlier years of doubt. It must not lead us to ignore the other warning signs.

In 1936 there was a definite easing of world monetary conditions. The year's rapid advance in the prices of primary products is bearing fruit in the rehabilitation of numerous countries who provide us with our chief markets and are the repositories of much of our overseas investments. The Dominions' currencies and finances stand firm. Canada is liquidating her wheat stocks, and Australia is marketing her wool. India and South Africa continue to send the world gold, and to achieve liquidity where the Government, through its growing monopoly over exports, is equally monopolising foreign exchange, leaves room for a few slight doubts; and this is really a

technical question to be solved by willing co-operation between the Government and the banks. Scandinavia is equally prosperous, save where its trade impinges on the closed systems of Germany and other Continental countries. Last, but not least, Argentina has so strengthened her position that she is now almost able to give a lead to the world by sweeping away her foreign exchange control.

At home we have developed our monetary technique by multiplying the contacts between the Exchange Equalisation Account and our internal money and banking system. In the summer the French hoarding of British currency taught us that in certain circumstances the Exchange Account must re-sell gold to the Bank of England. We found, for example, that for every £1 note hoarded by foreigners, the Bank must buy £1 of gold (at the Bank's valuation) from the Exchange Account. Even when foreign funds, notably francs, came on to deposit at the British banks it was advisable for the Bank to buy from the Exchange Account £1 of gold for every £10 so deposited. In this way alone could the paradox be avoided of an influx of foreign funds creating monetary stringency in London. A few weeks ago, when the French credit was repaid in gold, we learned another lesson. The Bank took over £65 millions of gold from the Exchange Account, simultaneously reducing the fiduciary note issue by £60 millions (see *The Economist*, December 19, 1936, page 588). This relieved the Exchange Account of gold indigestion, and also set the precedent of using the fiduciary note issue as an auxiliary to the Exchange Account to give greater freedom and elasticity to our monetary system. Henceforward the Exchange Account and the Bank can work together, and the fiduciary note issue can be varied so as to regulate at will the impact of gold imports and exports upon the internal supply of credit.

Meanwhile the gold *bloc* devaluations have led to the creation of Exchange Funds in France, Holland and Switzerland. The British authorities must now face both these resources and those of Washington. Still, all the indications are that the leading countries are slowly establishing a new and elastic form of gold standard in which the former gold *bloc*, the sterling area, and the United States will play the principal rôles.

There remain the restricted countries—Germany, Italy and Central and South-East Europe—joined during the year by Poland. Here there is little, if any, progress to record. We ourselves have been driven into concluding clearing agreements with several of these countries. The trouble is that exchange restrictions, clearings and trade on a compensation basis have become an integral part of their economic, social and even their political systems. While the sharp and sudden rise in world commodity prices has greatly improved the prospects of currencies of the smaller States—e.g. Hungary, the Baltic countries, Roumania, Brazil—the effective absence of Great Powers like Germany and Italy from the new association of exchange-stabilising countries leaves some uncertainty in the 1937 picture.

Nevertheless, 1937 opens under much more favourable auspices for the trading world—and therefore for sterling—than any other year since the great depression parcelled the world into separate national currency portfolios. Sterling has to face three main problems: withdrawal of foreign funds, a drain of English speculative funds to the United States, and an over-steep rise of prices—and therefore of costs—in Britain in relation to the rise in other leading countries. The first two problems can be faced administratively by the controllers of our

Exchange Equalisation Account and by such "requests" to bankers and the Stock Exchange from high quarters as those with which the City is already familiar. But the last is a real problem, for, as we pointed out in our first leading article last week, the British domestic recovery is reaching an advanced stage of "boom." The British authorities may have to envisage before long the possibility of a real discrepancy arising between the rate of increase in business activity and prices here and those in, say, France and the United States. At the outset of 1937, however, this is happily only a contingency, not a prophecy, and still less a certainty. If the new international monetary collaboration speedily devises its canons and procedure, 1937 may prove a quiet year for sterling in the exchange markets.

Financial Notes

Bankers' Clearings in 1936.—The past year's returns of London and provincial bank clearings provide abundant evidence of the progress of trade revival and the more rapid circulation of money:—

	1934	1935	1936
	(£ million)		
Town clearings.....	30,740	32,444	35,039
Metropolitan clearings.....	1,760	1,887	2,040
Country clearings.....	2,984	3,229	3,538
Total—London clearings.....	35,484	37,560	40,617
Total—Provincial clearings....	1,295	1,283	1,394

Generally speaking, London clearings have increased since last year by 8 per cent. and provincial clearings by 8.6 per cent. Part of the increase in town and metropolitan clearings is due to the admission a year ago of the District Bank to the London Clearing House, but country and provincial clearings are unaffected. The quarterly returns show that on the whole the increase in activity became more pronounced as the year progressed. Comparing each quarter of 1936 with the corresponding quarter of 1935, the largest increases were recorded in the fourth quarter of 1936 by Birmingham, Leeds, Liverpool, Manchester, Newcastle-on-Tyne and Sheffield. Re-armament activity and the recent revival in shipbuilding and the cotton trade are the obvious explanation in many instances, while the Liverpool returns may have been affected by the upward trend of wheat and other primary products prices. The largest increases for the fourth quarter were Birmingham (28.3 per cent.), Sheffield (23.5 per cent.) and Liverpool (21.2 per cent.). Town and metropolitan clearings also registered their largest increase in the fourth quarter.

The Bank Return.—Since Christmas £21.4 millions of notes have returned to the Bank, but the circulation is still £18 millions above its level of the middle of November. The reserve is £15 millions higher, the discrepancy arising mainly from the net expansion of £5 millions in the credit base at the time of the Bank's December gold purchase.

BANK OF ENGLAND					
	Jan. 8, 1936	Dec. 16, 1936	Dec. 23, 1936	Dec. 30, 1936	Jan. 7, 1937
	£ mill.	£ mill.	£ mill.	£ mill.	£ mill.
Issue Department:—					
Gold	200.2	313.7	313.7	313.7	313.7
Note circulation	405.6	467.7	474.1	467.4	462.7
Banking Department:—					
Reserve	55.3	46.6	40.2	46.8	51.4
Public deposits.....	11.3	10.4	21.7	12.1	13.5
Bankers' deposits.....	107.8	96.2	72.2	150.6	110.2
Other deposits	36.8	38.8	38.8	39.2	38.4
Government securities	84.4	89.1	83.1	134.5	93.3
Discounts and advances	21.3	6.7	6.4	17.5	14.4
Other securities	13.1	20.8	21.0	21.2	21.1
Proportion.....	35.4%	32.0%	30.2%	23.1%	31.7%

The market's limited borrowings from the Bank over the turn of the year have now been repaid, and the net increase of £8.0 millions in discounts and advances since a fortnight ago suggests that there have been other opera-

tions at the Bank. Most of the £57 millions borrowed by the Government on Ways and Means on December 31st has also been repaid, but Government securities are still higher than in December. All these influences have combined to maintain bankers' deposits at £110 millions.

The Money Market.—Christmas and the end of the year are now over, and the market is returning to the conditions of last November. Bankers' deposits are once more high compared with the closing months of last year, and so money is again very easy. This week the clearing banks charged their normal rates for loans, while outside money was plentiful at $\frac{1}{2}$ per cent.

	Dec. 17, 1936	Dec. 23, 1936	Dec. 31, 1936	Jan. 7, 1937
Bank rate	2%	2%	2%	2%
Clearing banks' deposit rate	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$
Short loan rate:—				
Clearing banks	$\frac{1}{2}$ – $\frac{3}{4}$ –1*	$\frac{1}{2}$ – $\frac{3}{4}$ –1*	1–1 $\frac{1}{2}$	$\frac{1}{2}$ – $\frac{3}{4}$ –1*
Others	$\frac{1}{2}$ – $\frac{3}{4}$	$\frac{1}{2}$ – $\frac{3}{4}$	1	$\frac{1}{2}$
Discount rates:—				
Treasury bills	$\frac{1}{8}$ – $\frac{1}{4}$	$\frac{1}{8}$ – $\frac{1}{4}$	...	$\frac{1}{8}$ – $\frac{1}{4}$
Three months' bank bills	1–1 $\frac{1}{4}$	$\frac{1}{2}$ – $\frac{3}{4}$	$\frac{1}{2}$ – $\frac{3}{4}$	$\frac{1}{2}$

* Loans against Treasury bills and other approved bills and British Government securities within six months of maturity; 1 per cent. Treasury Bonds and other gilt-edged stocks within six months of maturity; and other collateral respectively.

Some of the banks were buying March Treasury bills at $\frac{1}{2}$ per cent., but there was no demand for Februaries. Discount rates are likely to remain weak, as the Government is now beginning to repay Treasury bills out of the seasonal revenue surplus.

The Foreign Exchanges.—The market has experienced a dull week. The New York rate rose to \$4.92 on the news of the American strikes, but returned to \$4.91 on Thursday afternoon on rumours of an impending settlement. Forward dollars are at a small premium. The Paris spot rate continues to be held by the French Control at Frs. 105.15, and French official buying of forward francs has now brought the three months' rate down to Frs. 1 $\frac{3}{4}$ discount, against Frs. 2 $\frac{3}{4}$ a week ago. Guilders have been firm at rates of Fl. 8.96 $\frac{1}{2}$ to Fl. 8.98 $\frac{1}{2}$. The Dutch Control has continued to sell guilders in order to prevent an appreciation. During December the Netherlands Bank added Fl. 150 millions to its gold stocks. This gold was bought from the Dutch Exchange Fund, and the motive must have been to relieve the Dutch Exchange Fund of surplus gold and to replenish its holdings of guilders. This follows our recent precedent. There have been minor fluctuations in belgas due to liquidations at the end of the year. Exchange on Barcelona has been offered on American account at Ptas. 68 to the pound, presumably in connection with this week's hurried shipment of munitions from New York. The only demand for pesetas is from dealers with open positions.

American Banking Results.—The following table gives the changes during 1936 in the deposits and the chief assets of some of the leading New York banks:—

	CHANGE DURING 1936			
	Deposits	Cash	Securities	Loans
Chase	+ 211	— 187	+ 119	+ 134
Guaranty Trust	+ 224	+ 40	+ 116	+ 77
Bankers Trust	+ 50	+ 36	— 10	+ 44

These results reflect the continued expansion of credit, for the drop in Chase National Bank's cash reflects the abnormally large amount of cash held by it a year ago. With this exception, there has been a general increase in banking liquidity, which, if anything, accentuates the problem of finding remunerative employment for available resources. On the other hand, there has been a growing demand for loans, and one of the three banks has reduced its holdings of "Governments." This has not impaired the liquidity of the banks and should be adding to their earning power.

THE STOCK EXCHANGE

How Companies Finance Recovery

ONE of the most remarkable features of Britain's trade recovery has been the ability of industry, during the last four years, to finance an increase of approximately 30 per cent. in activity, although the total advances of the clearing banks have risen only by about 10 per cent. We have previously suggested, with due deference, that the banks, who have admittedly not reduced their rates for advances fully in proportion to the decline in general interest levels since 1932, have been charging a little more than the traffic would bear, and have consequently lost some of their business to various competitors. Who are these competitors? One of them, apparently, is industry itself, which possesses—to a greater extent, perhaps, than was universally realised—the camel's faculty for living on its own hump.

How far has recovery been self-financing? To learn the approximate answer to this question we have examined the balance sheets of twenty large and representative British companies, whose names are household words to the investor. The results of our inquiry are set out in the table at the foot of this page. It will be seen that the latest returns of these concerns show a rise in aggregate disclosed profits, since 1932, of 28 per cent. Clearly, they have transacted an increasing volume of business, and, in the process, have required enhanced financial resources. Whence have these resources been derived?

It is clear, at least, that their provision has not involved any substantial reduction in the working capital which all companies must keep for the current requirements of their business. The surplus liquid assets of these twenty concerns have not declined, but have actually risen by 7 per cent. since 1932. (For a definition of "surplus liquid assets" we would refer our readers to a footnote to the attached table.) Our figures suggest that if British companies were "liquid" in 1932 they are even more "liquid" to-day. In the interim, eleven of the companies shown in the table have obtained £17 millions (less issue expenses) by issues of new capital for cash. But nine companies have not increased their capital; and a substantial share of the proceeds, in any case, has been used for additions to fixed rather than floating capital.

We must evidently look elsewhere for a complete explanation of the remarkable buoyancy of liquid assets.

The published balance sheet figures of the majority of British companies are notoriously obscure and imperfect. Bank loans, for example, are not always separated from amounts owing to other creditors. And, more important, the accounts of a holding company may not show the true extent of fluctuations in the "current" assets and liabilities of satellite companies. Three of the holding companies published no figures of stock-in-trade in 1932 (though Unilever now gives the group total), and another is a shipping company to whose business such a figure is irrelevant. Of the remaining sixteen companies, it will be observed, thirteen were carrying a larger stock of raw, semi-finished and finished goods at the date of their last accounts than in 1932. Of the total increase of £11 millions, however, nearly £6 $\frac{1}{2}$ millions was attributable to one company, Imperial Tobacco. Of the remainder it may be said that, for the most part, ability to finance an increased business has at least been facilitated by their success in keeping down the inevitable growth in their stock-in-trade to a moderate level.

If stock-in-trade figures—which are sometimes the least "liquid" of current assets—be omitted altogether, the surplus liquid assets of the sixteen companies in question have fallen since 1932 from £36.5 millions to £33.3 millions, or by 9 per cent.—a decline which, though appreciable, is certainly not proportionate to the rise in the business activity and earning power of these concerns. Have they cashed their marketable investments on a considerable scale in order to finance trade recovery? In some cases, Yes; but on the whole, No. The apparent increase in the aggregate investment totals shown in our table may reflect, in part, the rise in Stock Exchange prices since 1932; but as many companies value their investments at cost or market price, whichever is the lower, it is reasonable to infer that, for the most part, the volume of company security holdings has tended to increase rather than to decline.

The columns headed "debtors" and "creditors" throw some light on the main question, for both show a considerable increase, amounting (for the whole

PROFITS, LIQUID ASSETS AND LIABILITIES OF TWENTY BRITISH COMPANIES
(Amounts in £'000)

Company (and Date of Last Report)	Profits (a)			Surplus Liquid Assets (b)			Stock-in-Trade		Investments (c)		Debtors		Creditors (d)		Cash	
	1932	Last	Change (%)	1932	Last	Change (%)	1932	Last	1932	Last	1932	Last	1932	Last	1932	Last
1. Imp. Chemical (Dec. '35)	4,729	6,707	+ 42	18,291	12,412	- 32	(e)	(e)	12,411	8,222	3,857	5,556	3,308	5,162	3,524	1,990
2. Unilever, Ltd. (do.)	1,616	1,472	- 9	297	351	+ 18	(e)	(e)	...	...	...	...	245	332	1,023	1,060
3. Vickers (do.)	701	1,101	+ 57	4,204	6,126	+ 46	(e)	(e)	2,694	6,732	141	189	1,241	1,072	2,964	448
4. P. and O. (Sept. '36)	591	636	+ 8	1,040	4,027	+ 28	(f)	(f)	4,592	9,492	442	285	4,462	4,234	182	154
5. Ass. Newspapers (Mar. '36)	705	940	+ 34	1,050	414	- 61	384	422	730	i	571	575	963	1,009	354	596
6. Imp. Tobacco (Oct. '35)	8,647	10,268	+ 19	29,365	31,027	+ 6	24,907	31,240	11,950	7,831	6,542	8,375	13,929	16,273	4,600	3,830
7. Distillers (May '36)	1,784	2,182	+ 22	1,774	5,988	+ 237	859	837	403	5,515	67	327	1,522	2,395	2,948	2,895
8. Watney, Combe (June '36)	1,205	1,388	+ 15	969	1,122	- 16	372	375	1,372	1,827	800	676	1,027	925	525	416
9. J. Lyons (Mar. '36)	964	1,079	+ 12	2,627	1,304	- 50	2,360	2,551	227	...	715	644	1,674	1,703	1,495	125
10. Marks and Spencer (Dec. '35)	683	1,157	+ 83	- 18	773	...	517	906	...	...	22	35	451	810	1,041	1,021
11. F.W.Woolworth (Dec. '35)	3,521	4,166	+ 18	4,282	6,005	+ 40	2,260	2,554	...	488	95	130	1,466	1,742	4,517	6,908
12. J. and P. Coats (do.)	2,259	2,006	- 11	6,545	5,112	- 22	1,592	2,301	4,108	4,206	159	235	2,109	1,947	3,765	691
13. Courtaulds (do.)	1,659	2,133	+ 29	13,662	15,822	+ 16	1,877	1,771	11,988	15,944	764	896	1,620	1,825	1,313	786
14. Morris Motors (do.)	689	1,168	+ 70	5,251	4,989	- 5	1,105	1,238	2,438	3,069	280	289	392	610	1,680	1,617
15. Dunlop (do.)	940	1,035	+ 10	5,968	4,274	- 28	1,817	3,428	1,259	81	835	940	477	630	3,245	1,644
16. Gen. Electric (Mar. '36)	786	944	+ 20	3,740	3,397	- 9	2,021	2,268	713	1,031	1,968	2,313	1,627	2,271	845	589
17. Ass. P. Cement (Dec. '35)	737	1,098	+ 49	830	568	- 31	435	370	...	430	223	345	346	543	1,007	843
18. Stewarts and Lloyds (do.)	120	594	+ 395	1,533	2,024	+ 32	1,413	2,090	...	...	1,154	1,921	1,160	2,015	14	331
19. United Steel (June '36)	98	673	+ 588	990	2,316	+ 134	603	852	...	...	747	1,317	563	1,707	223	2,590
20. Turner & Newall (Sept. '36)	301	1,153	+ 284	965	2,276	+ 136	519	904	...	...	349	912	152	579	421	1,755
Total: Co.'s 5 to 20	25,048	31,985	+ 28	79,532	87,411	+ 10	43,041	54,107	35,188	40,422	15,291	19,930	29,478	36,784	27,056	26,337
TOTAL: ALL COMPANIES	32,685	41,900	+ 28	103,365	110,327	+ 7	...	...	54,885	64,868	19,731	25,960	38,734	47,584	34,740	29,989

(a) Excess of floating assets (stock-in-trade, investments, debtors, cash and miscellaneous) over current liabilities (creditors, amounts required for dividends, and miscellaneous, excluding amounts due to subsidiary companies). (b) Excess of floating assets (stock-in-trade, investments, debtors, cash and miscellaneous) over current liabilities (creditors, amounts required for dividends, and miscellaneous, excluding amounts due to subsidiary companies). (c) Investments exclude advances to companies' balance-sheets. (d) Including loans, if any. (e) Holding companies. No stock-in-trade shown in parent companies' balance-sheets. (f) Shipping company, which has no stock-in-trade account. (g) Includes loans to allied companies, whose amount is not separately ascertainable. (h) Excludes £460,000 reserve for income tax. (i) British Government securities only. None shown in latest accounts. (j) Assets exclude gilt-edged securities held in reserve for redemption of debenturestocks.

twenty companies) to 31 and 23 per cent. respectively. Enhanced inter-company credit provision has clearly been a concomitant feature of trade revival. Finally, thirteen of the twenty companies have drawn on their cash holdings; and although seven have increased them, the total for the whole twenty shows a drop of 13 per cent.

When these figures are read in conjunction with the sluggishness of bank advances, the impression most strongly given is that the resources for financing trade revival have come partly from the long-term capital market, but mainly from industry itself. During the twelve months to June, 1936, we analysed the reports of 2,138 British companies, with a total issued capital (preference and ordinary) of over £2,400 millions (see *The Economist*, July 18, 1936, page 146). Of the £224 millions which these companies earned in profits in 1935-36 (after debenture interest) they "reserved" no less than £55 millions, or practically 25 per cent. The whole of the money thus ploughed back—in addition to undisclosed amounts set aside for contingencies, etc., before striking profits—was available, temporarily or permanently, for addition to working capital. The "reserved" proportion, moreover (as our analyses show), has tended to increase, both absolutely and proportionately to total earnings, during the last five years. It is beyond question that these ploughings-back of profits have contributed much to the ability of industry to meet the financial demands of a period of rapidly growing activity. The extent to which the relative dearth of bank advances has contributed to this result is a controversial question. But in view of the part which retained profits have played in the financing of industrial expansion during the recovery years since 1931, both British directors and British investors may at least be grateful that there is no counterpart, in this country, of the Rooseveltian system of taxing company reserves.

Investment Notes

S.E. Turnover in 1936.—It is not surprising that a year which saw an almost unchecked advance in equity share prices should have produced a satisfactory volume of business, which rivalled, on occasion, that of historic boom markets of earlier years. Unlike the New York Stock Exchange, where every transaction goes into the record and total sales statistics are reported, the London Stock Exchange has no machinery for computing the total turnover in securities. No one, therefore, can claim—at least, scientifically—that 1936 was a "record." To obtain some indication of the rate of increase in Stock Exchange transactions, however, it is possible to fall back upon a "count" of bargains recorded in the Stock Exchange Official and Supplementary Lists. We have taken out a total of the bargains recorded by the *Financial News* daily bargain index for 1935 and 1936 with this object. The results are given below:—

	1935	1936
First 26 weeks	1,179,922	1,215,134
Second 26 weeks	1,074,159	1,333,769
Total	2,254,081	2,548,903

Over the whole year 1936 shows a 13 per cent. advance; in the first half-year the increase was no higher than 3 per cent., but in the second half-year the rate was 24 per cent. These figures suggest that the smaller type of speculator, who had been shy to enter the market while the political disturbances of March 7th were still within recollection, became distinctly more active in the second half of the year, in response to rising commodity and metal prices. But the figures should be used with caution. "Markings" are a notoriously inadequate record of the total number of transactions, and even if they were complete they would not indicate the total volume of turnover. There is some presumption, however, that a larger proportion of deals last year was for smaller amounts of stock than in earlier years.

Stock Exchange Bank Clearings.—A second, and more satisfactory, indication of Stock Exchange activity is provided by our usual calculation of the average excess of bank clearings on Settlement Days over Non-Settlement Days in 1936. The "non-settling day" averages are obtained by deducting the total clearings on Settlement Days from the total clearings for the year and dividing the difference by the number of non-Settlement working days—counting Saturday as three-quarters of a full working day. The resulting figures, compared with 1934 and 1935, follow:—

	(In Millions)		
	1934	1935	1936
	£	£	£
Grand total of clearings on non-Settlement days	32,016	33,863	36,463
Daily average	118.6	125.9	134.4
Daily average on Settlement days ..	144.3	154.0	173.0
Increase on Settlement days:—			
Amount	25.7	28.1	38.6
	(21.6%)	(22.3%)	(28.7%)

The proportion of the total clearing directly connected with Stock Exchange business is, of course, higher than the percentage increase shown above for Settlement Days, for there is a substantial Stock Exchange clearing turnover on all working days and especially on those immediately following the Settlement. Compared with 1935, the grand total of clearings on Settlement Days showed an increase of 12.3 per cent. to £4,153 millions. This substantial advance brings the total very close to the 1930 figure of £4,196 millions. The increase on Settlement Days in 1936, compared with the previous year, was again greater than the increase shown on non-Settlement Days, which amounts to 6.8 per cent. These figures suggest that the increase in monetary turnover on the Stock Exchange is still relatively ahead of the advance in general business.

Gilt-Edged Outlook.—Many trustees, institutional investors and other large holders of gilt-edged securities are concerned with the problem whether interest rates can indefinitely be kept down if commodity prices continue to go up. Hitherto, there has been no serious recession in gilt-edged values. The high point reached at the end of 1934 and beginning of 1935 was a "false peak"—an optimistic aberration—and the price of Consols was in fact much steadier in 1936 than in 1935. But the period of heavy investment in gilt-edged by the banks certainly appears to have reached and passed its climax. Between January, 1932, and January, 1935 (as a Stock Exchange circular points out this week) the investments of the clearing banks rose by £310 millions, while advances fell by £150 millions. To-day, however, advances are rising, and although their total is still a long way below the 1929 figure, the rate of advance is quickening. The wholesale price of representative primary commodities is now half as high again as it was when Mr Chamberlain made his War Loan conversion operation. More "accommodation" is necessary to finance the movement of the same volume of goods, and investors who are not shackled by legal or prudential considerations have an increased incentive to switch from fixed interest stocks to equities. Certainly the Treasury can prevent competition from foreign new issues and can regulate the flow of home borrowing of trustee character. The authorities may be credited with the desire to maintain a firm market, for every day brings nearer the problem of financing the Government's re-armament programme. For this task, undoubtedly, there is one formidable weapon in their armoury, for they can widen the basis of credit if they wish, and so increase the volume of bank cash. But to do that, on a considerable scale, in a period of depression is one thing, and to do it at a time of rapidly rising prices is another. Altogether, while it may be premature to look for a very early, or a very consider-

able, decline in gilt-edged prices, it must be concluded that cyclical factors, as such, are becoming increasingly unfavourable for investors in fixed interest securities.

"Insiders'" Control in Wall Street.—When the Securities and Exchange Commission was set up in 1934 to establish a code of business ethics it attempted to restrain corporation officials from turning inside knowledge to personal profit through dealing in their companies' securities. Legally, profits on stock sold by insiders are recoverable by the company, but although there is evidence of considerable in-and-out trading in certain cases, no attempt has yet been made to enforce the law. To assist its objects, the Commission obtains a monthly report of holdings of equity securities by officers and directors of companies, and by persons who own more than 10 per cent. of stocks listed on National Securities Exchanges. The first analysis of these reports, lately published, shows a much greater concentration of ownership than had been suspected in the past. Some 21 per cent. of the aggregate outstanding shares of some 1,736 companies were held by "insiders," including holding companies. Officers and directors held under 8 per cent. The proportion of "inside" holdings varies greatly from industry to industry, the highest figure being 67 per cent. in the lumber industry, and the lowest 7 per cent. for chain store companies. It is singular that the proportion of stock held by "insiders" has tended to be somewhat higher for companies whose shares have recently been listed on the Exchange. This development is said to be due to the relaxation of extensive distribution requirements by the Exchange authorities, who feel that manipulation by "insiders" is less dangerous in Exchanges controlled to a considerable extent by the Commission. The constitutionality of the Commission's attempt to enforce rules of good conduct is in doubt, but its purpose is admirable, and will appeal to many English investors who are baffled by the too frequent appearance of nominee companies in annual returns.

Foreign Bond Movements.—The end-year activity in foreign bonds has been signalised by an all-round rise in the "Municipal and General" indices for December. The complete index of 113 bonds reached the highest point since 1934. The table of component series below shows that "defaulted" bonds—in particular South Americans—have again provided the sharpest advance:

AVERAGE JAN.-JUNE, 1934-1936									
Month	Europe	Near and Far East	Egypt	South & C. America		Complete Index	Undefaulted	Defaulted	
				State	Prov. Govt.	Total			
No. of Bonds	(32)	(31)	(4)	(36)	(11)	(47)	(114)	(60)	(54)
1935									
December ...	91.6	102.2	99.8	93.6	78.5	89.9	93.9	102.0	85.2
1936									
January	96.2	100.1	98.9	102.9	85.4	98.6	98.3	103.4	92.5
February	96.4	107.7	98.8	103.5	86.5	99.3	100.7	104.1	96.8
March	95.1	109.9	99.2	100.2	85.9	98.7	100.0	103.7	95.3
April	97.6	110.0	98.7	101.3	87.9	98.0	100.8	104.7	96.5
May	96.1	106.5	99.2	101.3	88.6	98.1	99.8	104.3	95.0
June	96.3	104.4	99.4	100.2	88.2	97.5	99.1	102.8	95.1
July	94.7	110.6	100.9	99.1	88.2	96.7	99.8	104.4	95.0
August	95.1	113.2	100.7	99.3	89.8	97.0	100.7	105.7	95.3
September ..	94.7	110.7	99.9	98.8	89.0	96.4	99.7	104.3	94.8
October	95.2	111.7	99.7	105.3	93.0	102.3	102.5	104.2	100.6
November* ..	95.4*	110.6	99.6	107.2	101.0	105.7	103.9*	104.5*	103.2
December ...	97.7	114.0	99.7	120.2	110.0	117.8	110.3	105.8	115.3

* From November, 1936, Europe 31 Bonds, Complete Index 113 Bonds, Undefaulted 59 Bonds.

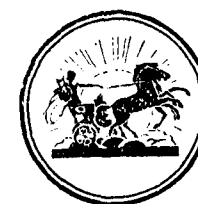
Reviewing the movements of 1936, it will be seen that whereas the total index advanced by 17.4 per cent., the "defaulted" index rose twice as fast (35.4 per cent.) and the "undefaulted" index by only 3.7 per cent. South American bonds made the most spectacular recovery, although their present level is still slightly below 119.1 recorded in September, 1934. These securities, which can properly be described as speculative commodity equities rather than first-grade foreign bonds, are still in the forefront of market favour.

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Higher Banking Profits.—The dividends of British banking institutions have, since 1931, been as stable as the Constitution. No changes were anticipated this year, and none have been reported. But without exception, profits have shown a substantial increase to the highest level since 1929-30. Details of profits and appropriations so far announced will be found on page 95. Barclays Bank shows an increase of 6.2 per cent. or, since these profits are struck "net," of 7.5 per cent. after adjusting for the change in the standard rate of tax. The Martins Bank figures are even more progressive, for after adjusting for taxation, the profits have increased by 14.1 per cent. Comparisons for both Westminster and District Banks are complicated by the 1935 Centenary Bonus of the former and the absorption by the latter of the County Bank in the same year. A straight comparison of the National Provincial Bank's profits, which have increased from £1,665,437 to £1,770,173, tells the same story. Stability of dividends, coupled with increased earnings, has released additional sums for reserves, pension funds and premises. These results appear the more creditable since short money and bill rates have made but slight progress on the average. Although the advances of ten clearing banks (excluding the District) rose by 11.6 per cent. in the year to November, 1936, the increase is still comparatively recent, and may have derived as much—if not more—impetus from Stock Exchange activity as from any increase in the demand for industrial credit. But the condition of debtor accounts during 1936 must have been sounder than at any time since 1929, and evidently the banks have been spared the necessity for making extensive internal provision for bad debts. These results have kindled fresh interest in bank shares this week. Traditionally, bank shares are protected in each phase of the trade cycle—in depression by low interest rates and in recovery by rising profits. The second phase has been delayed, but it is now within sight.

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Home Rails and the Calendar.—The Railway stockholder and statistician is in something of a dilemma this week, for the first traffic week of the New Year in fact includes four days of 1936, and even five days for the L.N.E.R., and may include some 1936 "sweepings." Should this rank as first week of 1937, or should that distinction be accorded to the week ending January 10th? If the former, then the first week of 1938—to January 2nd—will include only two days of 1938 traffics, and only one for "Berwick." The effect of Leap Year, in fact, coupled with the irregular length of the solar year, periodically throws up an opening week which properly belongs neither to old year nor new. We propose therefore to adopt the second alternative, starting our regular traffics tables with the week ending January 10th, and concluding the 52 weeks on January 2, 1938. For the latest week's traffics, accordingly, we have adopted a provisional comparison with the first week of 1936, although the latter traffics will again be used for comparing next week's traffics with 1936. Our usual table is replaced, on page 90, by this provisional form.

Argentine Transport Bill.—The main provisions of the Bill for Co-ordination of Transport, which has now been approved by the Argentine Senate, are examined on page 58 of this issue. The investor will welcome its passage, after four-and-a-half years of bitter controversy, with real relief, although current levels of Argentine rail stocks appear fully to have discounted its passage into law. It is, doubtless, not the measure which they would have drafted themselves, for the exigencies of local politics have demanded compromise at many points. But it marks the defeat of acrimonious criticism of "absentee capital," recognises the importance of the railways in the Argentine economy, and proves the efficacy of the "benevolent treatment" clause inserted in the Argentine Trade Agreement for the protection of British concerns in the Republic. Argentine railway stockholders, however, would be wise to expect gradual, rather than immediate, results from the measure. Its numerous exceptions arm the National Commission (on which only one representative out of seven will speak for the railway companies) with no power over intra-Provincial or municipal services (although these may be controlled by the respective authorities), nor over road transport services carried out by firms producing or dealing in the goods despatched. The Commission, like the Area Transport Commissioners in this country, will thus be able to restrict new entrants into road transport, but may find it more difficult to achieve immediate reduction in road services. But the stabilisation of tariffs and the future obligation on all permitted transport authorities to act as "common carriers" should assist the railways in solving their traffic problems. All these benefits, however, are essentially of a long-range order.

Canadian Pacific Year.—Recovery is slow to come to all railways, and Canadian Pacific is no exception. During 1936, gross receipts, which advanced by 6.8 per cent., kept pace with the improvement in Canadian conditions. But, translated into net revenues, they tell a less impressive story, which Sir Edward Beatty's review of 1936 has emphasised this week. Net operating results are only available to the end of November. At that date, an increase of \$8,212,000 in gross receipts (7 per cent.) compared with an increase of \$678,000 in net receipts (3½ per cent.). Selected comparisons between cumulative gross and net revenues are given below:—

Period	(In \$'000s)		Gain			Gain
	Gross Receipts	1935	1936	Net Receipts	1935	1936
Jan.-March	26,439	29,284	2,846	2,101	2,828	727
Jan.-June	56,529	62,045	5,516	6,062	6,791	729
Jan.-September	92,040	99,943	7,903	11,387	11,828	441
Jan.-November	118,098	126,310	8,212	19,091	19,769	678
Jan.-December	129,679	138,564	8,885	...	...	...

The table reveals that net receipts are still struggling to regain what they lost by a sharp fall in June and July. At the end of May, a "plus" of \$957,000 was recorded; at the end of November, the increase was no higher than \$678,000. This indecisive trend still reflects the first demands on improving railway revenues—increased operating costs and maintenance expenditure carried over from previous years.

It is difficult to frame really optimistic estimates for the holder of Canadian Pacific stocks on the basis of these figures. Including the increased dividends received on the holding of Consolidated Mining and Smelting shares, net earnings may total \$4,700,000, before including anything extra for steamships and hotels. This sum would represent earnings of 3.4 per cent. towards a full dividend on the 4 per cent. preference stock. The actual rate of dividend, however, depends (as the President has previously indicated) on the demands of the "Soo" line for further financial assistance. Its net earnings were \$600,000 up for the first ten months of 1936. Even assuming that the stockholder can reconcile himself to the treatment of exceptional charges in the accounts, recovery still appears to be round the corner. The ordinary stock is showing tentative signs of recovery, but preference stockholders should frame their 1936 dividend estimates with caution.

"Shell" Interim and Bonus.—For two years the market has been anticipating a resumption of interim dividends by "Shell" Transport and Royal Dutch. On Wednesday these hopes were realised. "Shell" announced an interim payment of 7½ per cent. tax free—up to the best expectations—together with an unsuspected and uncanvassed capital bonus of 20 per cent. The bonus will call for the capitalisation of £4,824,272 of reserves which stand at £8,131,609, and may be interpreted as a partial revelation of the undisclosed financial strength of the group as a whole. Investors have always recognised that "Shell" Transport is merely a holding company instrument for paying out dividends earned by the group. The scrip bonus, therefore, at least suggests that the excess of undisclosed earnings of past years will cover satisfactory dividends on the bonus shares, for there is no indication that the rate will be changed in consequence of the bonus. In normal circumstances, where shares can be valued on disclosed earnings, a free capital bonus should not, in theory at least, be followed by any rise in the market value of the shares. But in this case, where the shares can be valued only on dividends paid and the fair name of the directorate, the market's response to a bonus can be rationally defended. Market opinion has been actively considering the permanence, or otherwise, of this scrip bonus policy. And for Royal Dutch, whose 5 per cent. dividend was slightly below expectations, it is suspected that, when the outstanding gold-clause case is disposed of, a similar policy may be introduced. Doubtless there are large holders in each company to whom more frequent, though not necessarily annual, scrip bonuses would be welcome, with the present expansion of oil earnings and high taxation. The calculation of the current yield on "Shell" Transport, *ex interim* until the bonus, must necessarily be provisional until the final dividends are declared, but assuming the maintenance of last year's total rate of dividend, the return is £4 1s. 6d. per cent. The shares are a progressive holding.

Richard Thomas Capital.—Semi-official indications have been given this week regarding the form which the long-awaited capital proposals of Richard Thomas may

take. It is evident that the programme of expansion in South Wales is to be more far-reaching than was originally contemplated. The construction of the American strip mill and associated works was originally estimated to cost £4½ millions. If this week's reports are to be relied upon, the total cost of development schemes may reach £7 to £8 millions, for additional steel capacity is also being installed. Definite information regarding the finance of these projects is not available, but negotiations are proceeding with Messrs N. M. Rothschild. Originally, it was suggested that a large issue of ordinary shares might be placed with existing holders on bonus terms, leaving a supplementary operation for a later date. But the reported size of the extensions has suggested the possibility of a single large issue, to cover capital expenditure and the redemption of £1,221,722 debentures on July 1st next. Shareholders will be officially informed next week regarding its terms. Some reports suggest that it may take the form of 4 per cent. debenture stock, convertible into ordinary shares at a substantial premium. Such an issue would be one of the most interesting "equity" debentures issued in recent years, not merely on account of the conversion rights it would carry, but because it would necessarily be secured upon the results of a far-reaching scheme of development, which we outlined on November 21, 1936. The latter, to some observers, may appear to anticipate a fairly generous increase in demand for sheets, but it will be the most efficient milling plant in the country.

Coal and Allied Industries.—The search for some process for coal carbonisation by which the coke, gas and chemical products may yield a large profit over the costs of material and manufacture, holds a peculiar fascination for the small investor, which is unshaken by the persistent rebuffs of experience. Coal and Allied Industries

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provides the leading example of such disappointed expectations. The company was originally registered in 1909 as *Motor Fuel Proprietary, Limited*, but remained dormant until 1923, when a licence to operate the Dvorkovitz patents for the treatment of coal was secured. A subsidiary company was subsequently formed, and capital was raised to finance the exploitation of the process at Slough. In 1932 the subsidiary was wound up. In 1933, Mr H. P. Stephenson became technical adviser to the company. He advised the board to discontinue work on the Dvorkovitz process and to develop an entirely new process evolved by himself. In 1934, an issue of 5s. shares was made at 15s. in order to provide funds for the exploitation of Mr Stephenson's process, and in the subsequent enthusiasm the shares advanced to over 30s. This represented a market capitalisation of over £1,500,000 which was based, presumably, on the 1934 prospectus anticipation of annual profits equal to over 150 per cent. on the issued capital. These hopes were disappointed in the event. Mr Stephenson's appointment was terminated. Mr A. Fisher then became technical adviser. He advised the board that, subject to the expenditure of another £150,000 to finance "modifications and extensions," the plant would, by the beginning of 1938, be capable of earning a profit of "approximately £66,000 per annum." For the finance of this scheme an issue of £200,000 5 per cent. convertible non-cumulative income debentures was proposed. But at this stage, the shareholders were suffering from hope too long deferred. The amount of applications was negligible, and the board proposed a voluntary winding-up. At an extraordinary meeting held on New Year's Eve, these proposals were defeated and a committee of shareholders was appointed to enquire into the finance and general position of the company. Does

this imply that an attempt will be made to resuscitate the company's fortunes? It is difficult to discover any grounds for optimism in the facts of the company's past history.

* * *

Burma Corporation Ore Reserves.—Although Burma Corporation Rs. 9 shares have naturally participated in the recent rise in base metal issues, their rate of advance has been less rapid than that of the Barrier Reef companies. Mr P. E. Marmion's recent review of the Corporation's position clarified the relationship between metal prices and profits. The Corporation's remoteness from markets and its policy of selling forward involve a considerable time-lag between shipments and realisation, and between rising metal markets and sales prices. For these reasons, advancing metal prices produce delayed effects. Fortunately, the rise in lead will more than compensate the company for the relative fall in silver this year. The chairman indicated, in fact, that a movement of rd. per ounce in silver was equivalent to 7s. 6d. per ton of lead, and whereas the former stands at 21½d., compared with 21¼d. a year ago, lead has jumped from £15½ to £26½ per ton. It is impossible, in fact, to judge the potentialities of Burma Corporation on any one metal—lead, spelter, copper or silver—although silver is of traditional importance to its fortunes. When valuing Burma Corporation shares, however, the market has one eye upon its prospective life. Here the vice-chairman gave some news. Since the end of 1934, when the life was put at 9 years, there has been no material change in the developed ore position. But the mine is being prepared for re-assessing the ore reserves—a necessarily difficult task, for payability depends upon cost factors, and there are metallurgical problems to solve in the upper levels. Despite the rather irregular nature of development recently, the vice-chairman's words have encouraged the feeling that, in fact, the life of the mine may be prolonged somewhat beyond present estimates.

* * *

Company Results of the Week.—Although our usual analysis of company reports on page 95 covers only 22 companies, many of the results are of interest to investors. They include British Tin Investment and Apex (Trinidad) Oilfields, and are discussed on page 94 under the heading "Shorter Company Comments."

* * *

Company Meetings of the Week.—On later pages of this issue will be found the reports of the following company meetings:—Bank of New South Wales, Bank of Montreal, and Burma Corporation. Sir Thomas Buckland, as usual, devoted his speech at the meeting of the Bank of New South Wales to a comprehensive review of economic conditions in Australia and New Zealand. He warned his hearers that, in the absence of appropriate action by the Central Bank, the Australian banking system would be unable to continue expanding advances at the rate now demanded by industry. After reviewing the improved prospects of the pastoral industries, Sir Thomas discussed the industrial development of Australia, describing it as encouraging but dangerous if trade diversion were carried beyond the barest needs. Sir Charles Gordon, addressing the shareholders of the Bank of Montreal, stressed the new importance of Canada's mineral production. He noted with gratification that the Dominion Government's Budget was within sight of being balanced. Mr P. E. Marmion's address to the shareholders of Burma Corporation is discussed above.

THE WEEK IN THE MARKETS THE STOCK EXCHANGE

SETTLING DAYS

TICKET: JANUARY 19 ACCOUNT: JANUARY 21

AFTER a fairly active opening, the nerves of the Stock Exchange were tested before the New Year account had run but three days of its course. Once again, the fear of political deterioration was abroad. The British request to Rome and Berlin, coupled with a speculative flurry on the American motor strike, created a condition of mid-week uncertainty, akin for a moment to that of September, 1935. Conditions recovered somewhat on Thursday, but it is clear that the market has lost some of the impetus of the end-1936 account.

Gilt-edged opened a little firmer on new buying from the interest distributions, but conditions subsequently became quiet and dull owing to the international situation. Among foreign issues, Chilean bonds again forged ahead—a little too fast in relation to service prospects and some sizable profit-taking was in progress on Wednesday. Brazilians suffered for the same reason, although there was still some support for low grade issues. European bonds felt the brunt of the Spanish complications.

London Midland and Scottish ordinary were the opening feature in the home rail market on optimistic dividend estimates, but the terms of the Locomotive Engineers' wages award, suggesting the probability of further wage claims during the year, checked the upward movement. Switching operations from L.M.S. ordinary to Southern deferred followed the excellent traffics. Argentine rails opened quietly firm, and the passing of the Transport Co-ordination measure (discussed on pages 58 and 74) inspired no fresh advance. Brazilian rails, however, continued firm.

Industrial shares were cheerful at the opening, but proved unable to hold interest during subsequent days, and came back to life again only on Thursday. The quietness was relieved by several good features. Dorman Long were the best market in the Iron and Steel group, but reacted later amid general profit-taking. In the motor group, Standard were consistently in demand on talk of a bonus. The aircraft section continued heavy, with little business, since uncertainty still prevails regarding the profits outlook. Outstanding in the electrical

equipment market were British Insulated and English Electric. Brewery shares opened depressed on fears of increased taxation, and remained disturbed later. Woolworth provided the usual centre of attraction in the Stores group, and Unilever among Provision and Catering issues. Banking shares found favour on the encouraging profit statements, discussed on page 74. The miscellaneous industrials market was in good form at the opening, when higher prices were recorded by many building materials and engineering shares, but later conditions were indifferent, and firm prices the exception.

In the oil market the dividend announcements from Royal Dutch and "Shell" Transport provided the week's news. The latter encouraged higher prices, and active business spread to other issues, Burmah being particularly favoured, on its large holding of "Shell." In mid-week the best prices were not maintained, amid profit-taking, but the prospects of higher crude oil prices in America again stimulated demand. Rubber shares were initially depressed by the heavy fall in the commodity price, but conditions improved slightly later. Tea shares rose steadily on a more generalised demand.

Conditions in the Kafir market were bright after the week end, thanks to the accumulation of orders, but interest died away, only to recover in mid-week. West African issues could not maintain their early firmness. Rhodesian Copper issues fell on steady sales by speculators. Tin shares progressed on the ratification of the new restriction scheme, but some profit-taking sales were reported.

Business at Paris was irregular. Industrials were the only bright feature at the opening, but after a depressed session an all-round improvement followed in mid-week. Conditions on the Berlin Bourse became cheerful after a poor opening.

"FINANCIAL NEWS" MARKET INDICATORS

	Dec. 30	Dec. 31	Jan. 4	Jan. 5	Jan. 6	Jan. 7
Approximate total of bargains recorded in S.E. List	11,206	11,387	13,405	10,073	12,357	10,311
Corres. day 1935	Closed	8,898	11,974	10,466	11,283	10,251
SECURITY MOVEMENTS						
Index of 30 Ordinary Shares (July 1, 1935 = 100)	123.8	124.6	124.8	124.3	123.6	123.9
Index of 20 Fixed Interest Securities (1928 = 100)	136.6	136.6	136.6	136.5	136.4	136.4

Highest 1936: Ordinary Shares 124.9 (Nov. 18); Fixed Interest 138.8 (Feb. 10).
Lowest 1936: Ordinary Shares 107.4 (Jan. 2); Fixed Interest 136.2 (Sept. 23).
Highest 1937: Ordinary Shares 124.8 (Jan. 4); Fixed Interest 136.6 (Jan. 4).
Lowest 1937: Ordinary Shares 123.6 (Jan. 6); Fixed Interest 136.4 (Jan. 6).

(Continued on page 80)

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England v. Wales

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In calculating yields on fixed interest stocks quoted below allowance is made for interest accrued since the last date of payment, less income tax at the standard rate. Where stocks are definitely redeemable at a certain date the quotation includes any profit or loss on redemption; where stocks are redeemable at or before a certain date the final date of repayment is taken when the stock stands at a discount and the earliest date when the quotation is above par. The return on ordinary stocks and shares is calculated by reference to the latest dividends, account being taken of any enhancement or reduction of interim dividends. Allowance is made for accrued dividends in calculating the yield on "cum. div." shares.

Prices, Year 1935		Prices, Year 1936		Name of Security		Price, Dec. 30, 1936	Price, Jan. 6, 1937	Rise or Fall	Yield, Jan. 6, 1937	Prices, Year 1936			Last Two Half-yearly Dividends			Name of Security		Price, Dec. 30, 1936	Price, Jan. 6, 1937	Rise or Fall	Yield, Jan. 6, 1937	
High-est	Low-est	High-est	Low-est							High-est	Low-est	(a) (%)	(b) (%)	(c) (%)								
94 1/2	80	87 1/2	82 1/2	British Funds											Banks							
118 1/2	109 1/2	116 1/2	112 1/2	Consols 2 1/2	84 1/2	84 1/2			2 19 2	45 1/2	35 1/2	5(b)	5(a)		Bank of N. Zealand £1	38 9	38 9		5 3 0			
103 1/2	97 1/2	102 1/2	100 1/2	Do. 4 1/2 Red. at par	113x	112 1/2	-1	3 3 0	80 9	74 9	7(a)	7(b)			Bank of England Stk.	375 1/2	375 1/2	+1 1/2	3 8 6			
107 1/2	100 1/2	105 1/2	103 1/2	Conversn. 2 1/2 1944-49	101 1/2	101 1/2		2 13 9	10 1/2	43 1/2	7(a)	7(b)			Barclay B. (£1)	79	79		2 6 0			
114 1/2	108 1/2	111 1/2	107 1/2	Do. 3 1/2 1948-53	103 1/2	103 1/2		2 13 9	10 1/2	43 1/2	7(a)	7(b)			Bank. (Dom. & A.)	448 1/2	448 1/2		3 7 0			
124 1/2	115 1/2	121 1/2	116 1/2	Do. 3 1/2 after 1961 (s)	107 1/2	107 1/2		2 8 0	29	24 1/2	5(c)	5(d)			Bk. of Amsterdam (£100)	101	101		3 12 0			
106	98	104 1/2	101 1/2	Do. 4 1/2 1940-44	107 1/2	107 1/2		2 14 9	101 1/2	76 1/2	6(c)	6(c)			Bk. of Montreal (£100)	145	146	+1 1/2	2 14 0			
121 1/2	111 1/2	119 1/2	115 1/2	Do. 5 1/2 1944-64	117 1/2	117 1/2		2 17 6	16 1/2	122	7(a)	7(a)			Bk. of N.S. Wales (£20)	28	28 1/2		6 6 0			
119 1/2	110 1/2	117 1/2	113 1/2	Funding 2 1/2 1956-61	92 1/2	92 1/2		2 18 0	16 1/2	122	7(a)	7(a)			B.N.T. Overseas A (£5)	92 1/2	95 1/2	+2 1/2	4 6 0			
110 1/2	101 1/2	108 1/2	104 1/2	Funding 3 1/2 1959-69	101 1/2	101 1/2		2 17 6	16 1/2	122	7(a)	7(a)			Chtd. of India (£5)	15 1/2	15 1/2		3 12 0			
98 1/2	89 1/2	94 1/2	90 1/2	Funding 4 1/2 1960-90	116 1/2	116 1/2		3 0 0	93 9	85 1/2	8(a)	8(b)			District A (£5, £1 pd.)	91 3	91 3		3 9 7			
100 1/2	90 1/2	100 1/2	96 1/2	Victory Bonds 4 1/2	114 1/2	114 1/2		3 1 0	58 1/2	52 1/2	5(a)	5(b)			Do. B (£1 fully pd.)	97 3	97 3		2 19 0			
86 1/2	76 1/2	81 1/2	77 1/2	World War 1, after 1952 (p)	105 1/2	105 1/2		3 1 0	98 1 1/2	82 1/2	12 1/2	12 1/2			Do. C (£1 fully pd.)	91 3	91 3		3 15 9			
95 1/2	85 1/2	90 1/2	86 1/2	Local Loans 3 1/2	90 1/2	90 1/2		3 2 1 1/2	10 1/2	18 1/2	18 1/2	18 1/2			Do. D (£1 fully pd.)	97 3	97 3		3 13 9			
100 1/2	90 1/2	100 1/2	96 1/2	Austria 3 1/2 1933-53	103 1/2	103 1/2		2 18 5	11 1/2	29 1/2	31 1/2	31 1/2			Do. E (£1 fully pd.)	91 3	91 3		3 7 9			
119 1/2	112 1/2	120 1/2	116 1/2	India 2 1/2	72 1/2	72 1/2		3 9 5	65 1/4	61 1/4	6(b)	6(b)			Lloyds (£5, with £1 pd.)	65 1/2	67 1/2	+2 1/2	3 11 0			
108 1/2	105 1/2	107 1/2	104 1/2	Do. 3 1/2	85 1/2	85 1/2		3 10 0	9 1/2	8 1/2	7(a)	7(b)			Martins £20, £24 pd.	91	91		3 13 9			
119 1/2	112 1/2	120 1/2	116 1/2	Do. 3 1/2	98 1/2	98 1/2		3 11 0	98 9	91 1/2	8(b)	8(a)			Midland £1, fully pd.	94 6	94 6		3 10 6			
118 1/2	107 1/2	114 1/2	110 1/2	Do. 4 1/2 1958-68	118 1/2	119 1/2	+1	3 5 0	44 1	39 1	11(b)	11(a)			Nat. of Egypt £10	42 1/2	42 1/2		4 12 6			
103 1/2	94 1/2	101 1/2	97 1/2	U.K. & Arg. 4 1/2 (1947)	105 1/2	105 1/2		3 10 0	47 1/2	42 1/2	9(b)	9(a)			Nat. of India £25, £12 1/2 pd.	47 1/2	47 1/2		3 15 6			
108 1/2	106 1/2	113 1/2	109 1/2	Dom. & Col. Govts	110	109	-1	3 13 8	10 1/2	15 1/2	7(a)	7(b)			Royal Bk. of Scotland	492	495	+3	3 8 6			
108 1/2	106 1/2	113 1/2	109 1/2	Australia 4 1/2 1934-59	107	107		3 10 0	10 1/2	15 1/2	7(a)	7(b)			St. of S. Afr. £20, £5 pd.	16	16x	+1	3 11 0			
108 1/2	106 1/2	113 1/2	109 1/2	Canada 4 1/2 1940-60	105	105		2 13 4	16 1/2	15	7(b)	5(c)			Westminster £4, £1 pd.	99 6	100 6	+1	3 15 0			
119 1/2	112 1/2	118 1/2	114 1/2	Gold Coast 4 1/2 1956	116	116		3 7 2	100 1 1/2	90 9	9(a)	9(b)										
121 1/2	110 1/2	120 1/2	117 1/2	Nigeria 5 1/2 1950-60	119	117x	+2	3 7 2														
115 1/2	107 1/2	114 1/2	108 1/2	N. Zealand 5 1/2 1946	109	109		3 17 11	95 1/2	88 1/2	9(a)	10(b)			Alexanders £2, £1 pd.	93 9	93 9		4 0 0			
110 1/2	103 1/2	109 1/2	106 1/2	Queensland 5 1/2 1940-60	117	117		3 2 2	6 1/2	6 1/2	5(a)	5(b)			National A £24 div. pd.	6 1/2	6 1/2		3 19 3			
118 1/2	110 1/2	117 1/2	113 1/2	S. Africa 5 1/2 1945-75	104	104		3 3 8	16 1/2	13 1/2	9(a)	17(b)			" B 7 1/2, £24 div. pd.	16 1/2	16 1/2		3 19 3			
101 1/2	82	102	90	Foreign Governments	101	99x	+1	7 1 11	36 1/2	52 1/2	12(b)	73(a)			Insurance	54 1/2	54 1/2	+6d				
101 1/2	76 1/2	93	80	Austria 7 1/2 1937	87	85	-2	5 14 11	32	30	50(b)	40(a)			Alliance £1, stock	32	32		2 16 3			
63 1/2	51	72 1/2	71 1/2	Belgium 4 1/2 1934-59	71 1/2	72 1/2	+1	4 17 0	16 1/2	14 1/2	14 1/2	13 1/2			Atlas £5, £1 pd.	15 1/2	15 1/2		2 12 6			
20	14 1/2	27 1/2	24 1/2	B. Aires (Prov.) 3 1/2	97 1/2	97 1/2		4 2 9	12	10 1/2	20(a)	20(a)			Com. Con. £1, fully pd.	10 1/2	10 1/2		3 18 0			
84 1/2	48	83 1/2	65 1/2	Bulgaria 7 1/2 Loan	26 1/2	26 1/2		9 8 8	29 1/2	26	36(b)	28(a)			Gen. Accident £5, £1 pd.	28 1/2	28 1/2		2 17 2			
23 1/2	13 1/2	21 1/2	16 1/2	Brazil 5 1/2 Fund. 1914	83	85	+2	5 17 8	38 1/2	34 1/2	25(a)	25(b)			Lon. & Lanc. £5, £2 pd.	35 1/2	35 1/2		2 5 0			
91 1/2	71 1/2	84 1/2	66 1/2	Chin 6 1/2 (1929)	22 1/2	26 1/2	+4	6 0 6	14 1/2	12 1/2	32(b)	31(b)			N. Brit. Amer. £1 1/2, fully pd.	14 1/2	14 1/2		3 15 0			
103 1/2	84 1/2	95 1/2	80 1/2	Chin 3 1/2 (1912)	83	83		5 3 3	26 1/2	21 1/2	42(a)	42(a)			Se. Ind. £5, £1 pd.	21 1/2	21 1/2		2 4 0			
113 1/2	99 1/2	112 1/2	95 1/2	Chin 3 1/2 (1912)	83	83		5 3 3	26 1/2	21 1/2	42(a)	42(a)			Pearl (£1), fully pd.	21 1/2	21 1/2		2 4 0			
103 1/2	93 1/2	110 1/2	98 1/2	Czechoslovakia 8 1/2	107	107		7 9 7	18 1/2	15 1/2	30(a)	30(b)			Phoenicia £1, fully pd.	16 1/2	16 1/2		3 11 9			
89 1/2	48	70	57	Danish 3 1/2	100	96x	-3	3 2 6	40	36 1/2	192(c)	193(c)			Prudential £1 A	37 1/2	37 1/2		2 7 9			
109 1/2	98	106 1/2	102	Danzig 6 1/2	63	63		10 6 3	121 3/4	108 1/2	137 1/2	143 1/2			Do. £1, with 4s. paid	112 1/2	112 1/2		1 10 6			
30 1/2	22 1/2	25 1/2	17 1/2	Egypt Unified 4 1/2	103 1/2	103 1/2		3 17 0	11 1/2	10 1/2	108 1/2	111 1/2			Royal Exche. £1	11 1/2	11 1/2		3 6 6			
78 1/2	56 1/2	69 1/2	53 1/2	French 4 1/2 (British)	17 1/2	17 1/2		5 8 7	10 1/2	9 1/2	33(b)	33(b)			Royal £1, 10/- pd.	9 1/2	9 1/2		3 6 9			
37 1/2	26	40	29	German 7 1/2 Dawes Ln.	55 1/2	53 1/2	-2	13 1 9	19 1/2	17 1/2	66(a)	66(a)			Se. Ind. £5, £1 pd.	19 1/2	19 1/2		2 17 0			
45 1/2	31	45 1/2	35 1/2	German 7 1/2 (Yankee Ln.)	31 1/2	31 1/2		15 5 6	21 1/2	15 1/2	13(b)	13(b)			Sun Insur. £1 with 5/- pd.	4 1/2	4 1/2		1 16 0			
51	38 1/2	52	39 1/2	Greek 6 1/2 Stab. Ln.	31 1/2	31 1/2			21 1/2	18 1/2	130(a)	130(a)			Sun Life Assur. £1, 1/- pd.	20 1/2	20 1/2		1 16 0			
91 1/2	78	90 1/2	74 1/2	Do. 7 1/2 Refugee	38 1/2	39 1/2	+1		21 1/2	18 1/2	130(a)	130(a)			Yorkshire £1, fully pd.	8 1/2	8 1/2		6 0 0			
97	85 1/2	97 1/2	83	Hungary 7 1/2	47 1/2	47 1/2		7 17 9	31 1/2	25 1/2	63(b)	33(a)			Investment	310	310		3 4 6			
144	115 1/2	144 1/2	105 1/2	Japanese 5 1/2 1936-65	83 1/2	81 1/2	+2	6 15 0	80 1/2	59 1/2	22(c)	22(c)			Anglo-American, Deb.	77 1/2	77 1/2		3 4 6			
100 1/2	87	93 1/2	80	Do. 6 1/2 (1924) red 1959	88 1/2	88 1/2		7 5 6	80 1/2	59 1/2	22(c)	22(c)			Anglo-Cont. Ord.	77 1/2	77 1/2		3 4 6			
144	115 1/2	144 1/2	105 1/2	Norwegian 4 1/2 1911	112 1/2	112 1/2		3 10 6	80 1/2	59 1/2	22(c)	22(c)			Atlas Electric, etc. £1	9 1/2	9 1/2	+3d	0 18 3			
100 1/2	87	93 1/2	80	Polish 7 1/2 1922	52 1/2	52 1/2		9 0 9	25 1/2	13 1/2	13(b)	13(b)			Brit. Assets Trust £1	17 1/2	17 1/2		3 19 0			
144	106	160	110	Romanian 4 1/2 Con. 1922	11 1/2	11 1/2			25 1/2	13 1/2	13(b)	13(b)			Debutante Corp. Stk.	25 1/2	25 1/2		3 8 7			
113 1/2	106 1/2	116	112	Swedish 3 1/2 1908	117 1/2	117 1/2		2 19 7	157 1/2	143 1/2	3 1/2	21(a)			For. Amer. etc., Def.	87 1/2	87 1/2		3 18 8			
84	75	92 1/2	79	U.K. & Argentine 1933	115	115		4 1 4	353	300	7(b)	5(a)			Guardian Investment	152 1/2	152 1/2		3 10 0			
37 1/2	24	27 1/2	22 1/2	5 1/2 B. Certs. (1951)	92	92		3 5 3	22 1/2	15 1/2	5 1/2	24(a)			Indus. and Gen. Ord.	300	300		3 12 11			
120 1/2	114 1/2	119 1/2	116 1/2	Do. C Certs. (3% Max.)	115	115			330	300	7(b)	5(a)			Invest. Trust Def.	329	329		3 10 0			
122 1/2	115 1/2	120 1/2	117 1/2	Corporation Stocks	24	24			183	167 1/2	4 1/2	3(b)			Lake View Invest. 10/-	21 1/2	21 1/2		3 6 0			
95 1/2	80	84	64	Berlin 6 1/2 1922-57	117 1/2	117 1/2		3 1 1	183	167 1/2	4 1/2	3(b)			Mercantile Investment	295	298		4 3 0			
125 1/2	119 1/2	121 1/2	117 1/2	B'hamm 5 1/2 1946-56	117 1/2	117 1/2		3 1 1	183	167 1/2	4 1/2	3(b)			Merchants Trust Ord.	180 1/2	180 1/2		3 15 10			
108 1/2	104 1/2	106 1/2	103 1/2	Bristol 5 1/2 1948-56	119	119		3 1 6	10 1/2	263	5(b)	5(b)			Met. Ind. £100	288	290 1/2	+2	1 14 6			
98 1/2	90 1/2	97 1/2	85 1/2	Danzig 7 1/2 1935-45	72	72		9 14 6	252 1/2	217 1/2	14 1/2	24 1/2			Scottish Mortgage, etc.	244 1/2	244 1/2	-6d	3 9 6			
104	101 1/2	106 1/2	93 1/2	E. London 5 1/2 1960-70	118 1/2	118 1/2		3 16 0	251	221 1/2	6 1/2	3(a)			Trustees Corp. Ord.	246 1/2	246 1/2		3 13 0			
104	101 1/2	106 1/2	93 1/2	Johannab. 5 1/2 1937-52	103	103		5 7 0	244	220	5(b)	3(a)			United States Debenture	238 1/2	238 1/2		3 7 0			
104	101 1/2	106 1/2	93 1/2	L.C.C. 3 1/2	95	95																

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COMPANY MEETINGS

BANK OF NEW SOUTH WALES

IMPROVED CONDITIONS IN AUSTRALIA

SIR THOMAS BUCKLAND'S ADDRESS

The ordinary general meeting of the Bank of New South Wales was held, on November 27, 1936, at the Head Office, Sydney.

Sir Thomas Buckland (the president of the bank) was in the chair, and, in the course of his speech, said:—The balance of the year's profit, £470,454, shows an increase of £27,793 on that of last year. Your directors recommend the payment of the fourth and final quarterly dividend at the rate of 6s. per share in Australian currency.

REVIEW OF CONDITIONS IN AUSTRALIA

An examination of various aspects of business activity in Australia over the past year shows that satisfactory progress out of depression continues to be made. Recovery is obviously fairly well on the way, but we cannot safely continue expansion at the rate at which it has taken place during the past two years. That does not mean that recovery has to stop. We can quite safely continue the upward movement at a somewhat slower pace without risking the development of boom conditions.

But in the absence of action by the Central Bank to keep deposits rising, the banking system cannot continue expanding advances at the rate now demanded by industry, and will even find it difficult to support the present level. It is rather difficult to estimate what increase in deposits should be looked for, but the experience of the past might be a guide. During the last twelve years before the depression there was an average annual increase in deposits of 4.8 per cent. Population was increasing a little faster during that period, and the rate of expansion was also a little too fast. But a rate of expansion of something like 2 per cent. per annum should not be out of the way. This would mean an annual addition to deposits of £5,000,000 to £6,000,000. Failing action by the Central Bank in this direction, it will become necessary gradually to reduce advances, which will put a definite brake on recovery. In the United Kingdom the deposits of the banks increased by 19 per cent. between 1929 and 1936, whereas Australian bank deposits increased by only 1.3 per cent.

During the depression we adopted certain emergency measures to check and counteract the fall in incomes and to stimulate recovery. As recovery proceeds it becomes necessary to discard these measures in favour of action suited to a more smoothly running economy.

As far as Government finances are concerned, it is pleasing to note that the deficits justifiably incurred during the depression have been converted into a slight surplus. Taxpayers are benefiting slightly from the buoyancy in revenue which is leading to a reduction in the heavy rates of taxation imposed in an attempt to spread depression losses equitably through the community. In time consideration must also be given by the Governments to a gradual reduction in the debts incurred in financing their depression activities. But great caution is necessary, particularly in regard to the short-term debt, lest reduction be effected too early, thereby unduly retarding recovery. Treasury bills have now taken their place among the liquid reserves of the banking system, and their withdrawal will mean another complete re-organisation of the assets of the system, probably involving an increase in the margin between the interest rates paid on deposits and the rates charged on advances.

The general conclusion is that we have accomplished much in the past year, but there is still a great deal to be done in order to consolidate our progress. The future looks fairly bright, provided nothing is done to counteract the tendencies making for better business conditions. The coming year should therefore see a further building up of our reserves abroad, and at the same time allow some further improvement within Australia.

Whether this improvement is allowed to develop will depend on the actions of the Governments and the Central Bank, who will no doubt base their decisions on the best information available. But one cannot avoid the conclusion that a far more accurate study of changes in business activity should be undertaken.

PRIMARY INDUSTRY

Throughout the depression it was providential that although prices were low, they were to a certain extent offset by a series

of good seasons. But in the 1935-6 season, when almost all export prices improved considerably, weather conditions were far from good, and there was an all-round reduction of output. Taking a general view of the conditions obtaining in the Commonwealth during the period from March to October of this year, prospects for the 1936-7 season are reasonably good.

The price outlook for the main primary products is generally good, in part because of the improvement in world prosperity, but chiefly because supply has been reduced owing to adverse seasons in several primary producing countries overseas.

WOOL

Wool supplies vary only slightly from year to year both in Australia and elsewhere, so that the marketing of this commodity is the chief problem. Two main factors in the last two years have temporarily undermined confidence. The first of these was the threat that substitute fibres would displace wool, but it has now been fairly well established that these so-called wool substitutes are more likely to compete with cotton and rayon than with wool, while wool consumption may even be widened if wool is mixed with synthetic fibres, since this produces a cheaper cloth. In the second place, Germany and Italy practically ceased buying our wool in 1934 and 1935, the former owing to difficulty in obtaining foreign exchange, and the latter in an endeavour to redress her adverse trade balance with this country. The only effect was a temporary slackening of demand, since Germany and Italy transferred their purchases for the most part to countries other than Australia, and total demand remained very much as before.

This year Japan is the disturbing factor in the market. In spite of this, 1936-7 sales have been fairly satisfactory, owing to increased support from Great Britain and several Continental countries whose stocks of wool were very low.

WHEAT AND BUTTER

Wheat is a commodity which has now definitely recovered from its depressed state in recent years. The average price for 1935-6, continuing the trend of the previous two years, rose to 3s. 7½d. per bushel (f.o.b. Sydney). This price, the best since 1929-30, has since risen considerably further, and although Australian wheat production will probably not be as great as last year, the total value of the harvest is likely to be higher. Future prices for this commodity seem to be dependent mainly upon how much longer the North American wheat crops continue to be affected by severely adverse weather conditions.

Butter production in the Commonwealth increased each year from 1926-7 to 1934-5, but decreased last year owing to adverse weather conditions. On the other hand, prices rose considerably, the average for 1935-6 being higher than for any year since 1931-2. Butter output may be larger again this season than in 1935-6. For some time prices have been good and a continuation of purchases by America on the London market from time to time will help to maintain them. Butter is the commodity chiefly affected by the Privy Council decision in the Dried Fruits Case and, unless the referendum succeeds, some new method is likely to be devised to subsidise butter producers as well as the dried fruits industry.

Developments in the meat export trade seem to point to an increasing substitution of frozen lamb for frozen mutton. The trend of prices is in favour of frozen lamb and chilled beef rather than frozen mutton and frozen beef. There does not seem at present any reason to doubt that Great Britain will continue to absorb Australia's surplus meat of all types.

NEW INDUSTRIES

Events of the past year indicate that Australia is entering with vigour a new stage of industrial development. Several new industries have been established, and proposals to set up or extend others have been announced. Many industries which formerly required protection can now face overseas competition unaided, and are expanding in directions unexplored in this country.

EMPLOYMENT

As to employment, the degree of recovery has varied in different States. In New South Wales and Queensland improvement over the 12 months has been marked; in the former State unemployment, counting in the full-time equivalent of part-time relief workers, had fallen in August, 1936, to 9.2 per cent., compared with 12.3 per cent. in August, 1935, and 25.6 per cent. at the census of June 30, 1933.

In Queensland the average number in employment (including again a proportion of relief workers as fully employed) during the three months ended July, 1936, was 170,000; unemployment was 7.4 per cent., an appreciable improvement on the figure of 22.2 per cent. unemployed during 1932.

Whilst conditions in every centre have thus appreciably improved, the large number of men who are still unable to secure work remains a disquieting feature. With the increasing mechanisation of agriculture, and the development of economic nationalism which has led many countries to restrict the import of foodstuffs and raw materials, it would seem that employment in the primary industries is unlikely to expand in the near future; the absorption of more men in the immediate future appears to rest upon the further establishment of secondary industries on a fairly large scale.

The improvement in employment conditions now appears sufficiently satisfactory to abandon the system of part-time relief work introduced during the depression. Reproductive public works on a full-time basis are preferable to the present stop-gap methods for those who cannot find private employment.

There is a marked shortage of skilled labour in certain industries which raises a problem that Australia now has to face. It may be possible to provide for the immigration of such men, but even this has its limitations, as there is a similar shortage of skilled men in Great Britain and other countries. The only other way out is an increase in the facilities for technical education in order that youths may be given the belated training in the trades which they were prevented from taking up at an earlier age.

Total wage receipts expanded during the year as a result of the increase in the number employed and the higher average wages paid; as retail prices did not increase markedly there was an improvement in the standard of living of the workers.

BANKING

The most important feature of Australian banking during the past year has been the restrictive policy which the banks have been obliged to adopt towards their advances. The necessity for this was all the more cogent in the absence of any action by the Central Bank to relieve the position of the trading banks.

To protect their cash reserves the banks were obliged to raise their rates on fixed deposits, which in the long run will mean an increase in their rates on advances. As I have already mentioned, other steps are also being taken to restrict advances.

An inspection of the quarterly averages of the trading banks' figures over the last year does not completely reveal the effect of this restrictive policy; some time must elapse before it has its full influence on banking figures. The total advances of the nine trading banks increased during the year by £8.3 millions, but the demand for advances was much greater. Most of the year's increase was provided for by the sale of Government securities, the banks' holdings of which decreased by £7.6 millions. Deposits changed only slightly, while a decline of £4.5 millions in cash reserves was only partially offset by an increase in Treasury bill holdings of £1.1 million.

Thus the cash position of the trading banks is somewhat less pleasing than it was in September, 1935. It should be remembered, however, that this is due rather to the fact that restriction of advances cannot rapidly be applied in full force than to any present tendency to expansion beyond the limits imposed by present cash holdings. A seasonal strengthening of the cash position should be revealed by the returns for the coming December and March quarters, when the proceeds of our harvest are available.

PUBLIC FINANCE

There was a general improvement in Australian public finance over the last financial year, heralding the attainment of one of the ultimate objectives of the Premiers' Plan—namely, the restoration of balanced budgets.

For the financial year 1935-36 the deficits of all the States amounted to some £2.5 millions, but when offset by the Federal surplus of £3.6 millions the combined accounts showed a surplus of £1.1 million, the first since the depression. The result is all the more creditable as the combined surplus was obtained after sinking fund payments amounting to £9.2 millions had been made.

Developments such as these are being stimulated, partly by the Government's policy of trade diversion, dictated by economic nationalism abroad and the need for defence at home, partly by the continued demand for replenishing stocks of capital goods depleted during the depression, partly by the efficiency induced by the struggle for reduced markets in the depression, and partly by the general attractiveness of capital investment in Australia.

These developments are very encouraging, but I should like to point out the dangers of allowing the policy of trade diversion to go beyond the barest needs. New tariff restrictions are not to be recommended unless they can be proved to be an absolute necessity. For this reason it is regrettable that the Government has recently seen fit to embark on such measures without consulting the Tariff Board. This board has now a unique knowledge of the tariff requirements of Australian industry. It has been in existence for 14 years, and in that time has gathered a mass of data concerning the position of most Australian industries and concerning the effects of the tariff generally, and it is regrettable that such knowledge should be allowed to go to waste.

DOMESTIC TRADE

Wholesale.—The volume of wholesale trade continued to improve throughout Australia during the year under review. Commonwealth sales tax receipts, which are a fairly good index of the value of internal trade, increased over the period by about 10 per cent.

Comparing the present levels of trade and prices with those obtaining in pre-depression years, one is pleased to find that in the year ended June, 1936, the volume of trade was about the same as in the pre-depression period, 1926-28, although wholesale prices were 15 to 20 per cent. lower.

There are prospects of the rise in wholesale prices continuing in the coming year. The volume of trade should also expand, although the rate of increase may not be maintained.

Retail.—The volume of retail trade now appears to have reached the pre-depression level, although the level of retail prices last year was still 15 to 20 per cent. below the pre-depression level. The expansion of retail buying over the past 12 months has been quite noticeable. Retail prices advanced only very little, but retail turnover during the year ended September 30th was about 7 per cent. greater than in the previous year, the increase being the same as in the previous 12 months. It is not the level of retail prices in relation to the pre-depression level which matters so much as the margin between retail and wholesale prices. This margin in 1935-36 was about the same as in 1928. The most satisfactory feature is that the volume of trade is steadily expanding.

OVERSEA TRADE

In the year which ended in June last, Australian overseas trade expanded considerably. Both imports and exports were higher in value than in any year since 1929-30. Australian imports of "machinery, metals and metal manufactures" have shown an enormous increase over the last few years, typical of the replenishing of capital equipment which has been occurring in most primary producing countries since the passing of their lowest depression points. This expansion is not a phenomenon peculiar to Australia, because world trade as a whole is undergoing similar expansion, as I have already mentioned in my review of the world situation.

The chief reason for the higher value of exports in the last financial year was the improvement in wool prices; the increase in the value of wool exports was 68 per cent. of the total increase. Higher prices for wheat, fresh fruit, lead, silver, zinc and sheep, rabbit and hare skins also increased the value of exports compared with the previous year.

The United Kingdom still remains predominant as a market for our exports and source of our imports.

Balance of Payments.—In 1935-36 there was an increase on the credit side through better prices for our exports, but tourist expenditure and imports increased so that there was probably another deficit, although only a small one.

In the current year the credit side of the account is being swollen by enhanced returns from exports and an increasing transfer of capital to Australia, and although tourist expenditure and increasing imports are offsetting factors, one may reasonably expect a small surplus in the balance of payments. The absence of large surpluses in the balance of payments since 1933-34, when there was a surplus of about £84,200,000, causes no anxiety as to the adequacy of London funds, but it is preventing an accession to the Australian resources of the banks, which is necessary if bank lending is to become more liberal.

In every case the actual results were better than the estimates, two States returning surpluses. This has been due to buoyant revenues caused by improving economic conditions.

The 1936-37 estimates give promise of still further improvement in the budgetary position during the current financial year. The Commonwealth Government has made substantial taxation concessions, but despite this should show a surplus in excess of the nominal one budgeted for. With the exception of South Australia, which followed the lead of the Commonwealth Government, the State Governments have postponed concessions in taxation in order to make what may well be the final step towards balanced budgets. The budgets of all States are officially estimated to show a net deficit of £1.2 million for 1936-37, which is an improvement of £1.3 million upon the actual figures for 1935-36.

During 1935-36 three conversion loans totalling nearly £65,000,000 (£stg. 52,000,000), were floated in London. Two were successful, but half of the largest issue was left in the hands of the underwriters. This, however, gives no cause for apprehension, as it was due to the uncertain international situation at the time, and not to any weakening of Australian credit in London. These conversion operations brought the total of Australian loans in London converted since 1932 to lower rates of interest to £248.1 millions (£stg. 198.5 millions), representing a saving in interest charges of nearly £4,000,000 per annum.

CONDITIONS IN NEW ZEALAND

The Chairman, having dealt with conditions in Papua, New Guinea and Fiji, continuing, said:—In New Zealand, even more than in Australia, national prosperity is dependent on the prices obtainable for the staple exports of primary produce. The rise in the prices of her main exports has therefore been especially welcome and has stimulated an increase in every phase of economic activity. Government finances have strengthened, retail turn-overs are rising, and manufacturing industry is expanding. There is evidence of increased employment in many directions, but employment statistics have not improved correspondingly. The present Government has been in office for a year, and in that time some economic institutions have been drastically reconstructed. Amendments to the Reserve Bank Act have given the Government supreme control over monetary policy and administration. The amended Industrial Conciliation and Arbitration Act has invested the Government with virtual dictatorship of industry. Railways, transport and broadcasting have been subjected to political control. But perhaps the most significant innovation has been the institution of State control over the marketing of dairy produce through the device of the "guaranteed price," as the first step towards State control of all primary products.

The policy of the Labour Government, though radical, has so far, I am glad to say, allayed the anxiety of many who had feared that the election would be followed by dangerous financial experiments. At the same time it is by no means certain that some of these projects will not be instituted later in the Government's career. A continuance of the present particularly favourable export conditions is necessary if the Dominion is to continue its social and economic experimentation without serious consequences.

The apprehension of business men has been increased by a number of developments during the year, which have tightened the grip of the Government on the financial mechanism of the Dominion. Through the Government's control of the marketing overseas of New Zealand's dairy produce the Reserve Bank has been brought into direct contact with industry. If these marketing powers are extended to include other exported produce, the Reserve Bank will be so closely tied to industry that it will have an important influence on industrial policy. Experiences in other countries point to two dangers of this situation. Firstly, it is not impossible that the bank's assets may become frozen under adverse conditions. Any tendency in this direction will make it more difficult to avoid the second danger. The Reserve Bank will then have at its disposal the proceeds of the sale in London of all exports, and adverse internal conditions resulting in a shortage of funds will tend to bring strict control of foreign exchange. With so many examples of exchange control in other countries there is no need for me to elaborate the dangers of the situation in New Zealand.

This year's budget, however, presents several striking features. Almost the whole of the increase in revenue, amounting to some £5 millions, is to come from taxation. The increased expenditure is chiefly to provide pensions and the maintenance of works which the Government hopes will provide employment, although any direct return from these works is unlikely for some years. During the year £10.5 millions is to be expended on public works, about half of which is to be a charge on consolidated revenue.

The report and accounts were unanimously adopted.

BURMA CORPORATION, LIMITED

(Incorporated in India)

SUCCESSFUL RESULTS—INCREASED PROFITS

MR P. E. MARMION'S SPEECH

The annual meeting of the Burma Corporation, Limited, was held on December 18 in the company's offices, Strand Road, Rangoon.

Mr P. E. Marmion (vice-chairman) presided, and among those present were Mr L. Burnet and Mr J. B. Hartnoll (directors) and Mr H. Ponsford (secretary).

The notice of the meeting and the auditors' report having been read,

The Chairman, in the course of his speech, said:—In concluding my address last year I ventured the opinion that the outlook for base metals was brighter than it had been for a very long time and expressed the belief that the revival in trade we were experiencing might prove to be the forerunner of a much broader recovery, having regard to the range of industries that use the metals we produce. Happily my prediction proved to be well founded, and my task of reviewing our operations to-day is in consequence a particularly pleasant one.

From the comparative statement in the directors' report you will have noted that higher prices have ruled for all the base metals we produce, though silver unfortunately has suffered a decline of 1.3818d. per ounce, as an aftermath of the abandonment of the buying policy adopted by the United States Government, to which I referred last year. Notwithstanding the considerable loss of revenue which this nominally small decline in the price of silver entailed, the year's work has resulted in a substantial expansion of our profits, as reflected in the increased dividends we were happily able to pay.

Operating profit at Rs. 1,43,76,710 shows an increase of Rs. 49,02,151 over the previous year. Revenue from metal sales, after allowing for the decrease in the value of stocks, has expanded by Rs. 53,36,378, in spite of a decline of Rs. 7,40,594 in our receipts from silver, while operating expenditure increased by Rs. 4,40,596.

The increase in operating expenditure which I predicted last year is the natural consequence of the restoration of salaries and wages as from November 1, 1935, and of higher commodity prices resulting in some advance in the cost of our supplies, thus indicating that others like ourselves are sharing in the present more active conditions of trade. Some further advance in operating expenditure must be expected.

INCREASED TONNAGE OF ORE MINED

The tonnage of ore mined was 468,898, an increase of 23,608 tons over the previous year's total. The grade continued to show a downward trend for reasons I have explained on previous occasions.

Notwithstanding this large increase in the tonnage of ore extracted from the mine, you will no doubt have noticed from the accounts that the total expenditure on development and ore extraction at the mine, and on transport from the mine to the mill at Namtu, actually declined by Rs. 65,358.

During the year all development work in the extreme north and south sections of the mine was abandoned in consequence of the unfavourable results, and the savings effected were considerable.

METAL PRICES

The price movements for lead and spelter followed similar trends. The year opened in July, 1935, with demand good, stocks healthy, and expectations that the impending changes in the import duties into the United Kingdom would restore activity to the London market and induce a price level reflecting the improved situation. On this occasion the favourable expectations were fully confirmed, and by October the price of lead had risen to £18 4s. 2d. and that of spelter to £16 11s. 1d. From these high points prices reacted in December and turned downwards, the year closing in June, 1936, with lead £15 4s. 3d. and spelter £14 8s. 2d.

In the case of copper the restriction scheme has worked smoothly and the trend continued in the right direction throughout the year. The price opened in July, 1935, at £34 11s. 10d. and closed in June, 1936, at £40 11s. 3d.

It is interesting to note that we have to go back to the average prices of individual months in the year ended June 30, 1931, to find prices for lead, spelter, and copper comparable with their averages for the year under review. This comparison would seem to indicate that the recovery in base metals has made great progress during the year and suggests a favourable outlook for the

wide range of commodities which a heavy demand for base metals connotes.

SILVER

I had the misfortune last year to describe to you the events which had resulted in the collapse of the price of silver from 35d. in May, 1935, to 22d. in December, when I was speaking. Shortly after that date the price receded still further and remained in the region of 20d., while recently it has hovered around 21d. You will have noted in the directors' report the striking contrast between the average price for the first and second halves of the year, which, if applied to six months' production, represents a decline of some Rs. 15 lakhs in our revenue. In this connection it may interest you to note that, as applied to the figures of the year's production, a movement of 1d. in the price of silver is, in terms of revenue, equivalent approximately to 7s. 6d. per ton of lead—that is to say, if the average of about 20d. for the first five months of the year should be the average for the year to June 30th next, or about 4½d. below that for the period we are reviewing, the average for lead would require to increase by 33s. 9d.—that is, from £16 4s. 5d. to about £17 18s. 2d.—if the combined revenue from these two metals is to be maintained.

While I would stress the influence of the prices of lead and silver together upon our revenue and profits rather than that of either one of them, we cannot overlook the fact that, owing to the high silver content of the Bawdwin ore, our finances are particularly sensitive to fluctuations in the price of silver. Over the last decade the average price of silver has varied between 26.544d. in 1927 and 14.68d. in 1931, while the proportion of our revenue attributable to it has moved between 34.2 per cent. in 1935 and 20.6 per cent. in 1927, and it is from these figures that we can realise most clearly the extent of our dependence upon the price of silver and of our concern in its future prospects. Paradoxically, you will note that although the price of silver during the decade was highest in 1927—that is, 26.544d.—its contribution to our revenue that year was actually the lowest—that is, 20.6 per cent.—which clearly illustrates the difficulty in judging the fortunes of our company on the movements of any individual metal that we produce.

While the contribution from lead and silver is remarkably constant and, over the same period, we have consistently derived some 75 per cent. of our revenues from them.

POLICY OF UNITED STATES

The outstanding effect of the American Silver Purchase Act was, as I said last year, to drive China, the one remaining silver standard country, off silver and thus to concentrate by far the major part of the world demand for the metal in the United States.

In pursuing this policy during 1935 the United States purchased no less than 543 million oz., or 87 per cent. of the available world total from current production and all other sources. In spite of this enormous offtake, preceded as it was by the purchase of 307 million oz. in 1934, the United States in June, 1936, had still 1,111 million oz. to buy to reach the objective of the Silver Purchase Act, delayed as this had been by large concurrent acquisitions of gold.

It would be unprofitable to attempt to visualise the situation which would arise if the United States, last year the buyer of 87 per cent. of the world's available supplies, should attain, abandon or even modify her present policy, for the world would take long to adjust itself to these conditions and to re-establish demand in the old channels. One can only say that so long as the policy remains in force and its objective still unattained the silver available to the rest of the world for coinage, the arts and every purpose is no more than sufficient after the satisfaction of the United States' requirements.

The entire responsibility for the future of silver thus clearly rests with the United States Government, and we can but hope that the magnitude of their own stake in the metal—estimated at 1,577 million ozs.—will bring about some scheme for the maintenance of its value and for its future stability.

To me it seems that the greatest hope for the future of silver lies in the proper appreciation of its past history and in the recognition of those functions in the conduct of trade which it so long and faithfully performed.

Until the American legislation of 1934 silver occupied the dual rôle of a medium of exchange and a commodity, and its value reflected the general price level. It also occupied a unique position because its prestige and mobility endowed it with the capacity to move in the van of commodities and, like a barometer, accurately to foreshadow commodity price movements. Even now, I think that with sympathetic guidance silver might in course of

time find its way back to its old channels of usefulness, when its value would once again rest upon the solid foundation of trade, to which in the past it was inseparably allied.

METAL PRICES AND PROFITS

It is natural that the progress of an important industry like ours, with more than 25,000 shareholders, should be keenly watched, both by the proprietors and by the Press, and in connection with estimates which I see from time to time of the probable effect of price movements upon our fortunes I should like to offer a word of explanation.

The remoteness of our situation from our markets and the incidence of the terms of the selling contracts of a large proportion of our metals, based as they always are upon forward prices after arrival at destination, inevitably cause a long period of delay between shipment and final realisation. During this period we have to base our accounts on conservative estimates of the ultimate yield of the products shipped, but not priced. In this way the full impact of metal prices upon our finances tends to be continuously postponed and in some measure disguised, so that our profits for interim periods may not always accord with expectations based upon contemporary metal prices.

None the less, it is, of course, axiomatic that our fortunes are inseparably linked to metal prices.

Mr Marmion then dealt in detail with the year's accounts and, in referring to the increase in expenditure, pointed out that the recent substantial rise in the general commodity price level must inevitably cause a further increase in operating costs.

Development work added 417,881 tons to the reserves. The result of the year's work gave cause for gratification, and had raised the ore so far developed since mining operations were initiated to a total of 10,146,000 tons, a figure which placed the Bawdwin ore bodies among the world's greatest lead deposits. The tonnage of ore extracted—468,898—was the second highest in the company's history, and exceeded the ore added to reserve by 51,000 tons, leaving 3,914,182 tons remaining in reserve.

LEAD AND SPELTER

Continuing, the Chairman said:—The demand for lead in the United Kingdom continued throughout 1935 at the record level of the previous year. Consumption expanded in every country with the exception of several members of the recent "Gold bloc" group, and for the first time the aggregate for every Continent, excluding the Americas, exceeded its previous peak figure of 1929. The statistical position remains sound, with the principal producers co-operating towards the maintenance of equilibrium between supply and demand.

The expansion that has taken place in the production of spelter in recent years is remarkable, and the fact that consumption has been able to keep pace with it indicates very clearly that spelter has assumed a more important place in the field of industry than hitherto. The estimated production for 1936 is 1,430,000 tons, or about 100,000 tons in excess of the previous year, and so far as the stock position can be ascertained it would appear that consumption has expanded at an equal rate.

Thanks to the substantial increase in consumption and to the agreement regulating production into which producers entered in March, 1935, the statistical position of copper has been greatly improved, and now ranks with lead and spelter as thoroughly sound. Demand continues at a high level and producers' stocks have been further reduced, leaving the immediate future quite free from anxiety in this respect. With copper, as with lead and spelter, recovery in the United States during 1935 compared unfavourably with the rest of the world.

THE OUTLOOK

The great advance in the price of silver had no influence upon production outside of the Americas, and even there the bulk of the increase is a natural incidence of the large expansion in the production of non-ferrous metals. Production of silver in the two Americas continues to expand with the increasing output of its associated non-ferrous metals, and world production for 1936 bids fair to approach 250,000,000 ounces.

Regarding the life of the mine, the chairman said that the position had not altered very materially since he referred to the subject in December, 1934, except in this respect, that they had completed the exploration of a large portion of the favourable area in the upper levels, which naturally reduced the area still remaining to be explored by the corresponding extent. Work in this area was still proceeding, and the results were reported regularly. Every effort within their control was continuously being exerted to extend the life of their industry, but it would be understood that there were many essential factors concerning their economy over which they exercised little or no control.

The report and accounts were unanimously adopted.

THE BANK OF MONTREAL

YEAR OF RECOVERY IN CANADA

SIR CHARLES GORDON'S ADDRESS

The one hundred and nineteenth annual general meeting of the shareholders of the Bank of Montreal was held, on December 7th, in Montreal.

Sir Charles Gordon, G.B.E., the president, in the course of his address to the shareholders, said: It has been said that fear to-day has many spokesmen, confidence but few. I feel that circumstances warrant my speaking with more confidence than for several years past regarding conditions in this country, this view being based to a great extent on personal observation. In my recent trip to the Pacific Coast, I found a marked improvement over the conditions which prevailed at the time of my previous tour two years ago. The year under review can truly be said to be a year of recovery, in which, with certain reservations, it can be claimed that every province of the Dominion has participated. Five fundamental features are outstanding in any review of the year's progress. They are: The recovery in agriculture; the extraordinary activity in mining; the all-time record in newsprint production; the gratifying increase in the tourist trade; the striking expansion in our export trade.

While this has been a year of recovery throughout Canada, there are important industries in which recovery is only now becoming apparent. They are the building industry and what are known as the capital goods industries, by which is meant industries which supply the requirements for production. Building and capital goods industries are among the first to feel a depression and the last to recover. We are approaching the time when an upswing in these industries may be anticipated. The best way to stimulate this and to bring our whole economic life to a balance is to introduce an element of certainty about the future into the picture. I am glad to observe that this feeling apparently permeates the Administrations at Ottawa.

During the past year the external trade of the Dominion has continued to expand, particularly on the export side, and the favourable balance has grown to substantial proportions. The excess of exports is, of course, decidedly advantageous to the Dominion as a debtor country.

The four most important items entering into our international trade are wheat, the tourist traffic, mineral products, and newsprint, and I would draw your attention for a moment to what I consider the most important of these at this time—namely, mineral products.

MINING ACTIVITY

This country is now well launched upon what is undoubtedly another major movement in the history of her development. I refer to the mining of metals. The activity of mining such metals as gold, copper, nickel, lead, and zinc is phenomenal. It has been estimated that a total of more than \$200,000,000 annually is being placed in circulation by the mining industry.

The state of Dominion Government finances reflects the change that has recently come over business and other conditions. Up to October 31st the excess of total expenditures over total revenue is only \$7,000,000. If the present rate of revenue receipts is maintained, with accompanying measures of operating economy, there is every indication that the deficit of the Dominion Government for the present fiscal year, aside from loans and investments which presumably may be classed as recoverable, will be reduced to a relatively small figure. It is gratifying to note that at last there is in sight a balanced Budget—the goal of every Finance Minister and the corner-stone of any programme for restoring business confidence and the free functioning of private enterprise.

INCREASED BUSINESS FOR RAILWAYS

The publicly and privately owned railways will benefit from the increasing volume of business which is evident in Canada. It is to be hoped that this relief for the taxpayers will be considerable, but I wish to record again the opinion that prudent administration of the public affairs requires that we should give the most careful consideration to some more complete and permanent solution of a grave national problem than can be obtained by any expected increase in earnings.

In my remarks to you last year I made reference to the General Election which had taken place a short time before, expressing satisfaction that the country, by returning one of the established parties to power, had emphatically repudiated the Utopian experiments which had previously been advocated by certain new political cliques. I think you will agree that in the interim the affairs of the Dominion have been in good hands, but I am sorry that I cannot say as much for all of our provinces.

I would not wish to close my remarks on a discouraging note. While, as I have intimated, there are domestic political factors carrying implied threats to our future well-being, and while we must all be deeply conscious of the foreign developments affecting the general outlook, it must be clear to all of us, from our own observation, that the forces of recovery are once more in the ascendant. A wide variety of factors is combining to give full play to the enterprise of our people, and among these factors is the growing conviction that there are no short-cuts to better times and that the observance of age-old economic laws must be the basis of sound progress. We still have problems to face, but as regards these problems I stand squarely on the opposite side of the fence from the pessimists, and I believe that, with the experience gained in the past few years, we in Canada will steadily work our way toward better things.

GENERAL MANAGERS' ADDRESS

The Chairman then called upon Mr W. A. Bog, as joint general manager, to read the address of the joint general managers, which was as follows:—Important changes in the balance sheet figures are as follows: Our total assets amount to \$805,100,000, as compared with \$792,800,000 a year ago. Quick assets, including cash, total \$606,500,000, representing 83.27 per cent. of all liabilities to the public. This ratio of liquidity, which is higher than normal requirements, while reflecting the reduced demand for commercial loans, emphasises the extremely strong position of the bank.

Profits, after the deduction of Dominion and Provincial Government taxes, amount to \$3,181,501, as compared with \$3,005,212 in 1935, an increase of \$176,000.

The two greatest depositaries for the savings of Canadians in all walks of life are the banks and the insurance companies.

A great part of these funds belonging to depositors and policy-holders is invested in securities. The protection of the savings of Canadians, built up so laboriously and with such self-denial over the course of years to ensure a measure of security in old age or to provide for dependents after death, is and always has been the first consideration of this bank, and should also be that of all Government authorities. In most instances these savings are not large, and a loss of only a small portion of the principal is sufficient in many cases to bring want and anxiety. Any policy which would tend to weaken the sanctity of contracts is to be deprecated.

The effect on our credit abroad is also of paramount consideration. There is a large volume of foreign capital invested in Canada, which has contributed very materially towards building up the country, and we may be sure that we shall continue to need such capital in our future development. At all events, it would be imprudent in the extreme to foster any legislation which would unsettle those foreign investors who have already in a tangible way shown their confidence in Canada.

IMPORTANCE OF TOURIST TRAFFIC

It is estimated that the expenditure of tourists in Canada this year will amount to \$285,000,000, as compared with \$202,000,000 in 1935 and \$130,000,000 in 1934. When it is realised that these expenditures in 1936 brought into the country more money than any single item of our exports, the importance of fostering this industry will be appreciated.

Canada, as the fifth trading nation in the world, is vitally interested in any efforts to facilitate international trade. The recent tripartite stabilisation and gold exchange agreements entered into by Great Britain, France, and the United States, and to which Holland, Switzerland and Belgium have latterly subscribed, are steps in the right direction.

The apprehensions expressed in the past that there is insufficient gold in existence for the purpose of a return to an international gold standard would now appear to have lost their force. With the rise in the price of gold since 1931, production has been accelerated considerably. The increased production of gold by Canada has helped the country materially in meeting its foreign obligations.

Notwithstanding some disturbing legislative influences in Canada, which cannot but act as a deterrent to recovery, there is a distinct improvement in business as a whole and a feeling of confidence in every phase of our economic activity.

The report was unanimously adopted.

GOVERNMENT RETURNS, &c.

TREASURY BILLS BY PUBLIC TENDER

Tenders for £40,000,000 Treasury bills were opened on January 1, 1937. The amount applied for was £75,450,000. Tenders were accepted for Treasury bills at three months dated Monday at £99 16s. 11d., and above in full; Tuesday to Saturday at £99 16s. 10d., about 25 per cent. and above in full. The average rate per cent. was 12s. 5-63d. The amount allotted was £40,000,000.

Date	Amount Offered	Total Applications	Amount Allotted	Average Rate %
January 4, 1935	30,000,000	49,560,000	27,500,000	6 1-64
July 5, 1935	40,000,000	60,905,000	40,000,000	0 12 4-32
January 3, 1936	35,000,000	68,075,000	35,000,000	0 10 10-72
July 3, 1936	50,000,000	72,750,000	50,000,000	0 12 1-27
December 24, 1936	45,000,000	61,155,000	45,000,000	0 12 11-77
December 31, 1936	40,000,000	75,450,000	40,000,000	0 12 5-63

NATIONAL SAVINGS CERTIFICATES

Total Sales of Savings Certificates	No. of Certificates	Value
Week ended December 12, 1936	531,482	£398,611
Week ended December 19, 1936	531,751	£398,813
February, 1916, to December 19, 1936	1,279,577,507	£1,006,120,968

At the end of November, 1936, the amount remaining to the credit of investors in Savings Certificates, excluding interest, was £390,110,062.

THE BANKERS' GAZETTE

BANK OF ENGLAND

RETURN FOR WEEK ENDED WEDNESDAY, JANUARY 6, 1936

ISSUE DEPARTMENT

£	Government Debt	£
Notes Issued:—	11,015,100	
In Circulation	188,872,916	
In Banking Department	100,908	
	11,076	
	Amount of Fiduciary Issue	200,000,000
	Gold Coin and Bullion	313,660,659
		513,660,659

BANKING DEPARTMENT

£	Government Securities	£
Proprietors' Capital	93,294,853	
Rest		
Public Deposits*	£14,412,881	
Other Deposits	£21,105,079	
Bankers	£10,230,114	
Other Accounts	£38,400,612	
	148,630,726	
	180,234,425	
	Notes	50,958,034
	Gold and Silver Coin	463,578
		180,234,425

* Including Exchequer, Savings Banks, Commissioners of National Debt, and Dividend Accounts.

Both Departments	Amount, Jan. 6, 1937	Inc. or Dec. on Last Week	Inc. or Dec. on Last Year
Note circulation	462,702,625	- 4,703,585	+ 57,144,684
Public deposits	110,230,114	- 40,350,074	+ 2,397,233
Bankers' deposits	38,400,612	- 790,547	+ 1,608,567
Other deposits	624,858,928	- 44,453,598	+ 63,416,704
Total outside liabilities	18,078,122	+ 73,385	- 5,112
Capital and rest			
Government debt and securities	293,182,869	- 41,150,091	- 48,671,828
Discounts and advances	14,412,881	- 3,054,316	- 6,846,945
Other securities	21,205,987	- 87,240	+ 6,714,009
Silver coin in issue department	11,076	- 544	+ 1,088,709
Coin and bullion (bank's reserves)	314,124,237	- 88,022	+ 113,306,065
Reserves of notes and coin in banking department	51,421,612	+ 4,615,563	- 3,838,619
Proportion of reserve to outside liabilities—			
(a) Banking Department only ("proportion")	31.7%	+ 8.6%	- 3.7%
(b) Gold stocks to deposits and notes ("reserve ratio")	50.3%	+ 3.3%	+ 14.5%

(000's omitted)

Date	Issue Department		Banking Department			Gold in or out of Bank	Bank Rate
	Notes Issued	Circulation	Public Deposits	Bankers' Deposits	Other Deposits		
1936							
Dec. 16	₹ 513,661	467,895	10,427	96,152	38,757	₹ 65,000	%
" 23	513,661	474,116	21,734	72,220	38,768	Nil	
" 30	513,661	467,406	12,135	150,580	39,191	Nil	
1937							
Jan. 6	513,661	462,703	13,526	110,230	38,401	Nil	2

(000's omitted)

Date	Issue Department		Both Depts.		Banking Department				
	Govt. Debt and Securities	Other Securities	Gold Coin and Bullion and Reserve Ratio		Govt. Securities	Dis-counts & Advances	Other Securities	Reserve and the "Proportion"	
1936			£	%					%
Dec. 16	199,715	274	314,340	51 3/4	89,088	6,743	20,761	46,645	32 1/2
" 23	199,789	199	314,278	51 1/4	83,121	6,448	20,966	40,163	30 1/2
" 30	199,852	136	314,212	46 1/2	134,481	17,467	21,157	46,806	23 1/2
1937									
Jan. 6	199,888	101	314,124	50 1/2	93,295	14,413	21,105	51,422	31 1/2

BANKERS' CLEARING RETURNS

LONDON

(000's omitted)

	Town	Metropolitan	Country	Total
1936				
January 1 to December 23	34,294,388	2,001,764	3,479,892	39,776,044
Five days ended December 30	562,300	30,629	44,450	637,379
1937				
Week ended January 6	911,106	54,199	96,655	1,061,960
Total to date, 1937	728,438	46,972	83,399	858,809
Total to date, 1936	612,025	47,124	75,346	734,495
Increase or decrease in 1937	+ 116,413	- 152	+ 8,053	+ 124,314
	= 19.0%	= 0.3%	= 10.7%	= 17.0%
Total for year 1936	35,039,356	2,039,820	3,537,598	40,616,774
Total for year 1935	32,443,575	1,987,112	3,228,064	37,558,751
Increase or decrease in 1936	+ 2,595,781	+ 552,708	+ 309,534	+ 3,058,023
	= 8.0%	= 8.1%	= 9.6%	= 8.2%

PROVINCIAL

(000's omitted)

	Week ended January 2		Month of December				Aggregate Totals January 1 to January 2*	
	1936	1937	1935	1936	Inc. or Dec.	1936	1937	
No. of working days :			24	25	%	£	£	
BIRMINGHAM	3,749	4,078	10,982	13,875	+ 26.3	3,111	1,990	
BRADFORD	1,630	1,721	4,454	4,984	+ 11.8	971	534	
BRISTOL	954*	459*	4,979	5,839	+ 17.2	854	459	
DUBLIN	7,277	6,075	...	...	...	7,277†	6,075†	
HULL	996	937	3,345	3,754	+ 12.2	406	438	
LEEDS	1,464	1,607	3,316	4,235	+ 27.7	1,160	791	
LEICESTER	904	979	3,081	3,267	+ 6.0	727	435	
LIVERPOOL *	6,792	6,839	25,610	30,866	+ 20.5	6,792†	6,839†	
MANCHESTER	12,316	13,517	43,004	48,089	+ 11.8	8,167	4,154	
NEWCASTLE	1,328	1,819	6,186	6,470	+ 4.5	1,528†	1,819†	
NOTTINGHAM	573	616	2,061	2,324	+ 12.7	466	294	
SHEFFIELD	1,417	1,545	3,627	4,873	+ 34.3	1,065	729	
	39,600	40,192	110,645	128,576	+ 16.2	32,624	24,557	

* January 1-4, 1936; January 1-2, 1937.

† For week.

FOR BANKING IN FINLAND

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FINLAND, COMPRISING

189 BRANCHES

ENSURES PROMPT AND EFFICIENT
EXECUTION OF YOUR

COLLECTIONS AND PAYMENT, ORDERS

OVERSEAS BANK RETURNS

NOTE.—The latest return of the Bank of Spain appeared in *The Economist* for August 15. Portugal in December 19. Argentina, Lithuania, Roumania and Hungary in December 26. Canada, Egypt, Japan, Jugoslavia, Netherlands, Poland, Switzerland, Turkey, Federal Reserve Reporting Members and Estonia in January 2.

BANK FOR INTERNATIONAL SETTLEMENTS
(In Millions of Swiss gold francs of 0.29 grammes)

ASSETS	Dec. 31, 1935	Sept. 30, 1936	Oct. 31, 1936	Nov. 30, 1936	Dec. 31, 1936
Gold in bars.....	24.3	35.3	38.5	40.7	33.1
Cash.....	3.2	5.8	16.3	19.3	23.3
Sight funds.....	15.4	14.8	6.2	5.0	5.3
Liabilities.....					
Commercial bills.....	131.7	110.9	119.6	129.7	134.0
Treasury bills.....	295.7	211.8	165.2	161.0	147.7
Time funds.....					
Not exceeding 3 months.....	33.9	55.5	34.3	27.7	25.6
Sundry bills and investments.....	230.3	224.9	222.2	220.1	245.7
Other assets.....	11.9	9.4	1.1	1.5	1.5
LIABILITIES.....					
Capital paid up.....	125.0	125.0	125.0	125.0	125.0
Reserves.....	20.9	22.1	22.1	22.1	22.1
Special deposits.....					
Annuity trust account.....	154.4	153.1	153.3	153.3	153.3
German Government deposit fund.....	77.2	76.6	76.6	76.6	76.6
French Government guarantee fund.....	61.9	61.9	43.3	43.4	43.5
French Government deposit.....	2.0	2.0	1.4	1.4	1.4
Time deposits of Central Banks.....					
Not exceeding 3 months.....	108.2	124.9	97.2	98.5	98.7
For their own account.....	3.0				
For account of others.....					
Sight deposits of Central Banks.....					
For their own account.....	28.3	21.8	11.2	11.9	20.6
For account of others.....	8.1	6.3	5.4	4.2	6.2
Other deposits.....	0.7	0.6	0.4	0.5	0.9
Sight deposits—gold.....	19.9	27.6	27.5	27.5	27.3
Miscellaneous items.....	46.3	48.0	39.5	40.5	41.5

U.S. FEDERAL RESERVE BANKS.—In \$'s (000's omitted)

U.S.F.R. BANKS	Jan. 2, 1936	Dec. 17, 1936	Dec. 24, 1936	Dec. 31, 1936	Jan. 7, 1937
RESOURCES.....					
Gold Certificates on hand and due from the Treasury.....	7,552,870	8,853,620	8,851,880	8,851,880	8,851,380
Total reserves.....	7,873,690	9,098,510	9,084,190	9,112,290	9,142,290
Total cash reserves.....	303,580	232,750	199,570	247,670	278,370
Total bills discounted.....	5,380	7,680	8,880	5,380	3,040
Bills bought in open market.....	4,660	3,090	3,090	3,090	3,090
Total bills on hand.....	10,040	10,770	11,970	8,470	6,130
Industrial advances.....	32,010	25,310	25,000	24,770	24,770
Total U.S. Govt. securities.....	2,430,230	2,430,230	2,430,230	2,430,230	2,430,230
Total bills and securities.....	2,472,470	2,466,310	2,463,460	2,460,680	2,460,680
Total resources.....	10,962,930	12,575,080	12,390,910	12,454,800	12,382,430
LIABILITIES.....					
Federal Reserve notes in actual circulation.....	3,655,760	4,268,970	4,350,490	4,278,790	4,242,340
Aggregate of excess member bank reserves over requirements.....	3,000,000	2,050,000	1,880,000	1,950,000	2,010,000
Deposits—Member bank.....					
reserve account.....	5,745,150	6,674,160	6,507,490	6,571,720	6,627,000
Government deposits.....	460,830	172,830	250,560	230,830	232,230
Total deposits.....	6,470,620	7,073,560	7,013,860	7,036,480	7,136,910
Capital paid in and surplus.....	302,620	302,980	303,210	303,420	304,750
Total liabilities.....	10,962,930	12,575,080	12,390,910	12,454,800	12,382,430
Ratio of total resources to deposit and F.R. note liabilities combined.....	77.8%	80.2%	79.8%	80.2%	80.3%
U.S.F.R. BANKS AND TREASURY COMBINED.....					
RESOURCES.....					
Monetary Gold Stock.....	10,144,000	11,222,000	11,229,000	11,251,000	11,271,000
Treasury and National Bank Currency.....	2,476,000	2,532,000	2,531,000	2,530,000	2,531,000
LIABILITIES.....					
Money in Circulation.....	5,783,000	6,552,000	6,680,000	6,550,000	6,473,000
Treasury Cash and Deposits with Federal Reserve Banks.....	3,049,000	2,519,000	2,593,000	2,599,000	2,627,000

NEW YORK FEDERAL RESERVE BANK.—In \$'s (000's omitted)

	Jan. 9, 1936	Dec. 17, 1936	Dec. 24, 1936	Dec. 31, 1936	Jan. 7, 1937
Total gold reserves.....	3,366,270	3,535,940	3,458,230	3,475,020	3,540,710
Total bills discounted.....	3,780	4,430	4,590	3,010	1,980
Bills bought in open market.....	1,740	1,190	1,190	1,190	1,190
Total U.S. Govt. securities.....	734,840	615,240	645,240	645,240	652,260
Total bills and securities.....	747,650	657,060	656,990	655,380	660,850
Deposits—Member bank—reserve account.....	2,761,890	3,023,930	2,891,220	2,902,120	2,952,950
Ratio of total res. to dep. and Federal Res. note liabilities combined.....	83.2%	85.7%	85.4%	85.8%	85.9%

AUSTRALIAN COMMONWEALTH BANK.

In £'s (000's omitted)

ASSETS	Jan. 6, 1936	Dec. 7, 1936	Dec. 14, 1936	Dec. 21, 1936	Dec. 28, 1936	Jan. 4, 1937
Gold and English sterling.....	15,994	16,002	16,002	16,002	16,002	16,011
Other coin, bullion and cash.....	5,188	5,174	5,176	4,814	3,751	4,994
Money at short call—London.....	10,292	20,534	20,745	22,829	22,838	18,104
Short-term loans.....	7,416	8,652	7,269	5,840	7,003	10,147
Securities.....	73,569	74,690	75,671	78,237	77,365	77,473
Discounts and advances.....	8,300	8,680	8,545	8,449	8,848	9,461
LIABILITIES.....						
Notes issued.....	49,795	47,538	48,538	50,538	50,538	50,538
Reserve premium on gold.....	3,896	7,753	7,753	7,753	7,753	7,753
Deposits.....	61,081	70,379	69,655	69,365	68,855	69,534

SLUMP AHEAD IN BONDS

A critical examination of the outlook for American bonds (and common stocks) under managed money. (Similar principles apply in England.)

By L. L. B. ANGAS

Author of "The Coming American Boom" 1934

Internationally known investment consultant

Somerset Publishing Company, 461 Eighth Ave., New York City

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RESERVE BANK OF NEW ZEALAND.—In £'s (000's omitted)

ASSETS	Dec. 30, 1935	Dec. 7, 1936	Dec. 14, 1936	Dec. 21, 1936	Dec. 28, 1936
Gold.....	2,801	2,801	2,801	2,801	2,801
Sterling exchange.....	21,388	16,766	16,769	16,685	16,534
Advances to the State.....	—	6,127	6,153	7,298	7,857
Investments.....	1,639	2,357	2,700	2,700	2,700
LIABILITIES.....					
Demand liabilities.....	10,720	12,500	12,907	13,495	13,641
Government.....	3,696	4,335	4,362	3,494	3,539
Other.....	10,040	9,801	9,842	11,080	11,292
Ratio of reserves to sight liabilities.....	98.9%	73.5%	72.2%	69.4%	67.9%

SOUTH AFRICAN RESERVE BANK.—In £'s (000's omitted)

ASSETS	Jan. 6, 1935	Dec. 4, 1936	Dec. 11, 1936	Dec. 18, 1936	Dec. 24, 1936	Dec. 31, 1936
Gold coin and bullion.....	25,723	23,252	23,360	23,784	24,209	24,635
Bills discounted: Foreign.....	8,631	9,802	10,672	10,626	10,793	10,794
Investments.....	1,726	1,745	1,745	1,747	1,745	1,745
Other assets.....	13,880	11,399	11,289	11,436	11,593	11,916
LIABILITIES.....						
Notes in circulation.....	14,556	15,481	14,899	14,705	15,290	16,416
Deposits: Government.....	2,680	1,221	1,689	2,242	2,217	1,666
Bankers.....	27,269	22,387	24,055	23,180	22,990	22,451
Ratio of cash reserves to liabilities to public.....	55.0%	53.1%	52.3%	52.9%	53.3%	52.5%

RESERVE BANK OF INDIA.—In Rupees (000's omitted)

ASSETS	Jan. 3, 1936	Dec. 18, 1936	Dec. 25, 1936	Jan. 1, 1937
Gold coin and bullion.....	44,42,17	44,42,17	44,42,17	44,42,17
Rupee coin.....	57,89,72	65,53,61	64,05,46	64,81,98
Balances abroad.....	17,07,69	13,36,37	16,41,40	14,86,22
Sterling securities.....	66,18,83	67,31,71	67,31,71	71,31,05
Indian Govt. rupee securities.....	25,54,36	23,40,86	23,40,86	23,37,83
Investments.....	5,29,25	6,48,75	6,33,16	6,16,32
LIABILITIES.....				
Note circulation.....	1,72,19,91	1,84,15,69	1,89,85,46	1,91,98,37
Deposits: Government.....	6,47,14	6,89,37	6,93,44	7,14,12
Bankers.....	32,96,34	20,99,46	15,24,26	15,86,70
Ratio of gold and sterling to liabilities.....	37.0%	55.7%	56.1%	56.8%

* Held against notes.

BANK OF FRANCE.—In francs* (000's omitted)

ASSETS	Jan. 3, 1936	Dec. 11, 1936	Dec. 18, 1936	Dec. 24, 1936	Dec. 31, 1936
Gold.....	66,264,076	60,358,742	60,358,742	60,358,742	60,358,742
Advances on Gold Coin.....	1,204,360	1,103,048	1,259,014	1,259,014	1,258,523
Commercial Bills.....	9,624,873	7,942,109	8,283,043	8,900,994	9,859,808
Bills bought abroad.....	1,111,213	1,422,723	1,436,914	1,429,204	1,429,204
Advances on securities.....	4,718,709	4,090,141	4,185,842	3,934,853	4,298,317
Loans to State without interest: (a) general.....	3,200,000	3,200,000	3,200,000	3,200,000	3,200,000
(b) provisional.....	—	13,798,092	14,998,092	15,798,092	17,698,092
Negotiable Bonds.....	5,770,139	5,639,780	5,639,780	5,639,780	5,639,771
Sinking Fund Dept. Other assets (excluding forward exch.).....	3,675,863	3,962,428	3,628,423	3,963,033	3,901,042
LIABILITIES.....					
Notes in circulation.....	82,313,188	86,778,731	86,598,165	87,306,240	89,341,929
Public deposits.....	2,873,400	2,085,748	2,078,194	2,073,231	2,088,826
Private deposits.....	7,867,283	9,581,486	11,077,675	12,367,151	13,549,552
Other liabilities.....	2,520,360	3,091,097	3,235,616	2,714,710	2,659,020
Ratio of gold reserve to sight liabilities.....	71.1%	61.3%	60.4%	59.3%	57.4%

* The gold stock is based on the franc at 49 milligrams on and after Oct. 2, 1936.

THE REICHSBANK.—In Reichsmarks (000's omitted)

ASSETS	Dec. 31, 1935	Dec. 15, 1936	Dec. 22, 1936	Dec. 31, 1936
Gold.....	82,474	66,409	66,384	66,452
Of which deposited abroad.....	20,228	28,191	28,191	26,186
Reserve in foreign currencies.....	5,224	5,162	5,476	5,671
Bills of exchange and cheques.....	4,551,655	4,645,983	4,777,474	5,509,842
Silver and other coin.....	152,243	160,678	166,746	122,540
Advances.....	84,157	56,713	55,288	74,378
Investments.....	669,291	522,897	523,110	523,802
Other assets.....	695,416	702,217	718,168	642,891
LIABILITIES.....				
Reserves.....	471,184	473,561	473,561	473,561
Notes in circulation.....	4,285,167	4,567,855	4,634,532	4,980,101
Notes in circulation.....	1,031,792	667,931	740,070	1,012,449
Other daily maturing obligations.....	301,997	300,712	314,483	329,465
Other liabilities.....	2.04%	1.57%	1.55%	1.44%
Cover of note circulation.....	2.04%	1.57%	1.55%	1.44%

NATIONAL BANK OF BELGIUM.—In belgas (000's omitted)

ASSETS	Jan. 2, 1936	Dec. 3, 1936	Dec. 10, 1936	Dec. 17, 1936	Dec. 22, 1936	Dec. 30, 1936
Gold.....	3,436,431	3,710,206	3,722,771	3,730,426	3,735,680	3,728,010
Silver and other coin.....	63,529	53,397	55,694	58,138	57,549	54,709
Securities.....	1,278,095	1,352,078	1,358,927	1,363,061	1,374,407	1,389,560
Advances.....	92,577	75,369	72,214	74,899	72,123	67,679
LIABILITIES.....						
Notes in circulation.....	4,172,877	4,480,422	4,468,978	4,452,042	4,469,197	4,540,396
Deposits: Govt.....	53,574	58,285	31,859	53,511	54,987	119,788
Other.....	838,498	843,234	897,636	909,825	904,428	768,612

BANK OF JAVA.—In florins (000's omitted)

ASSETS	Jan. 4, 1936	Dec. 5, 1936	Dec. 12, 1936	Dec. 19, 1936	Dec. 26, 1936	Jan. 2, 1937
Gold and silver.....	102,120	106,790	105,590	105,660	106,050	105,920
Discounts, advances and other investments.....	82,010	73,700	71,520	71,520	71,680	71,420
Foreign bills.....	2,150	1,910	1,910	1,910	1,930	1,9

II.—Forward Rates (Closing quotations)

London on	Jan. 1, 1937	Jan. 2, 1937	Jan. 4, 1937	Jan. 5, 1937	Jan. 6, 1937	Jan. 7, 1937
New York, cent.	1 Month (p)	(p)	(p)	(p)	(p)	(p)
Paris, frs.	1 Month (d)	(d)	(d)	(d)	(d)	(d)
Amsterdam, gld.	1 Month (d)	(d)	(d)	(d)	(d)	(d)
Brussels, cent.	1 Month (p)	(p)	(p)	(p)	(p)	(p)
Geneva, cent.	1 Month (p)	(p)	(p)	(p)	(p)	(p)
Milan, lire	1 Month (p)	(p)	(p)	(p)	(p)	(p)

(p) Premium, i.e. "under spot." (d) Discount, i.e. "over spot."

NEW YORK MONEY AND EXCHANGE RATES

The Irving Trust Company cables the following money and exchange rates in New York:—

	Jan. 8, 1936	Dec. 9, 1936	Dec. 16, 1936	Dec. 23, 1936	Dec. 30, 1936	Jan. 6, 1937
Call money	1	1	1	1	1	1
Time money (90 days' mixed coll.)	1	1	1	1	1	1
Bank acceptances	1	1	1	1	1	1
Members—eligible, 90 days	1	1	1	1	1	1
Non-members—eligible, 90 days	1	1	1	1	1	1
Commercial accept., 90 days	1	1	1	1	1	1

Rates of Exchange, New York on—	Par Level	Jan. 8, 1936	Dec. 23, 1936	Dec. 30, 1936	Jan. 6, 1937
London—60 days					
Cable					
Cheques					

	Old par	4-9237	4-9043	4-9025	4-9037
Paris.....cheques	8-2397	4-9375	4-9131	4-9125	4-9118
Brussels.....	6-63	4-9382	4-9125	4-9118	4-9112
Switzerland.....	6-63	4-9382	4-9125	4-9118	4-9112
Italy.....	23-54	16-845	16-88	16-86	16-87
Berlin.....	32-67	32-525	22-99	22-987	22-987
Vienna.....	8-91	8-02	5-26	5-26	5-26
Madrid.....	40-33	40-24	40-24	40-24	40-24
Amsterdam.....	23-82	18-80	18-71	18-71	18-72
Copenhagen.....	32-67	13-665	54-76	54-76	54-76
Oso.....	68-06	67-88	54-76	54-76	54-76
Stockholm.....	22-055	21-93	21-93	21-935	21-935
Montreal.....	24-825	24-685	24-685	25-69	25-69
Yokohama.....	25-475	25-33	25-33	25-335	25-335
Shanghai.....	1-294	0-94	0-90	0-90	0-90
Calcutta.....	169-31	99	100	100	100
Buenos Aires.....	84-40	28-92	28-56	28-56	28-50
Rio de Janeiro.....	29-95	29-68	29-80	29-85	29-85
	61-80	37-16	37-20	37-18	37-18
	32-91	30-48	30-45	30-55	30-55
	11-96	8-32	8-28	8-28	8-28

The Bank Rate of Albania was reduced on January 2nd from 7 to 6½ per cent., and the Bank of Greece reduced its rate on January 4th from 7 to 6 per cent. Other Overseas Bank Rates appeared in the issue of January 2nd on page 41.

GOLD AND SILVER

The following statistics of imports and exports of gold and silver for the week ended January 7, 1937, are issued by the Statistical Department of H.M. Customs and Excise.

IMPORTS AND EXPORTS OF GOLD (Into and from United Kingdom)

Imports	Exports
From	To
Bullion*	Bullion*
Coin†	Coin†
British W. Africa	Germany.....
British S. Africa	France.....
Kenya.....	Switzerland.....
Uganda.....	Turkey.....
Anglo-Egyptian	U.S.A.....
Sudan.....	Other countries.....
British India.....	
British Malaya.....	
New Zealand.....	
Trinidad and Tobago.....	
British Guiana.....	
Netherlands.....	
Belgium.....	
France.....	
Switzerland.....	
Venezuela.....	
Peru.....	
Other countries.....	
Totals.....	Totals.....

* At current market value. † Coin which is of legal tender in the United Kingdom is entered at face value and shown in italics. Other coin is entered at current market value.

IMPORTS AND EXPORTS OF SILVER

Imports	Exports
From	To
Bullion*	Bullion*
Coin†	Coin†
British India.....	Bengal.....
British Malaya.....	France.....
Canada.....	Other countries.....
Belgium.....	
France.....	
Switzerland.....	
U.S.A.....	
Other countries.....	
Totals.....	Totals.....

* At current market value. † Coin which is of legal tender in the United Kingdom is entered at face value and shown in italics. Other coin is entered at current market value.

GOLD MOVEMENTS: BANK OF ENGLAND

1937	ARRIVALS	1937	WITHDRAWALS
Jan. 1	Nil	Jan. 1	Nil
" 2	Nil	" 2	Nil
" 4	Nil	" 4	Nil
" 5	Nil	" 5	Nil
" 6	Nil	" 6	Nil
" 7	Nil	" 7	Nil
Total.....	Nil	Total.....	Nil

Movement, January 1, to January 7, 1937 (inclusive) Nil
Movement during year 1936 £113,609,527 in
Movement, April 29, 1925, to January 7, 1937 (inclusive) £154,566,724 in
Movement, September 21, 1931 (gold standard suspended) to January 7, 1937 (inclusive) £176,972,176 in

GOLD MARKET

Messrs. Samuel Montagu and Company write on January 6, 1937:—The Bank of England gold reserve against notes amounted to £313,660,659 on December 30, 1936, showing no change as compared with December 23, 1936. In the open market the amount of bar gold disposed of at the daily fixing was about £1,300,000; there was a general demand, and further purchases were made for New York. Prices were fixed at about dollar parity.

The s.s. "Strathaird," which sailed from Bombay on January 2, 1937, carries gold to the value of about £47,000. The Southern Rhodesian gold output for November, 1936, amounted to 64,377 fine ounces, as compared with 64,935 fine ounces for October, 1936, and 62,886 fine ounces for November, 1935.

SILVER MARKET

Little movement was seen until January 6, 1937, when, with offerings increased by Indian reselling orders, the cash price declined from 21½ d. to 21¼ d., and the two months' price from 21½ d. to 21d. Sales have been made on China account and by speculators, but the premium on spot has made the latter disposed to carry bull commitments forward. The inquiry for early shipment to India has again been a feature, and whilst this continues a difference between the two quotations in favour of cash is likely to be maintained. The appearance of Indian reselling has given the market a somewhat duller tone.

Quotations for gold and silver are shown below:—

1936	Price of Gold per Fine Ounce	Equivalent Value of £ sterling	Price of Bar Silver in London per ounce standard	Price of Silver New York per ounce -999 fine
			Cash	Two Months
Dec. 31, '36	141 7	12 0-05	21½	21½
Jan. 4, '37	141 8	12 0-13	21½	21½
" 5, '37	141 5½	12 0-13	21½	21½
" 6, '37	141 5½	12 0-13	21½	21
Average	141 6½	12 0-05	21-266	21-125
Jan. 7, '37	141 7	12 0-01	21½	21½

The highest rate of exchange on New York recorded during the period from December 31, 1936, to January 6, 1937, was \$4.91½ and the lowest \$4.90½.

Statistics for the month of December, 1936:—

	Bar Silver per oz. std.	Bar Gold per oz. fine
Cash delivery	Two months' delivery	
Highest price.....	21½d.	142s. 1d.
Lowest price.....	20½d.	141s. 4d.
Average.....	21-2375d.	141s. 8-28d.

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by L. L. B. ANGAS

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Price £1 net

COMPANY NEWS

DIVIDEND ANNOUNCEMENTS

Rate % per Annum, except where marked % or Stated in Cash

Name of Company	Interim or Final	Date of Payment	Comparison with Last Year	Total Latest Year	Previous Year
BANKS				%	%
Alexanders Discount	20t	...	Same	19	19
Barclays Bank	10t	...	Same	10	10
Do. B and C	14t	...	Same	14	14
District Bank "A" and "C"	1/8 p.s.t	...	Same	10	10
Do. "B"	1/8 p.s.t	...	Same	14	14
Martins Bank	2/6 p.s.t	Jan. 23	Same	10	10
National Discount "A"	5/6 p.s.t	...	Same	26	26
Do. "B"	1/8 p.s.t	...	Same	12½	12½
Northern Bank (Belfast)	12t	...	Same	6½	6½
Do. B	6½t	...	Same	...	...
North of Scotland Bank	16t	...	Same	...	...
Queensland National Bank	4½t	Feb. 18	Same	7	7
Scottish Reversionary	13/- p.s.t	Jan. 27	£2/6 p.s.t	15½	15
Union Bank of Australia	9½t	...	(a) 11½t	18	(a) 20
Westminster Bank (4 shares) 1 pd.	6½t	...	(a) 8½t	12½	(a) 14½
Do. 1 fully pd.	6½t	...	...	...	...
INSURANCE					
Manufacturers Life Insurance	5½t	...	Same	...	...
TEA AND RUBBER					
Anglo-Ceylon and General Estates	2½t	Feb. 5	Same	...	...
Anglo-Java Rubber	2½t	Jan. 15	Same	8d. p.s.	5d. p.s.
Batu Kawan Rubber	5½t	Feb. 1	4½t	...	2½
Bukit Mertajam Rubber	...	...	...	4	2½
Braunton (Malay) Rubber	...	...	...	2½	2
Esco Rubber	...	Feb. 11	...	7	5
Gaving (Malacca) Rubber	...	...	...	3½	3½
Sendayan (F.M.S.) Rubber	...	...	...	...	...
Southern Ajoie Rubber	5½t	Jan. 30	Same	...	...
Standard Tea of Ceylon	50½t	Feb. 2	40½t	95	85
Ashanti Goldfields	8½t	Feb. 27	6½t	11	8½
Bibiani (1927)	8½t	Jan. 21	6½t	15½	12½
British Tin Investment	1/- p.s.	Jan. 29	Same	...	...
Fanti Consolidated Investment	1/- p.s.	Jan. 29	Same	...	...
Ipo Tin	5d. p.s.	...	Nil*	...	...
OTHER COMPANIES					
Associated Cotton Ginners (Egypt)	2½t	Feb. 1	Same	38	50
Associated London Properties	2½t	...	9½t	12½	15½
Barratt and Co. Ord.	7½t	...	Same	...	...
Do. Pref.	2½t	...	Same	...	...
Bolton (Thos.) and Sons	5½t	...	Same	...	...
Bush (W. J.) and Co.	5½t	...	Same	...	...
Commercial Brewery	5½t	Jan. 1	Same	12	11
Eastwoods Flettons	8½t	...	7½t	4	3
Eldridge Pope and Co.	2½t	...	Same	...	...
English and New York Trust	2½t	...	Same	...	...
Freehold & Leasehold Investment	2½t	...	Same	...	...
George Turtin Platts and Co.	15½t	...	12½t	19	17
Henekeys, Ltd.	45½t	...	42½t	55	50
Horn (John) Stockport	13½t	...	Same	7½	7½
Houlder Line	1½t	...	Same	3	3½
Hunters the Teamen	1½t	...	Same	10½	10½
Lancashire Insurance Investment	1½t	...	Same	12½	10
Liebig's Extract of Meat	...	...	Same	11½	11½
Mulliners (Holding) Ord.	...	...	Same	28	28
Do. Pref.	...	...	Same	...	...
New Merton Board Mills	2½t	Jan. 14	Same	...	...
Palmerston Investment Trust	7½t	Jan. 5	Same	...	...
Portsmouth and Sunderland News-papers	5½t	...	Nil*	...	...
Royal Dutch Petroleum	5½t	Jan. 30	Nil*	...	...
"Shell" Transport	7½t	...	3½t	6½	5
Scottish American Investment A	5½t	...	Same	10	10
Do. B	5½t	...	Nil†	...	...
Simon (H.) & Sons (Canada)	25c. p.s.	Jan. 15	...	...	...
Somerset Collieries	1½t	...	Same	...	...
Third Scottish American Trust	6½t	Feb. 21	Same	...	...
Trustees Corporation	3½t	Jan. 1	2½t	...	...
United City Property Trust	3½t	...	Same	...	...

(a) Includes centenary bonus 2 per cent. † Free of income tax.

CITY OF SAO PAULO SIX PER CENT. GOLD BONDS, 1908.—Bank of London and South America, Ltd., have received the funds for payment of 2½ per cent. of coupon due January 1, 1937.

THE MODDERFONTEIN DEEP LEVELS, LIMITED.—First liquidation distribution 9d. per share has been declared payable to shareholders registered December 31, 1936.

THE LONDON MERCHANT BANK, LIMITED.—Owing to the continuance of adverse conditions and the debit balance on Profit and Loss Account, no dividend will be paid on "A" Shares either for half-year to December 31st or on account of arrears.

BURBERRY'S LTD.—A four months' dividend to May 31, 1934, of 2½ per cent., less tax, will be paid February 1, 7½ per cent. cumulative preference shares to holders registered January 15th.

ENGLISH AND DUTCH INVESTMENT.—Dividends on 5 per cent. first cumulative preference shares in arrear due October 1, 1930, to October 1, 1936, inclusive will be paid on January 18th.

DOMESTIC INVESTMENT TRUST.—First distribution on January 1, 1937, in respect of period from July 14, 1936, to January 1, 1937, is 2-185881d. per unit, equivalent to 2-864,273d. per unit gross.

ROYAL DUTCH PETROLEUM.—Interim dividend 5 per cent. for 1936, the first interim dividend since 1930.

THIRD BRITISH FIXED TRUST.—Sixth distribution of 8/315d. per sub-unit, free of tax, payable February 15. The two distributions for year total 17 1/5d. per sub-unit.

SHELL TRANSPORT AND TRADING.—This company has resumed interim dividends. Payment of 7½ per cent. free of income tax, will be made on January 30, to holders registered January 9th. Previous interim dividend, 10 per cent. tax free, in 1930. The board recommends free share bonus of one new £1 share for every five held.

WEEKLY TRAFFIC RETURNS
RAILWAYS OF GREAT BRITAIN AND IRELAND

For reasons discussed on page 74 of this issue, the comparison of home rail traffics for the week ending January 3, 1937, (for L.N.E.R., January 2, 1937), given below, is provisional. It is proposed to commence the 1937 traffics proper with the weekly returns to January 10 (for L.N.E.R., January 9, 1937), comparing them with the same week of 1936.

		Gross Receipts, week ended Jan. 3, 1937 (£'000)					Aggregate Gross Receipts 1937 compared with 1936 (— weeks) (£'000)					
(b) Week ended Jan. 1, 1937.	(c) Week ended Jan. 2, 1937.	Miles Open	Passen- ger, etc.	Merchan- dise, etc.	Coal and Coke	Total Goods	Total Receipts	Passen- ger, etc.	Merchan- dise, etc.	Coal and Coke	Total Goods	Total Receipts
Great Western	1937 3,746		179	170	110	280	459					
(c) L. & N.	1936 3,746		168	161	115	276	444					
Eastern	1937 6,332		287	291	250	541	828					
L. M. & Scottish	1936 6,336		269	286	224	510	779					
	1937 6,916		396	402	240	642	1,038					
	1936 6,923		377	383	261	644	1,021					
Southern	1937 2,153		268	54	38	92	360					
	1936 2,171		246	50	37	87	333					
Total	1937 19,146		1,130	917	638	1,555	2,685					
	1936 19,177		1,060	880	637	1,517	2,577					
(b) Belfast & Co. Down	1936 80	2-1	...	...	0-5	2-6		129-3	...	...	27-8	157-1
(b) Great Northern	1935 543	9-8	...	...	0-2	2-4		128-7	...	...	26-5	155-2
(b) Great Southern	1936 543	9-8	...	...	6-8	16-6						
	1935 543	9-3	...	...	7-5	16-8						
	1936 2,076	35-4	...	...	47-1	82-5						
	1935 2,124	31-7	...	...	46-6	78-3						

COMPARISONS WITH CORRESPONDING PERIODS, 1934 AND 1935 (000's omitted)

	Great Western
--	---------------

CANADIAN

		1936					
Canadian National	51	Dec. 21	23564	3,751,626	263,840	180,502,865	119,571,13
Canadian Pacific	52	31	17223	23,773,000	321,000	138,564,000	8,885,000

† 10 days.

OTHER OVERSEAS

		1936					
Egyptian Delta Light	38	Dec. 20	621	47,299	647	181,437	8
Railways	52	31	...	2,385	1,772	90,071	4,869
Egyptian Markets	52	31	...	2,385	1,772	90,071	4,869
Gr. Southn. of Spain	34	Aug. 29	104	Ps. 14,208	62,843	840,732	724,859
Mexican Railway	52	Dec. 31	483	\$385,500	29,400	7,039,300	452,100

† 10 days.

SUEZ CANAL RECEIPTS

		1936					
Suez Canal	51	Dec. 20	...	Frs. 33,980,000	Frs. 127,800,000	Frs. 906,030,000	Frs. 45,730,000

† 10 days.

TRAMWAYS WEEKLY GROSS RECEIPTS

		1936					
Anglo-Argentine	52	Dec. 31	325	\$729,773	90	33,433,422	418,513
B. Aires Lacroze	26	27	...	\$76,927	1,130	1,715,458	81,159
Burton, Colne and Nelson Jt. Trspt.	1	Jan. 2	76	£5,313	141	...	...
Calcutta Tramways	52	Dec. 31	...	Rs. 82,577	28,884	39,697	33,786
Isle of Thanet Elec.	51	28	...	£3,127	969	181,031	191
Liverpool Corp.	39	30	...	£29,921	1,258	1,160,156	13,142
Madras Electric	52	31	...	£59,710	2,104	12,03,663	56,793

† Fortnight.

MONTHLY TRAFFICS

Company	Months	Ending	Description	Receipts for Month	Receipts to Date
				1936	1936
Algoma Central	11	Nov. 30	Gross	\$219,426	1,646,097
Internat. of C. America	11	Nov. 30	Gross	\$426,881	4,650,651
			Net	\$156,644	1,880,875
La Plata Electric	1	Dec. 31	Gross	£10,190	481
Peru Ian Corporation	6	Dec. 31	Gross	£81,512	490,785
Rangoon Electric Trams	11	Nov. 30	Gross	Rs. 4,66,433	49,59,776
			Net	Rs. 2,17,585	23,07,916

THE TREND OF COMMODITY PRICES.

(See Leading Article on page 53)

INDICES OF WHOLESALE PRICES

SEPTEMBER 18, 1931 = 100

Date	Economist Indices		Price of Gold (sterling)	U.S.A., Irving Fisher	France, Statistique Générale	Germany, Statistisches Reichsanst.
	British Complete Index (sterling)	Primary Products (sterling)				
End Dec., 1931	108.9	117.1	94.4	142.0	96.1	93.4
" Dec., 1932	101.2	109.3	76.9	145.6	83.5	88.1
" Dec., 1933	105.3	114.8	117.0	148.4	104.4	87.2
" Dec., 1934	108.7	123.4	153.1	165.8	113.7	78.6
" Dec., 1935	118.1	131.2	141.7	166.2	121.9	80.7
" Jan., 1936	118.1	131.7	145.7	165.6	121.8	82.3
" Feb., "	117.4	132.8	145.0	166.0	120.7	85.2
" Mar., "	117.4	133.9	144.3	165.8	119.6	85.2
" Apr., "	117.3	132.8	143.2	165.8	119.2	85.0
" May, "	115.5	130.1	140.5	164.3	117.7	85.2
" June, "	116.2	133.2	147.0	163.2	119.8	84.1
" July, "	118.7	140.4	157.2	163.4	120.6	86.6
" Aug., "	119.4	141.9	163.2	162.7	121.9	88.8
" Sept., "	121.8	144.5	159.6	165.0	121.8	96.4
" Oct., "	123.6	145.7	161.1	167.1	122.5	102.1
" Nov., "	126.3	150.9	172.0	167.2	124.8	106.9
" Dec., "	131.3	163.9	187.3	166.7	128.8	111.9

OTARD'S
ESTABD 1795

THE BRANDY WITH A PEDIGREE

MOVEMENTS IN COMMODITY PRICES SINCE 1929

	End Dec., 1929	End Dec., 1932	End Dec., 1933	End Dec., 1934	End Dec., 1935	End Dec., 1936
Wheat, foreign 496 lb.	55s. 6d.	25s. 3d.	25s. 3d.	30s. 3d.	35s. 6d.	52s. 0d.
Maize 480 lb.	31s. 0d.	18s. 0d.	20s. 0d.	22s. 6d.	18s. 3d.	25s. 9d.
Rice per cwt.	12s. 6d.	7s. 11d.	6s. 0d.	6s. 9d.	7s. 6d.	9s. 6d.
Bacon per cwt.	105s.	65s.	78s.	86s.	85s.	92s.
Coffee per cwt.	165s.	94s.	72s.	73s. 6d.	60s.	67s. 6d.
Cocoa per cwt.	62s. 6d.	42s.	35s.	42s.	42s.	108s.
Butter per cwt.	180s.	122s.	101s.	122s.	128s.	108s.
Coconut oil per ton net	£34	£23	£17	£20	£22 10s.	£34 10s.
Cotton, American per lb.	9.42d.	5.10d.	5.46d.	7.22d.	6.39d.	7.04d.
Wool, Australian per lb.	33d.	19d.	29d.	22d.	24d.	30d.
Pig iron per ton	72s. 6d.	58s. 6d.	58s. 6d.	63s. 6d.	66s.	77s.
Lead per ton	£23	£12	£12	£12	£17	£29
Tin per ton	£178	£148	£226	£228	£218	£233
Copper per ton	£68	£28	£32	£28	£35	£49
Petrol per gill.	17d.	18d.	17d.	17d.	17d.	17d.
Lined oil per ton net	45	£17	£18	£19	£27	£28
Rubber per lb.	8.1d.	2.4d.	4.3d.	6.4d.	6.5d.	10.75d.

CHANGES IN COMMODITY PRICES BETWEEN THE END OF

DECEMBER 1935 AND 1936†

Increases			
(a) 50 per cent. and more :—			
Lead	+ 67		
Rubber	+ 65		
Cocoa	+ 61		
Wheat, English	+ 56		
Coconut oil	+ 53		
Total number	5		
(b) 20-49 per cent. :—			
Wheat, foreign	+ 47		
Maize	+ 41		
Flour	+ 40		
Copper	+ 38		
Spelter	+ 37		
Wool, English	+ 30		
Hemp	+ 29		
Rice	+ 27		
Wool, Australian	+ 25		
Oats	+ 23		
Total number	10		
(c) Under 20 per cent. :—			
Timber, Swedish	+ 18		
Barley	+ 17		
Pig iron	+ 17		
Potatoes	+ 16		
Cheese	+ 13		
Wool tops	+ 13		
Coffee	+ 12		
Hides	+ 12		
Coal, Durham gas	+ 11		
Cotton yarn	+ 11		
Cotton, American	+ 10		
Iron bars	+ 9		
Mutton, English	+ 9		
Bacon	+ 8		
Tin	+ 7		
Cotton, Egyptian	+ 6		
Timplates	+ 5		
Total number	14		
Decreases :—			
Cotton cloth	- 4		
Lined oil	- 1		
Total number	19		
Grand total of increase	34		
Unchanged :—			
Beef, English			
Mutton, New Zealand			
Tea			
Steel rails			
Coal, Welsh anthracite			
Coal, Yorkshire house			
Cement			
Petrol			
Fuel Oil			
Soda crystals			
Total unchanged	10		
Decreases :—			
Tobacco	- 27		
Butter	- 18		
Timber, English	- 8		
Petroleum	- 8		
Sugar, refined	- 7		
Flax	- 6		
Silk	- 5		
Tallow	- 3		
Jute	- 3		
Beef, Argentine	- 2		
Leather	- 2		
Sugarcane	- 2		
Creosote	- 1		
Sulphate of Ammonia	- 1		
Total number	14		
Grand Total of decreases	14		

† These are the commodities included in the complete Economist index.

OIL OUTPUTS

TRINIDAD CONSOLIDATED OILFIELDS, LTD.—A further two wells have come into production as follows: Well No. 21 came into production December 21st, flowing at the rate of 180 barrels per day. Well No. 22 came into production on December 29th, flowing at the rate of 800 barrels per day.

THE MEXICAN EAGLE OIL COMPANY, LTD.—Production for the week ended December 19, 1936, was 617,000 barrels. Production for the week ended December 26, 1936, was 591,000 barrels.

APEX (TRINIDAD) OILFIELDS, LTD.—The results for December are: Production of oil, 48,320 tons; deliveries, 46,520 tons.

BRITISH CONTROLLED OILFIELDS, LTD.—Production for the week ended January 2nd: Venezuela, 12,663 barrels. (Office Note: Strike in Venezuela continues.) Trinidad, 28,429 barrels.

THE BANK OF LONDON AND SOUTH AMERICA, LTD., has received telegraphic advice from the Valencia Branch that the gold surcharge for payment of Spanish customs duties has been fixed for the period January 1 to 10 at 142.80 per cent. The previous rate was fixed as from December 21st at 143.07 per cent.

THE VENEZUELAN OIL CONCESSIONS, LTD.—Production for week ended December 26, 1936, was Bolivar District, 20,813 barrels; Maracaibo District, 2,051 barrels; Total, 22,864 barrels. The strike continues and the general situation is unchanged. Production for the week ended January 2, 1936 was: Bolivar District, 35,469 barrels; Maracaibo District, 4,498 barrels; Total, 39,967 barrels. The strike continues and the general situation is unchanged.

TRINIDAD CONSOLIDATED OILFIELD, LTD.—Production for the month of December was 48,000 barrels. Recently Wells 21 and 22 came into production and are included in the December returns.

TRINIDAD LEASEHOLDS.—Oil produced during December, 45,653 tons. Oil purchased during December from other Companies, 70,921 tons.

PHENIX OIL AND TRANSPORT COMPANY, LTD.—The gross production of crude oil of the Phoenix Group for December was 85,080 tons. For the year 1936, the gross production of crude oil amounted to 1,003,903 tons as compared with 1,004,829 tons for the year 1935.

THE CHASE NATIONAL BANK

OF THE CITY OF NEW YORK

Statement of Condition, December 31, 1936

RESOURCES

CASH AND DUE FROM BANKS	\$ 669,417,960.32
U.S. GOVERNMENT OBLIGATIONS, DIRECT AND FULLY GUARANTEED	780,030,063.96
STATE AND MUNICIPAL SECURITIES	74,958,735.88
OTHER BONDS AND SECURITIES	181,721,324.76
LOANS, DISCOUNTS AND BANKERS' ACCEPTANCES	772,031,008.07
BANKING HOUSES	37,434,504.12
OTHER REAL ESTATE	4,041,382.27
MORTGAGES	10,681,010.10
CUSTOMERS' ACCEPTANCE LIABILITY	15,193,896.78
OTHER ASSETS	16,672,185.09
	\$2,562,182,071.35

LIABILITIES

CAPITAL FUNDS:	
COMMON STOCK	\$ 100,270,000.00
SURPLUS	100,270,000.00
UNDIVIDED PROFITS	26,464,246.95
	\$ 227,004,246.95
RESERVE FOR CONTINGENCIES	14,825,371.74
RESERVE FOR TAXES, INTEREST, ETC.	1,418,836.88
DEPOSITS	2,286,209,092.08
ACCEPTANCES OUTSTANDING	17,360,230.24
LIABILITY AS ENDORSER ON ACCEPTANCES AND FOREIGN BILLS	8,174,215.76
OTHER LIABILITIES	7,190,077.70
	\$2,562,182,071.35

United States Government and other securities carried at \$158,328,914.57 are pledged to secure public and trust deposits and for other purposes as required or permitted by law.

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Incorporated with Limited Liability under the Laws of the U.S.A.

SHORTER COMPANY COMMENTS

OTHER COMPANY RESULTS.—The improved outlook for tin shares is reflected in the 23 per cent. rise in the profits of BRITISH TIN INVESTMENT to £169,777 against £137,793. The dividend is raised from 8½ per cent. to 11 per cent. Further substantial improvement is reported by PETROLEUM STORAGE AND FINANCE CORPORATION, whose earnings have advanced by £52,532 to £211,911. Dividends on the highly-gearred deferred capital have been resumed at 72 per cent. The full report of APEX (TRINIDAD) OILFIELDS confirms the good impression made by the preliminary profits statement (discussed on page 645 of *The Economist* of December 26th). Production rose from 460,145 tons to 529,369 tons, while 95 per cent. of the cost of wells has now been written off, after the latest allocation of £132,378. The results of rubber companies continue to show general progress. SENDAYAN (F.M.S.) has earned £22,683 against £16,460. The profits of HOULDER LINE are slightly below the recent level at about £125,000 (after deducting some £5,000 profit on the sale of investments). An improvement in the River Plate grain and cargo business occurred later in 1936. The majority of trust reports now show better increases in profits. HOLLINS MILL CO. return to the dividend list with a payment of 2½ per cent., and profits of £48,740 against £40,234. HENEKEYS earned £54,420, compared with £51,176, and raise their dividend from 17 per cent. to 19 per cent., while LEIBIG'S EXTRACT OF MEAT reports a small increase of £5,028 over the previous year's profits of £257,813. Earnings of RIO DE JANEIRO FLOUR MILLS have fallen from £104,164 to £92,255; trading conditions were difficult owing to the higher cost of wheat and the lower exchange.

BRITISH BANKING PROFITS

BARCLAYS BANK, LTD.—Net profit for 1936, £1,894,361, compared with £1,783,784 for 1935. Allocated to reduction of premises account £250,000, against £150,000. Dividend maintained at 10 per cent. on "A" shares and 14 per cent. on "B" and "C" shares, absorbing £1,588,239. Carry forward increased from £583,645 to £639,767.

DISTRICT BANK, LTD.—Profit for 1936, £490,324, compared with £419,588 for 1935. Dividends unchanged on "A" and "C" shares at 10½ per cent. for year and 10 per cent. for year on "B" shares, but absorbed £362,191, compared with £318,759. To pensions and annuities fund, £70,000 compared with £50,000. To bank property £50,000, against £40,000. Carry forward increased from £261,103 to £269,236.

MARTINS BANK, LTD.—Net profit for 1936, £769,988, compared with £693,117 for 1935. Dividend 14 per cent. absorbing £582,406, as before. To premises redemption £50,000, as before. To pension fund £75,000, compared with £50,000. Carry forward increased from £233,466 to £296,048.

NATIONAL PROVINCIAL BANK.—Net profit for 1936, £1,770,173, compared with £1,665,437. Final dividend, 7½ per cent., again bringing total for year to 15 per cent. To premises account, £100,000. To pension fund, £200,000 (against £100,000). Carried forward, £970,667 against £922,406.

WESTMINSTER BANK, LTD.—Net profit for 1936, £1,731,955, compared with £1,402,656 for 1935 (after providing for centenary bonus to staff). Dividend, 18 per cent., absorbing £1,184,867, compared with 18 per cent. and centenary bonus of 2 per cent. To premises account, £200,000, against nil. To officers' pension fund £200,000, as before. Carry forward increased from £369,849 to £516,937.

UNION BANK OF AUSTRALIA.—Final dividend 3s. per share. This compares with 2s. 6d. and makes, with the interim distribution, a total of 5½ per cent. for the year, free of United Kingdom tax, against 5 per cent. The balance to carry forward is £146,864, compared with £126,016.

WILLIAMS DEACON'S BANK.—Net profit, £293,636 against £278,536. Dividend maintained at 12½ per cent.

ALEXANDERS DISCOUNT COMPANY.—Dividend for half-year ended December 31, 1936, at rate of 20 per cent. per annum, carrying forward about £127,000, as against £126,000 brought in. Total dividend 19 per cent. for fifth successive year.

NATIONAL DISCOUNT COMPANY, LTD.—After providing £10,000 for staff pension fund, dividend for 1936 on "A" shares is 10 per cent., as before. Final dividend on "B" shares 6s. 6d. per share and bonus of 2s. per share, making 26 per cent. for year as before. Carry-forward, £232,000.

UNION DISCOUNT COMPANY.—Final dividend, 7½ per cent. plus 2½ per cent. bonus, equivalent to the final dividend for 1935 on the doubled capital. Balance forward, £425,000 (before setting aside £250,000 to reserve) against £399,886.

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AMERICAN BANKS PROFITS

CHASE NATIONAL BANK.—Deposits on December 31, 1936, amounted to \$2,286,209,000, compared with \$2,083,326,000 on June 30, 1936, and \$2,075,121,000 on December 31, 1935. Total resources, December 31, 1936, \$2,562,182,000, compared with \$2,350,549,000 on December 31, 1935. Undivided profits, December 31, 1936, \$26,464,000, compared with \$21,897,000 on December 31, 1935.

GUARANTY TRUST COMPANY OF NEW YORK.—Total resources, December 31, 1936, amounted to \$2,086,978,870.17 (the largest in the bank's history), compared with \$1,847,433,862.46 on December 31, 1935. The Bank's deposits reached new record of \$1,744,810,010.75, against \$1,513,931,162.96 a year ago. Undivided profits, \$9,356,562.00 up by \$1,958,150.28 for the year.

BANK OF AMERICA.—Total resources, \$1,430,337,200 on December 31, 1936, as against \$1,277,419,381 at end of 1935. Deposits, \$1,298,976,758 show an increase of 12.4 per cent. Earnings totalled \$22,522,000 for the year, an increase of 38.3 per cent.

LATE COMPANY NEWS

LEYLAND MOTORS. Profits, £463,012 against £364,887. Dividend 20 per cent. against 17½ per cent. £150,000 to reserve, making £750,000.

APPOINTMENTS AND PERSONAL

Sir Arthur Worley has for reasons of health resigned as managing director of North British and Mercantile Insurance, but will retain his position as deputy chairman. The Hon. Robert H. Brand, C.M.G., has been appointed joint deputy chairman.

The Eagle Star and British Dominions Insurance Company, Ltd., have appointed Mr. E. G. Spater, as Deputy Agency Manager of the Company from January 1, 1937, and Mr. Harry Routh as Manager of the Leeds Branch.

Atlas Assurance announces the retirement of Mr F. E. Gowlan, Home Fire Manager, and the appointment of Mr H. A. Lane as Assistant Life Manager, Mr C. A. Melville and Mr S. F. Isaac as Assistant Actuaries.

Mr Ogden L. Mills, formerly Secretary of the United States Treasury, is elected a Director of the Chase National Bank.

The Chartered Bank of India, Australia and China announce that Mr A. A. Jamieson has retired from the board of the Bank.

Col. J. J. Gillespie has resigned from the board of British Ropes. Mr Herbert Smith succeeds him as chairman.

MISCELLANEOUS

APEX (TRINIDAD) OILFIELDS, LTD.—Report for year to September 30, 1936, shows that production rose from 460,145 tons to 529,369 tons and was obtained from 189 wells. The total production of crude oil from the property up to September 30, 1936, was approximately 5,263,000 tons. The balance sheet shows that stores and oil are up from £35,312 to £115,026 and debtors for oil sold from £140,077 to £186,527. Cash is higher at £106,102, against £103,574. Investments which stood at £48,969 a year ago have been realised. A sum of £132,378 has been written off wells during the year and £29,992 off depreciation of plant. The ordinary dividend has been raised from 27½ per cent. to 35 per cent. It is proposed to offer one new 5s. share for each ten held at the price of £1 per share.

BEIRA RAILWAY.—Gross revenue for year to September 30, 1936, rose by £31,464 to £801,352, but working expenses rose from £338,900 to £374,171, leaving net revenue £3,807 lower at £427,181. Dividend for year raised from 1s. 6d. per share to 1s. 8d. per share. The allocation to reserve is £25,000 lower at £70,000. Carry forward £33,982.

FANTI CONSOLIDATED INVESTMENT COMPANY, LTD.—Interest and dividends received, etc., total £49,049, against £41,761, while the net profit on realisation of investments was up to £45,122 from £35,244. After crediting £23,892, depreciation of investments written back, and providing £2,254 for tax, net profits are £45,633 against £109,808. The dividend is raised from 12½ per cent. to 15½ per cent., less tax. This absorbs £84,375, leaving the carry forward at £93,882, against £68,449 brought in.

THE SCOTTISH STOCKHOLDERS INVESTMENT TRUST, LTD.—Report for year to November 30, 1936, shows revenue at £43,287, compared with £36,600 for 1934-35 and £35,308 for 1933-34. The preference dividend is 5 per cent., absorbing £18,000 compared with 3½ per cent. absorbing £13,500 for 1934-35, and 2½ per cent. absorbing £9,900 for 1933-34. The carry forward is increased from £13,305 to £13,605. Depreciation on investments, nil, against 23.42 per cent. in 1934-35 and 35.76 per cent. in 1933-34.

BRITISH TIN INVESTMENT CORPORATION, LTD.—Profit for 1936 £169,777 compared with £137,793. Ordinary dividend 11 per cent. absorbing £167,452, against 8½ per cent. absorbing £129,394. The carry-forward is increased from £10,337 to £12,662. The corporation will acquire investments mainly in tin-producing companies in Malaya and Nigeria for £1,004,900 to be financed by rights issue of 1,065,600 10s. shares at 18s. 6d. each at rate of seven new for each twenty held.

PETROLEUM STORAGE AND FINANCE.—Trading profit, £266,152 in the year to October 31, 1936. This is an increase of £46,564 over the figure for 1935. Depreciation amounts to £51,637, against £39,240. To staff fund £5,000; to reserve £25,000; deferred ordinary dividend, 72 per cent.; carry forward, £36,831.

NORTHAMPTON TOWN AND COUNTY BENEFIT BUILDING SOCIETY.—Balance sheet for 1936 shows assets now exceeding £6,300,000 and satisfactory profit after providing for all contingencies.

"CAMROSE" GROUP DIRECTORATE CHANGES.—Lord Camrose has acquired Lord Kemsley's interest in the "Daily Telegraph" and the major portion of Lord Iliffe's holding. The latter remains a shareholder and will continue as a director. Lord Camrose has sold to Lord Kemsley his holdings in Allied Newspapers. Lord Camrose has resigned from the Board and Lord Kemsley has been appointed chairman with Lord Iliffe deputy-chairman. Lord Iliffe has acquired a control of Kelly's Directories, and succeeds Lord Camrose as chairman, Lord Kemsley remaining as deputy-chairman. Lord Kemsley and Lord Iliffe are resigning from the Boards of the Amalgamated Press, and the Financial Times, having sold their holdings to Lord Camrose. No changes in personnel are involved. Lord Camrose, Lord Kemsley and Lord Iliffe remain in close association in a number of other directions.

SUMMARY OF COMPANY PROFIT AND LOSS ACCOUNTS

Company	Year Ending	Balance from Last Account	Net Profit After Payment of Debenture Interest	Amount Available for Distribution	Appropriation					Corresponding Period Last Year	
					Dividend			Carried to Reserve, Depreciation, etc.	Balance Forward	Net Profit	Dividend
					Prefere.	Ordinary					
					Amount	Amount	Rate				
Financial, Land, etc.		£	£	£	£	£	%	£	£	£	%
Anglo-Belgian Co. of Egypt	July 31	366	1,034	1,400	...	...	...	1,000	400	3,226	1
British Tin Investment ...	Dec. 31	10,377	169,777	180,114	...	167,452	11	...	12,662	137,793	8½
New Zealand and River Plate Land Mortgage.....	Oct. 31	20,179	28,621	48,800	...	21,000	3	5,000	22,800	23,835	3
Petroleum Storage & Finance	Oct. 31	36,921	211,911	248,832	...	{ 128,000 32(p) 54,000 72(m) }		30,000	36,832	159,379	{ 20p Nil(m) }
Oil											
Apex (Trinidad) Oilfields ...	Sept. 30	100,565	179,555	280,120	...	175,000	35	...	105,120	122,454	27½
Rubber											
Braunston (Malay).....	Sept. 30	3,549	2,476	6,025	...	3,380	4	...	2,645	2,008	2½
Kali Glagah	Sept. 30	1,856	5,343	7,199	...	4,334	3	900	1,965	143	Nil
Langen (Java)	Aug. 31	11,805	7,801	19,606	...	7,500	6	...	12,106	6,454	5
Sendayan (F.M.S.)	Sept. 30	14,873	22,683	37,556	...	21,016	7½	...	16,539	16,460	5
Shipping											
Houlder Line	Dec. 31	33,333	129,728	163,061	12,275	31,453	7½	82,500	36,833	125,587	7½
Shops and Stores											
Victors Stores	Sept. 30	...	6,251	6,251	2,681	1,667	10	869	1,034	(a)	(a)
Textiles											
Hollins Mill Co.	Nov. 30	22,356	48,740	71,096	40,200	6,250	2½	...	24,646	40,234	Nil
Jute Industries	Sept. 30	15,389	102,552	117,941	45,750	...	...	48,903	23,288	102,527	Nil
Trusts											
Scottish Stockholders Invst.	Nov. 30	13,305	18,300	31,605	18,000	...	...	...	13,605	13,414	Nil
Second Scottish Eastern	Nov. 30	16,008	29,041	45,049	17,805	8,312	3½	...	18,932	25,109	2
Second Scottish United Inv.	Dec. 15	11,081	25,533	36,614	22,575	...	...	2,981	11,058	18,962	Nil
Third Scottish Northern	Dec. 15	6,487	14,366	20,853	14,531	...	...	...	6,322	13,550	Nil
Other Companies											
Barratt and Co.	Nov. 20	161,644	72,000	233,644	25,000	49,400	38	...	159,244	83,052	50
British Tobacco Co. (Australia)	Oct. 31	34,771	667,761	702,532	96,507	569,412	7	...	36,613	585,950	7
Henekeys, Limited	Oct. 19	11,862	54,420	66,282	8,500	34,200	19	11,500	12,082	51,176	17
Liebig's Extract of Meat ...	Aug. 31	203,587	262,839	466,426	50,000	200,000	10½	...	216,426	257,813	10½
Pharaoh Gane and Co.	Dec. 31	12,388	28,546	40,934	8,088	{ 7,438 25(m) 2,985 10(n) }		5,000	17,423	23,298	{ 20m 10n }
Rio de Janeiro Flour Mills...	Sept. 30	47,176	92,255	139,431	...	83,255	8(s)	7,500	48,676	104,164	10

† Free of income tax. (a) No comparable figure. (m) Paid on deferred ordinary shares. (n) Paid on preferred shares.
(s) To commemorate the 50th anniversary of the company's incorporation the Board recommend a special Jubilee bonus of 8d. per share or 3½ per cent. payable out of the dividend received during the year from the Frumentum Steamship Company, Limited.
(p) On ordinary shares. Includes arrears.

Guaranty Trust Company of New York

Incorporated with limited liability in the State of New York, U.S.A.

Condensed Statement, December 31, 1936

RESOURCES		LIABILITIES	
Cash on Hand, in Federal Reserve Bank, and due from Banks and Bankers ...	\$660,220,262.99	Capital ...	\$90,000,000.00
Bullion Abroad and in Transit ...	13,202,854.00	Surplus Fund ...	170,000,000.00
U.S. Government Obligations ...	590,105,249.40	Undivided Profits ...	9,356,562.00
Public Securities ...	54,432,761.77		\$269,356,562.00
Stock of the Federal Reserve Bank ...	7,800,000.00	Dividend Payable January 2nd, 1937 ...	2,780,000.00
Other Securities ...	23,859,645.56	Miscellaneous Accounts Payable, Accrued Interest, Taxes, etc. ...	27,583,280.45
Loans and Bills Purchased ...	669,293,384.06	Acceptances ...	\$17,501,324.36
Items in Transit with Foreign Branches	2,258,543.13	Less: own Acceptances held for Investment	7,986,119.39
Credits granted on Acceptances ...	39,514,874.97		39,514,874.97
Bank Buildings ...	13,277,131.39	Liability as Endorser on Acceptances and Foreign Bills	3,011,112.00
Other Real Estate ...	477,774.59	Deposits ...	\$1,709,643,127.59
Real Estate Bonds and Mortgages	2,322,209.70	Outstanding cheques	35,166,883.36
Accrued Interest and Accounts Receivable ...	10,214,178.61		1,744,810,010.75
			\$2,086,978,870.17

Securities carried at \$11,416,048.30 in the above Statement are pledged to qualify for fiduciary powers to secure public monies as required by Law and for other purposes.

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COMMERCE AND TRADE

SURVEY OF COMMODITY MARKETS

THERE was a pause this week in the hectic advance of the prices of primary products. Corrective reactions were noticeable in some commodity markets, while others, which have tended to lag behind in the general advance, showed a firmer tendency. The causes of the sharp rise in prices since last autumn and the long-term prospects of the commodity markets are surveyed in a leading article.

The improvement in wheat prices was maintained; although business has not been as active as previously, the indications point to heavy purchases by importing countries during the next few months. The resumption of tea auctions this week was characterised by a strong demand at advancing prices. Quotations for cocoa are unchanged on the week, but raw sugar, which did not participate in the general advance until recently, was marked-up in price. Beef, Danish and Dutch bacon, and butter were dearer, but eggs registered a further seasonal decline.

The market in metals was not quite as active this week; copper was slightly dearer than a week ago, but lead and spelter showed a decline, due partly to the news of an increase in world production. Tin also suffered a slight setback; the announcement of the International Tin Committee that the prolongation of restriction had been confirmed and that quotas would remain unchanged had been taken for granted by the market. So far, however, the details of the revised restriction scheme have not yet been published. A feature of the past week was the reduction in the price of nickel announced by International Nickel. The market in coal was firm, with an improving tendency, but business in iron and steel is still limited by supplies. There was a slight reaction in the price of rubber, the labour disputes in the United States being a contributory cause. Among textile raw materials, United States cotton was slightly easier, but wool advanced in price following the conclusion of an agreement between Australia and Japan, under which the latter undertook to purchase 800,000 bales of wool during the next eighteen months.

In the United States, too, the past week witnessed a consolidation of the previous advance in prices. Thus, Moody's index (December 31, 1931 = 100) rose to 207.1 on Wednesday against 207.0 a week earlier, 194.8 a month ago, and 168.3 on the same day last year.

COAL

SHEFFIELD.—Demand has been good this week, but supplies have been somewhat short. The dispute at a number of pits in the South Yorkshire area has reduced the tonnage available. Business in industrial fuels is active, but the mild weather has affected the market in household coal. The market in coke is very strong, and some difficulty is being experienced in securing full supplies. Furnace qualities are quoted at 22s. to 23s. per ton on rail at ovens. An all-round increase in export prices was announced by the Humber Coal Exporters' Association, but inland prices are unchanged.

WORKINGTON.—There is an acute shortage of coal. Ireland alone could do with 4,000 tons more weekly than is being shipped across Channel, and there is such a scarcity of smalls for coking that Welsh coal is being imported. Demand for house coal is being fairly well satisfied. Coke is in sharp request by iron smelters in the district. Prices are firm.

NEWCASTLE-ON-TYNE.—Collieries in this area are fully stemmed for the greater part of this month, and demand is as strong as before the holidays. Northumberland steam collieries continue to benefit from the trading agreements with the Scandinavian countries, and they obtain a good share of home trade. As a result of increasing business with Belgium and Italy, coupled with a very active home demand, there is an acute shortage of Durham coking coal. Gas and bunker coals are in steady demand.

GLASGOW.—Work at the collieries was resumed gradually this week, the restart being impeded in some areas, notably Fife, by the influenza epidemic. The epidemic has held up vessels at the ports. With supplies well booked ahead, prices are firm, many collieries having nothing to offer for a month or six weeks ahead. Inland needs are again brisk, and bunkering trade is active. Total shipments last year, at 12.64 million tons, were about 200,000 tons less than in 1935. The decline in shipments, however, was more than made good in inland trade, and it is estimated that colliery profits, at about £1,750,000, were doubled.

CARDIFF.—The improvement on the Cardiff coal market is being maintained. A number of contracts have been concluded recently. The British Admiralty have placed their usual orders, subject to a substantial increase to meet the additional requirements of depots, and the Portuguese Railways have purchased about 100,000 tons of small and through coals for delivery during the first quarter. There are inquiries for supplies from the Yugoslav Naval Authorities, the Bona and the Algiers Electricity Works. The French coal import quota remains nominally unchanged at 58.5 per cent. of the monthly average figure for 1928-30, but for the time being there is

no real restriction on supplies, as supplementary licences are being granted for imports as they are required. Production has increased a little, and prices are firm, large classes showing a tendency to advance above schedule figures for the first time since the introduction of the output and price regulation scheme. The market in coke is still active and strong, and there is a slight improvement in patent fuel and pitwood. The provisional returns of the foreign and coastwise shipments of the Great Western Railway Company for 1936 give a total of 17½ million tons, compared with 19½ million tons in 1935, while the Customs returns of cargo exports to foreign countries showed only 12.4 million tons, against 15 million tons in 1935.

IRON AND STEEL

LONDON.—The weekly report of the London Iron and Steel Exchange indicates that, although the Christmas and New Year holidays were curtailed in the producing districts, business in the iron and steel markets was not fully resumed until this week. The British steel industry is entering the New Year under difficult conditions, for in spite of the record production of steel there seems little hope of overtaking demand for some months to come.

In the pig iron department most of the consumers of foundry iron can obtain only sufficient for their immediate requirements, and have no opportunity of accumulating stocks. In many cases, however, they have placed contracts for delivery over the greater part of 1937, and would be glad to ensure further supplies to meet the heavy demand for their products. The steel trade requirements of hematite are heavy and the recent advance in prices has not affected the demand.

In the semi-finished steel department consumers are finding it difficult to secure all the material they need, and some anxiety is felt regarding the adequacy of future supplies. Many of the home-producing works have retired from the market for the time being owing to the congested state of their order books.

Great activity developed in the finished steel market after the holidays and business was only limited by the ability of manufacturers to accept orders for the required deliveries. Most works are in arrears against contracts although mills are operating at capacity. Export business has been on a comparatively small scale owing to the enormous pressure of home demand.

SHEFFIELD.—Active conditions have marked the opening of the year in the iron and steel market, consumers showing great keenness to place orders. Pig-iron producers could easily book contracts over the whole year, but few are willing to commit themselves beyond September next. The majority of consumers appear to be covered over the next six months, but there is sharp competition for any extra parcels of foundry which come on offer; with virtually the full output already spoken for, however, these are not numerous. Forge business is less pressing but there is no glut of this material. Basic pig iron is in good request. Supplies of hematite are limited for early delivery, but with the stabilisation of the increased prices makers are showing rather more disposition to enter into new business. East Coast material is more readily available than West Coast material, the shortage of which is likely to persist for some months. Deliveries under contract are fairly regular. In finished iron the outlook is encouraging, especially for common and marked bars, makers reporting very satisfactory order books. Crown bars show further improvement. Iron hoop business is good. Demand for basic and acid billets is very insistent, and early delivery is no longer guaranteed. Business in wire rods, bars, stainless steel sheets and structural steel is at a high level.

Full operations have been resumed at all works here, and, so far as steel production is concerned, there is every indication that the new records set up in 1936 will be surpassed in the next twelve months. So great is the pressure of orders that steps are being taken still further to increase output, not only of raw and semi-finished material, but of the costly special steels in which Sheffield specialises. A gratifying feature is that there is a decided upward tendency in the flow of orders from abroad, although the bulk of business is on home account.

WORKINGTON.—Output of hematite on the North-West Coast is nearly 5,000 tons per week short of requirements, and this stringent position will obtain until production is increased in June. On all sides appeals are being made to smelters to oblige users with accommodation parcels. But even this partial relief is only occasionally forthcoming. Makers are sold six months ahead; if they cared and the iron were available,

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they could dispose at once of the whole of the year's output. Price considerations do not rule, since the recent advance of 12s. 6d. per ton will suffice only to mid-summer, consumers being well aware that a further rise will then be justified by the increase in costs. Local steelmakers are not affected by the shortage of iron. The whole of the inconvenience falls on the Midlands, South Wales and Scotland. Deliveries are again substantially in arrears. Bessemer mixed numbers are quoted at £4 18s. per ton at Glasgow; £5 3s. 6d. at Sheffield; £5 6s. at Manchester, and £5 9s. at Birmingham, with special qualities an additional 5s. 6d. to 16s. 6d. per ton. Malleable iron, at £6 5s. delivered at Birmingham; ferro-manganese at from £11 15s. to £12 5s. home, and refined iron are all in sharp request. The steel trade is strong. Orders represent a tonnage that necessitates another eighteen months of rolling at capacity. Workington is engaged on rails, billets, bars and slabs, and Barrow is on rails, hoops and strip. Native ore, at 18s. to 17s. 6d. per ton, is in lively local request. None can be spared to users outside the district.

MIDDLESBROUGH.—Total shipments of pig iron from the Tees during December amounted to 7,010 tons, of which 3,530 tons were shipped coastwise, the bulk of it going to Scotland. Shipments of manufactured steel during December amounted to 39,067 tons, of which 16,217 tons were shipped coastwise. The market continues strong in all sections, but a little more pig iron is being released for export, early in January a quantity of 780 tons having been shipped to Germany; it is expected that a cargo of about 1,500 tons of Cleveland foundry iron and East Coast hematite will be shipped this week to Denmark. Producers of pig iron have sold their output for some time ahead. Prices of these qualities are unchanged. There has been a revision of the price to be charged for basic pig iron, there having been an advance of 7s. 6d. per ton, making the price 82s. 6d. per ton delivered Middlesbrough, less the rebate of 5s. per ton. This does not affect this area as very little basic iron comes on to the market, producers requiring the whole of their supplies for their own steelworks.

Manufacturers of semi-finished and finished steel are almost fully booked over the first half of the year and are doing their utmost to keep pace with the requirements of producers under contracts already concluded. There has been a revision of the prices of small steel sections and channels, prices being 18s. per ton higher from January 1st with a rebate of 15s. per ton, leaving a net increase of 3s. per ton, which is to cover the withdrawal of the railway rebates. Steelworks are in the market for supplies of scrap and are ready to pay 62s. 6d. per ton for heavy steel melting scrap, delivered at works. Good Durham blast furnace coke continues to realise 24s. 6d. per ton, delivered at furnaces, whilst foreign ore prices are not quoted but are rising owing to the higher rates of freight.

GLASGOW.—Operations have been resumed at some of the plants, but the holiday does not end until the beginning of next week at many of the establishments in the West of Scotland. While ordinary work has been suspended, many repairs have been carried out, and for those engaged on this work it has been a period of great activity. In practically every branch it is expected that after the re-start there will be regular and continuous employment for many months. Clyde shipbuilders are beginning the new year with order books better filled than for many years past, some very important contracts having been announced since the beginning of the year.

CARDIFF.—The new year has opened with favourable conditions in both the heavy and the re-rolling branches of the South Wales iron and steel industry. The operating blast furnaces and steel works are fully employed and the tinplate works are working at 70 per cent. of their allotted capacity under the pooling scheme. Prices of steel bars, sheets and tinplates are firm at their recently advanced figures, and a further rise in steel bars is possible in the near future. Shipments of tinplates at Swansea last week, which included the holiday period, totalled 67,020 boxes as against 73,433 boxes in the corresponding period of 1935, and stocks amounted to 122,340 boxes as against 50,915 boxes.

OTHER METALS

COPPER.—Prices fluctuated violently during the week. On the last day of 1936 the standard cash quotation, at £49 7s. 6d. per ton, reached the highest level since 1930. On Tuesday it reacted to £48 7s. 6d., but on Wednesday there was a recovery to £48 17s. 6d. Daily turnovers were fairly large, consisting to a considerable extent of speculative liquidations, a natural corollary of the recent boom. The decline was largely due to the uncertain international political outlook and the strike movement in the United States. The fact that the reaction has been such a sharp one shows that the present price level is not well founded. In the United States a new "window-dressing increase" in the domestic price by 1 cent to 12 cents per lb., was made effective on December 31, 1936—the third increase within just over a fortnight. This was not justified by the market position, but by the desire of producers to secure a high valuation basis for their end-year balance sheets. It is not surprising, therefore, that the American market has turned dull and idle this week.

Sales on the London Metal Exchange: 5,400 tons on Monday, against 4,050 tons last week; 2,600 tons on Tuesday, against 5,050 tons last week; 2,650 tons on Wednesday, against 3,250 tons last week. Domestic spot was quoted at 11.67½ cents per lb. in New York on Wednesday, against 11.57½ cents a week ago and 10.52½ cents a month ago. Wednesday's official closing price for standard cash in London was £48 17s. 6d. to £48 18s. 9d., compared with £48 10s. to £48 11s. 3d. a week ago. Stocks of refined copper in British official warehouses at the end of last week, at 45,337 tons, show an increase of 547 tons, while stocks of rough copper, at 757 tons, were 99 tons smaller.

TIN.—Cash tin declined during the week by £4 5s. to £228 15s., while the forward quotation fell by £4 to £229 15s. The "contango" has thus increased to £1. The decline was closely associated with the general decline in metal prices. In addition the December statistics showed a fresh increase in stocks. According to A. Strauss and Company, Ltd., the total visible supply at the end of December was 21,834 tons, against 21,133 tons at the end of November. New supplies showed a decline from 13,708 tons to 11,890 tons during December, but at the same

time deliveries increased from 8,778 tons to 10,372 tons, a fact which was largely connected with the change in the United States shipping strike position. The outlook for further increases in stocks in the first quarter of this year is fairly favourable, as the 100 per cent. quota on the basis of the new standard tonnages (which are very high in the case of Siam and Belgian-Congo) was finally adopted at the January meeting of the I.T.C., which took place in Brussels on Tuesday. After this meeting it was also officially confirmed that international restriction will be continued for a period of five years as from January 1st. Sir John Campbell, the chief British delegate, was re-elected chairman for this period. The next meeting of the Committee is to take place in Paris on March 5.

Sales of tin on the London Metal Exchange: 275 tons on Monday, against 450 tons last week; 375 tons on Tuesday, against 550 tons last week; 275 tons on Wednesday, against 450 tons last week. The New York quotation on Wednesday was 51.00 cents per lb., against 51.45 cents a week ago and 52.25 cents a month ago. Wednesday's official closing quotation in London for standard cash was £228 15s. to £229 5s. per ton, compared with £233 to £233 10s. a week ago. Stocks of tin in London and Liverpool at the end of last week totalled 1,198 tons, a decrease of 114 tons on the week.

LEAD AND SPELTER.—Lead and spelter prices fluctuated even more heavily than that of copper. Lead closed the week on Wednesday £1 6s. 9d. down at £26 11s. 3d., after having touched £28 7s. 6d. on December 31. Spelter closed at £18 8s. 9d., i.e. £1 10s. lower than last week. Both markets were, of course, affected by the uncertain political outlook in Europe and the labour troubles in the United States, but at the same time lead speculators received a shock from the detailed November production statistics; these revealed that the sharp increase in output, mentioned in this column last week, was mainly due to developments in Mexico. The Mexican November output at 20,064 metric tons was nearly 5,000 tons higher than in October, being the highest monthly total since the beginning of the slump. As the decline in the Mexican output in recent years was one of the main causes of the present scarcity of supplies, the reported sharp recovery excited considerable attention. It was only natural that spelter quotations should follow the decline, as the recent strong improvement in spelter was only a result of the strong position of lead. The immediate future of both markets is mainly dependent on the question, whether speculative holders will regain their confidence.

Sales of lead on the London Metal Exchange: 3,050 tons on Monday, against 3,550 tons last week; 3,000 tons on Tuesday, against 2,200 tons last week; 2,350 tons on Wednesday, against 2,600 tons last week. The New York quotation on Wednesday was 6.00 cents per lb., against 6.00 cents a week ago and 5.20 cents a month ago. The official closing quotation in London for soft foreign for shipment during the current month was £26 11s. 3d. per ton, compared with £27 18s. 9d. a week ago.

Sales of spelter on the London Metal Exchange: 2,550 tons on Monday, against 2,250 tons last week; 3,000 tons on Tuesday, against 4,750 tons last week; 2,750 tons on Wednesday, against 3,000 tons last week. Wednesday's quotation in East St. Louis was 5.45 cents per lb., against 5.45 cents the week before and 5.05 cents a month earlier. Wednesday's official closing quotation in London for "good ordinary brands" for shipment during the current month was £18 8s. 9d. per ton, against £19 18s. 9d. last week.

NICKEL.—This week's reduction in the price of nickel from £200 to £205 per ton to £180 to £185 per ton is the first since May, 1934 and is noteworthy in view of the upward trend of consumption. In the first 10 months of 1936 consumption amounted to 162 million lbs., against 160 millions for the whole of 1935. But the latest price reduction accords with the general policy of the International Nickel Company and should have a stimulating effect on consumption.

OTHER NON-FERROUS METALS.—Among other non-ferrous metals, aluminium ingots and bars for home delivery were again quoted at £100 per ton, and rolling billets at £102 per ton. Nickel, for home and export, was in active request at £180 to £185 per ton, against £200 to £205 per ton a week earlier. Quicksilver, on the spot, was quoted at £14 5s. per flask of 76 lbs., the same as last week. Chinese antimony was quoted at £62 to £63 per ton ex warehouse, as against £60 per ton last week. Chinese wolfram for "January-February" shipment was quoted at 32s. 6d. to 33s. 6d. per unit, c.i.f., the same as last week. Refined platinum was steady at £9 15s. per ounce.

TEXTILES

COTTON.—Manchester.—There has been no shortage of inquiry in the market during the past week and in certain quarters demand has tended to broaden. Buyers who have orders to place are realising that there is little probability of more favourable terms in the near future. In connection with the American cotton situation, a development of interest has been the announcement by the Commodity Credit Corporation that a reasonable amount of the 3,000,000 bales of 1933-34 cotton on which the Government had made loans will be released between February 1

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WHOLESALE COMMODITY PRICES

UNITED KINGDOM: LONDON, January 6th

The prices in the following are revised with the assistance of an eminent firm in each department

CEREALS AND MEAT				POTATOES—				WOOL—			
GRAIN, Etc.—				English King Edward				English Southdown, greasy, per lb.			
Wheat—				per cwt.				Lincoln hog, washed			
No. 2, N. Man. 496 lb.	s. d.	s. d.		9 0				Queensland, sd. super cmbg.			
Eng. Gaz. av., per cwt.	51	6		0 9				N.S.W. greasy, super cmbg.			
Barley, Eng. Gaz. av.	9	7		0 8				N.Z., grey, half-bred 50-56			
Oats—				0 8				Tops—			
Maize, La Plata, landed	26	3		0 8				Merinos 70's			
480 lb.				0 8				Crossbred 40-44			
Flour, Lon. stan. ex mill,	39	3		0 8				46's			
280 lb.				0 8				Crossbred 44's			
Rice, No. 2 Burma, per cwt.	9	6		0 11				46's			
MEAT—				SUGAR—				MINERALS			
Beef, per 8 lbs.—				(Duty, 11/8 per cwt.)				COAL—			
English long sides	3	8	4 8	Centrifugals, 96%, prpt.				Welsh, best Ad'ty., ton			
Argentine chilled hinds	3	8	4 0	5 8				Durham, best gas, f.o.b.			
Mutton, per 8 lbs.—				17 0				Tyne			
English wethers	5	4	6 4	17 0				Sheffield, best house, at			
N.Z. frozen	3	4	4 0	17 0				pits			
Lamp, per 8 lbs.—				Nominal.				IRON AND STEEL—			
N.Z. frozen	4	6	5 2					Pig, Cleveland No. 3, d/d.			
N.Z. New Season	5	6	5 8					Bars, M'brough			
Pork, English, per 8 lbs.	6	2	6 6					Steel rails, heavy			
OTHER FOODS								Tin plates—per box			
BACON—								METALS—			
English—per cwt.	96	0	98 0					Copper, Electrolytic, ton			
Irish—	92	0	99 0					Sheets (strong)			
Danish—	94	0						Standard—			
Dutch—	90	0						Lead, Fg. pig, per ton			
HAMS								Soft foreign—			
Canadian—	90	0	92 0					Spelter G.O.B.			
United States—	88	0	94 0					Tin—English ingots			
BUTTER								Standard cash			
Australian—	97	0	98 0					MISCELLANEOUS			
New Zealand—	97	6	98 0					CHEMICALS—			
Danish—	110	0	112 0					Acid, citric, per lb., less 5%			
CHEESE								Nitric			
Canadian—per cwt.	70	0	72 0					Oxalic, net			
New Zealand—	58	0						Tartaric, English, less 5%			
English Cheddars—	86	0	88 0					Alcohol, Plain Ethyl			
Dutch—	49	0	57 0					Alum, lump			
COCOA								Ammonia, carb.			
(Duty, British grown,								Sulphate			
11/8; foreign, 14/- cwt.)								Arsenic, lump			
Accra, f.f.	53	0						Bleaching powder, per ton			
Trinidad—	65	0	70 0					BORAX—			
Grenada—	60	0	64 0					Gran.			
COFFEE								Do., powder			
(Duty, British grown,								Nitrate of soda			
4/8; foreign, 14/- cwt.)								Potash—Chlorate, net			
Santos sup. c. & f. cwt.	49	0						Sulphate			
Colombian, good	56	0	62 0					Soda Bicarb.			
Costa Rica, med. to good	56	0	78 0					Crystals			
East Indian	55	0	70 0					Sulphate of Copper, per ton			
Kenya, medium	56	0	66 0					CEMENT, best Eng. Portland, d.d. site,			
EGGS—								London area, jute sacks, 11 to ton			
English—per 120	13	0	14 0					(charged and credited at 1/6d. each) or			
Danish—	11	6	12 0					paper bags 20 to ton (free, non-return-			
FRUIT—								able)			
Valencia—cases	8	6	14 0					4-ton loads and upwards 39/- per ton			
Jaffa—boxes	8	0	12 6					1 and up to 4-ton loads 41/- per ton			
Lemons, Malaga	14	0	16 6					COPRA—			
Sicilian	22	0	27 0					S.D. Straits c.f.f., per ton			
Apples: Amer. (var.) bris.	10	0	13 0					Caribpor			
(var.) boxes	10	0	13 0					Japan, refined			
ONIONS—								Ipecacuanha			
Valencia, case	11	0	12 0					HIDES—			
Egyptian, bags	10	0	13 6					Wet salted—Australian			
Grapes, Almeria, barrels	10	0	13 6					per lb.			
Grapefruit, Jaffa	10	0	13 6					West Indian			
Amer.	10	0	13 6								
LARD—											
Irish bladders	72	0	80 0								
U.S.	74	0	75 0								

† These prices are for fuel oil for inland consumption—other than for use in Diesel-engined road vehicles—and do not include the Government tax.

UNITED STATES

New York quotations unless otherwise stated

	Jan. 8, 1936	Dec. 9, 1936	Dec. 30, 1936	Jan. 6, 1937		Jan. 8, 1936	Dec. 9, 1936	Dec. 30, 1936	Jan. 6, 1937
Wheat, No. 2, Winter, nearest future, Chicago, per bushel	102½(c)	128(b)	135½(c)	131½(c)	Sugar, Cuban Centrifugals, 96 deg., spot, per lb.	3-15	3-85	3-90	3-95
Maize, nearest future, Chicago, per bushel	61½(c)	109½(b)	105½(c)	105(c)	Cotton, middling, spot, per lb.	11-90	12-84	13-04	12-96
Oats, nearest future, Chicago, per bushel	25½(c)	49½(b)	51½(c)	52½(c)	Rubber, smoked sheet, spot, per lb.	13½	19	21½	21½
Rye, nearest future, Chicago, per bushel	54½(c)	101½(b)	116½(c)	112½(c)	Petroleum, Mid-continent crude 33 deg., to 33-90, at well, per barrel	94	104	104	104
Barley, nearest future, Chicago, per bushel	(a)	89½	84½(c)	84(c)	Copper, "Electrolytic," Domestic, spot, per lb.	8-32½	10-52½	11-57½	11-67½
Coffee, Rio No. 7, cash, per lb.	6½	8½	8½	8½	Copper, "Electrolytic," Export prompt, per lb.	8-55	10-75	11-80	11-90
" Santos No. 4, cash, per lb.	8½	11½	11½	11½	Spelter, East St. Louis, spot, per lb.	4-85	5-05	5-45	5-45
Cocoa, Accra, nearest future, per lb.	4-98	10-80	11-61	11-74	Lead, spot, per lb.	4-50	5-20	6-00	6-00
	(a) Nominal.	(b) December futures.	(c) May futures.		Tin, " Straits," spot, per lb.	47-12½	52-25	51-45	51-00

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THE STOCK EXCHANGE

them. As domestically, so internationally, co-operation is the efficient cause of progress. "We do not believe in conflict. We believe in co-operation."

But this positive co-operation can only be effective if it is based on freedom. In translating the creed of positive liberalism to the international plane to-day, MR EDEN and the Government he represents should apply its lessons thoroughly. Merely to say that democracy rejects the necessity of mutually exclusive ideologies is as barren as a supine *laissez-faire* would have been in our own political and social development last century. Every householder rejects the necessity of burglary, but he also pays taxes to maintain the policeman. Our tolerance, our democracy, our liberalism, must become as positive in foreign affairs as it has long been in domestic matters. While democracy does not seek to interfere or to imperialise, or to impose any form of government in another country in the world to-day, its principles cannot govern the relations of States to one another, even if any of them seek to act on an opposite principle. If a democratic people disclaims the intention of interfering with others, it must equally deny the right of interference to the apostles of totalitarianism. How grievously the democratic peoples have failed in this respect during the last weeks, months and years! What were the leaders of positive British democracy doing that allowed Japan to seize Manchuria; or Italy

to seize Ethiopia; or the Fascist dictators to intervene in Spain?

The Foreign Secretary has delivered an address on the challenging doctrine of positive democracy; and he has further added a reminder that, if a free democracy is the golden mean between dictatorship of the Right or Left, "courage is a mean between foolhardiness and timidity." There is unfortunately too much reason to lament that, while we see around us accumulated evidence of international foolhardiness, the democracies have been guilty of excessive timidity. This week our Government made a positive gesture by accepting the offer of GENERAL FRANCO'S *locum tenens* in Spanish Morocco to receive a British commission of inquiry into the extent of German infiltration into that zone. But, whatever its tactical objective, there is little positive achievement in a unilateral ban on the scanty enlistment of British subjects on behalf of either side in Spain. And we have allowed France to shoulder the responsibility of warning HERR HITLER, surprisingly successfully, of the grave international situation which would arise if the German preparations in Spanish Morocco were carried to any greater lengths.

The Foreign Secretary's words are doubly welcome for their overdue arrival. If they betoken an access of courage to the Cabinet in its foreign policy, the country as a whole will be truly thankful.

Morocco and the Powers

THE sudden concern in France over the reported activities of German citizens in Spanish Morocco is not at all surprising. If the many recent circumstantial reports are confirmed, it is natural that, in spite of the assurances given by HERR HITLER to the French Ambassador in Berlin this week, the French and British Governments should feel a specially grave anxiety; for both Governments have for long considered that the active intervention of Germany in Morocco would be a menace to their essential interests.

Take the strategic aspect first. It is obvious that the Straits of Gibraltar can be commanded from the African as easily as from the European side; that Ceuta is potentially a counter-Gibraltar; and that, under the conditions of modern warfare, a competition between two rival Powers for the control of the Straits on opposite sides would almost automatically be decided in favour of the competitor whose territorial base of operations was the larger. This last consideration would mean that the historic British control of the Straits of Gibraltar might be snatched out of British hands by any hostile naval Power that had made itself mistress of Spanish Morocco.

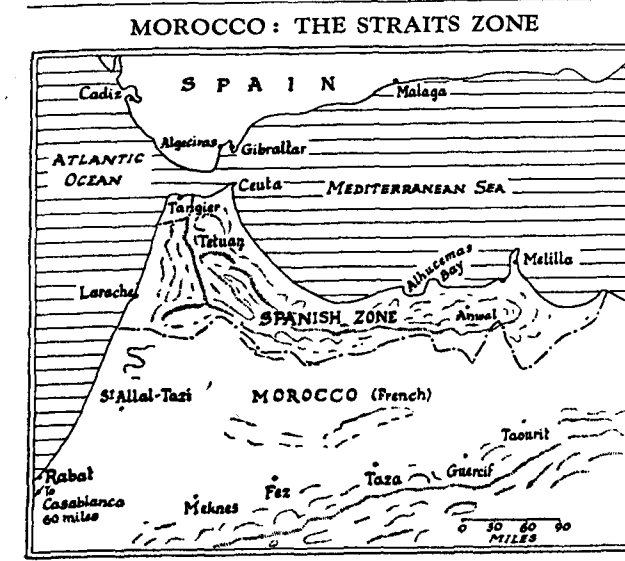
The coastline of Spanish Morocco includes not only the African shore of the Straits but also a frontage on the Atlantic, flanking the French route to Casablanca and the British route to the Cape, as well as the long strip of Mediterranean coast. Except for the Atlantic end, this expansive and important coastline is protected in the rear by a continuous chain of mountains which might be fortified into virtual impregnability—so that any efficient military Power which had once dug itself in here might turn the whole territory into one gigantic fortress. In German hands, this fortress, once organised and garrisoned and supplied, might stand a long siege, even if it were cut off from the Reich by hostile fleets and armies. An enemy besieged in Spanish Morocco by the armed forces of France might still be able to take the offensive with the weapons of propaganda; for Spanish Morocco lies on the threshold of French North Africa. There was a moment, twelve years ago, when the foundations of France's North African Empire quaked under the far-

reaching psychological impact of a short military thrust which ABD-AL-KARIM made out of Spanish Morocco into the adjoining part of the country which is under French domination. ABD-AL-KARIM was a native Moorish leader, unskilled in the modern arts of mechanised warfare, unable either to make or to import munitions, and at war not only with France but also with Spain simultaneously. Suppose that the master of Spanish Morocco were not an ABD-AL-KARIM but a German General Staff with a friendly Franconian Spain behind it, and an Italy as benevolently neutral as she is over Spain—the French might well tremble for the security of their African empire.

Now take the political aspect of the case. Perhaps the first point to observe is that Spanish Morocco is not a Spanish creation. At the opening of the present century, Spain's holdings on the African side of the Mediterranean were confined to the so-called *presidios*: half-a-dozen footholds on islands and peninsulas along the Mediterranean coast of Morocco. These *presidios* were on an even smaller scale than Gibraltar; and Spain neither showed the desire, nor possessed the means, to enlarge her Moroccan dominions. Spanish Morocco was thrust upon Spain for British convenience; and was conquered for Spain by French arms. The coastline of Spanish Morocco, apart from the *presidios*, represents the length of African coast on which the British Government insisted that no new fortifications must be built and that no Great Power must enter into possession. This was part of the terms of the Moroccan chapter of the pre-war Anglo-French *entente*. It was, in fact, the condition on which Great Britain agreed to the extension of French control over the bulk of the Moroccan Empire. Great Britain was concerned to make sure that no Great Power—neither France, nor any other—should get hold of a coastline which, even at that time, would have been a menace to Gibraltar if it had fallen into any strong Power's hands.

This introduction of Spain into Morocco was, from the Franco-British point of view, the line of least resistance. It was hoped that Spain would provide that neutral "packing" round the Straits of Gibraltar which

was supplied by Denmark and Sweden on either side of the entry into the Baltic. Unfortunately, Spain proved unable to play the part for which she was cast. Her attempt to make herself mistress of her zone by



her own unaided military efforts came to a disastrous end in 1922 at Anwal, where the Moorish chieftain, ABD-AL-KARIM, annihilated a Spanish army commanded by many of the generals who are now rebels. And it was not until the victorious Moor had made the blunder of turning his arms against the French as well that the Spanish Humpty-Dumpty was set up again on his Moroccan wall in 1926.

On the map, Morocco looks as though it had simply been partitioned into two zones: a large zone

appropriated by France, and a small zone consigned to Spain. But in law, the status of the two parties in their respective zones is not identical. For the Sultan of Morocco has in theory retained the plenitude of his sovereignty over the whole of his empire, embracing both the zones. At the same time he has accepted a French protectorate, and a French protectorate only. Spain has acquired no protectorate over the Sultan—neither jointly with France nor severally in her own zone. The legal situation is that the Sultan, acting on French advice after having come under French protection, has assigned the administration of one portion of his territory to a third party, Spain, and has appointed a Khalifah, or deputy, to represent his sovereignty in this territory. This Khalifah in the Spanish Zone is the representative of a sovereign who is himself a *protégé* of France. Therefore, in holding her zone of Morocco from the Sultan, Spain is holding it from France.

This legal position may give France a title to intervene in the Spanish Zone in order to vindicate the Sultan's rights there. Nor would this be simply a legal quibble. Spain has undertaken by treaty with France not to allow any other Power to gain a footing in the Spanish Zone, and not to fortify, or allow anyone else to fortify, this African territory—the *presidios* always excepted. The French Government might, therefore, reasonably argue that, in leasing the Spanish Zone to Spain, neither they nor the Sultan had any intention of alienating it to Germany or to anyone else.

When Europe is brought to the brink of war, for the second time within living memory by a crisis arising out of alleged German designs upon Morocco, we are almost driven to confess that history does repeat itself—and this with a disconcerting celerity.

The Newspaper Industry—III

The Race For Circulation

NOTHING in the newspaper industry has attracted as much attention in recent years as the methods adopted by the largest organs to obtain increased circulation. For very many years the popular newspapers have employed large numbers of canvassers seeking to enrol new readers. Indeed, canvassing became an integral part of the sales organisation of the popular Press from the time when free reader insurance was introduced. But in the last six or seven years the intensity and the expense of this canvassing have greatly increased. Various forms of inducement have been held out to hesitating subscribers. In the first instance, these inducements were relatively inexpensive objects such as, in a previous age, used to be given away with a pound of tea. But gradually this buying of circulation became more costly. Thereupon, the newspaper proprietors made an agreement among themselves to refrain from offering free gifts and to limit expenditure on canvassing. But under the pressure of competition these barriers gave way. The climax was reached in the spring of 1933 and took the surprising form of a competitive rush to present the British public, at prices which admittedly did not cover the cost of production, with sets of the complete works of Charles Dickens. Since then the excitement has somewhat abated. But every newspaper with ambitions towards a sale in the million class still spends a very large sum of money on the maintenance or increase of its circulation by means of canvassing and the offer of books, fountain pens or other small articles at less than cost, on condition that the paper is taken for a period of four to eight weeks.

These competitive practices have come in for more than a little derision. It may be admitted at the outset that in their extreme, or Dickensian, aspect they cannot be justified by purely commercial considerations. But it would be a mistake to assume—as is so frequently assumed by the critics of the Press—that there are no real advantages to be gained from an increased circulation.

Every industry which has any overhead costs at all can derive some benefit from an expansion of its output. This is true of a newspaper, to which it is an advantage to spread its editorial costs and capital charges over as wide a circulation as possible. But it is of minor importance compared with the advantages of swelling its large "overhead income" from advertisements. For a popular paper, advertisement revenue is at least as important as sales revenue; and the main object of increasing circulation by canvassing expenditure is to increase both the volume of, and the rate charged for, advertising. Hence, newspapers which adopt this form of expansion will commonly spend much more in canvassing than the additional readers contribute in sales revenue.

The advertiser is primarily interested in the number of people who will see his advertisement. For him the dominating consideration is not the absolute cost of an advertisement, but its cost per thousand readers. A paper with a large circulation can charge a higher rate per page or per column-inch than it could if its circulation were smaller. This is not to say that total circulation is the only criterion in fixing advertisement

rates. The character of the circulation must also be taken into account. For example, a local paper all of whose circulation is "effective" for the local advertiser, or a "specialist" or class paper, can naturally obtain a higher rate per column-inch per thousand readers than a paper with a general circulation. But it is universally true that a paper of any type which increases its circulation sufficiently can raise its advertisement rates per page. Thus an increase in circulation augments both sales and advertisement revenue, and it is commercially justifiable to pay a considerable price for it. In practice, the advertisement revenue will tend to increase at first only through a larger volume of advertising, and the rate will not be raised until the increase in circulation has been well consolidated; but this hardly affects the argument.

A large circulation is, in fact, essential to a popular paper with a general appeal if it is to secure a large enough revenue to cover its general costs. Moreover, even after it has attained a profitable circulation, it still finds it necessary to engage in the circulation race; otherwise, the marginal part of its circulation which is needed to secure a healthy profit and loss account would be filched away by its competitors. Every paper has a solid basis of loyal readers. But there is a floating surplus which is at the disposal of the highest bidder. Here is clearly a case for agreement to avoid purely internecine competition. Failing agreement, every paper must fight to retain its readership at the required level.

But there is a further reason. As in every other competitive industry, each newspaper is constantly under pressure to improve the value of its product. Much the easiest way in which this can be done is to increase the number of pages sold for a penny. But additional pages cost money, and if more pages are to be given for the same penny a bigger subsidy in aid of sales revenue will be needed from the advertiser. This can only be secured if circulation is maintained or increased. If one paper increases its size, the pressure on the others to follow suit is sufficient to make them also urgently desire an increase in circulation in order to be able to expand the size of their issues. The larger the size of paper which competition dictates, the larger the minimum circulation which will enable the accounts to balance.

The race for circulation thus brings very direct benefits to the newspaper reader. He may dislike seeing advertisements on every page. But he should reflect that there would be very much less reading matter for him if

it were not for the advertiser. For example, if a paper which is now printing twelve pages of editorial matter and eight pages of advertisements, and selling 2,000,000 copies a day, were suddenly to impose on itself a self-denying ordinance against the acceptance of advertisements, it would either have to increase its circulation to about 5,000,000, or else reduce its editorial pages to about six per day.

There are obvious dangers in an excessive concentration of newspaper readership—dangers that are in no way diminished by the fact that in this country the control of the papers with large circulations has been so largely determined by the chances of competition. No democrat would exchange our present Press control for the appallingly dangerous dictatorship of the printed word which exists in totalitarian States. But even in England much damage might be done by irresponsibility on the part of those who happen to be in control of the popular Press. It will, therefore, be generally agreed that since there is safety in numbers it would be against the public interest if there were any further reduction in the number of our popular newspapers.

On the other hand, it would be contrary to the universal trend the world over if in this country we were to revert to a multiplicity of papers of moderate or small circulation. One distinguished former editor of a London daily has been quoted as saying that the circulations of newspapers should be limited by law to 100,000 copies. But it is doubtful whether he realised that in that case there would be very little room for news, and very little money for such expensive items as special correspondents in foreign capitals, cabled dispatches and special pictures. A newspaper of this size would have to be filled with the unadorned reports of the news agencies, compiled by the cheapest possible staff. It is all very well for the philosopher to cast doubts upon the advantages of larger newspapers, replete with "features" as well as news. But the newspapers are not produced for philosophers. So long as the public wants the size and quality of newspapers that it is getting, the industry will be dependent upon advertisement revenue. And so long as it is so dependent, there will be an urge towards large circulations. In short, though in many ways newspaper proprietors may lead and may stimulate demand, their critics would do well to bear in mind that in a free country of educated citizens the Press is to a large extent the servant and not the master of the public.

Boom in Steel

REPORTS of a growing scarcity of iron and steel materials, accompanied by rising prices, have recently caused much concern. Why is an industry, which until recently was suffering from surplus capacity and unremunerative prices, now unable satisfactorily to meet the demand for its products? What is the industry's position in the general industrial make-up of this country? And what should be done to solve the present shortage of iron and steel? These problems are of urgent public importance, and the best way to approach them is by examining their historical and international setting.

The period of rapid expansion of iron and steel production, during the fifty years preceding the Great War, coincided with the rise of modern industry, first in this country and later abroad. World production of pig iron rose from 8.9 million tons in 1866 to 77.9 million tons in 1913. In the former year, British output, at 4.5 million tons, represented more than one-half of world production; but during the following years the industrialisation of other countries, particularly Germany and the United States, proceeded apace. By 1913 Britain's proportion of world output had fallen to 13.2 per cent. Owing to technical difficulties, the phase of rapid expansion

in steel production began considerably later than in the case of pig iron. In 1866, for example, world output of crude steel was only 0.3 million tons, of which Britain produced 37 per cent. World production of pig iron exceeded the 11 million-ton mark in 1870, but that volume was not reached by steel until twenty years later. During the first thirteen years of the present century, however, world output of crude steel increased almost threefold, and in 1913 it was almost as large as the production of pig iron.

Though the war did not arrest the growth of world demand for steel, its conclusion, nevertheless, marked the end of the period of rapid expansion of the industry in this country. In 1924, both British and world production of crude steel was only slightly above the pre-war level. Between 1924 and 1929, however, world production took a sharp upward turn, while British output showed only a slight expansion. During the subsequent depression the industry suffered a sharp contraction in most countries of the world, but in 1932 activity resumed its upward trend. In recent years the progress of the industry in this country has been more rapid than abroad; for while world production of steel in 1936

only just exceeded the pre-depression level, production in this country showed an increase of 21 per cent. The trend of pig iron and steel production since 1900, both in this country and in the world as a whole, is shown below:—

BRITISH AND WORLD PRODUCTION OF PIG IRON AND CRUDE STEEL
(In millions of tons)

	1900	1913	1924	1929	1932	1935	1936
Pig iron:—							
British production....	8.96	10.26	7.31	7.59	3.57	6.42	7.69
World production....	39.81	77.90	67.13	97.35	39.09	72.54	90.10†
Crude steel:—							
British production....	4.90	7.66	8.20	9.64	5.26	9.86	11.70
World production....	27.83	75.15	77.23	118.37	49.90	96.29	121.00†

† Estimated on basis of production in January–October.

The trend of the figures suggests that Britain has lost her former world dominion in the industry. The process of industrialisation in foreign countries has inevitably been accompanied by the establishment of native iron and steel plants. But the growth of iron and steel production in foreign countries before the war did not prevent the continued expansion of production in this country. Nor did it seriously affect Britain's competitive strength in the export markets. British iron and steel manufacturers were then fairly prosperous; for demand rose almost without interruption.

After the war, however, the industry in this country had to face considerable changes in the conditions determining its fortunes. Foreign competition became increasingly severe, and the strong secular upward trend of home demand gave way to more gradual expansion. Thus, like the coal and cotton trades, the British iron and steel industry has been beset with difficulties ever since the war, when its capacity was greatly extended at inflated prices. Again, as in the coal and cotton trades, the low profit-earning capacity of iron and steel manufacture prevented the industry from raising the capital necessary for reorganisation. Consequently, some British producers tended gradually to fall behind their competitors overseas in the efficiency of their plant and equipment.

In 1925, the industry applied to the Board of Trade for an inquiry, with a view to the imposition of an import duty. The application, however, was refused, and the industry did not obtain protection until five years ago. Its imposition actually coincided with the beginning of a rise in home demand for iron and steel, which has not only absorbed all surplus capacity, but has outrun the immediate productive power of the industry. Exports have been curtailed, and imports have been increased beyond the limited quantities fixed by agreement with the International Crude Steel Cartel.

The present scarcity of materials, therefore, is partly a legacy of the war, the apathy of manufacturers during the post-war decade, and the difficulty of raising fresh capital during the period of depression. The rapid expansion of demand during the past few years, however, could hardly have been foreseen even five years ago. More recently, the industry has made vigorous efforts to put its house in order by the modernisation of plant and equipment and by extensions of capacity. But these improvements have failed to keep pace with the rapid increase in home demand. Had larger imports of cheap foreign materials been permitted, the position would have been much less acute. That remedy is less practicable to-day, when world demand is rising sharply and other countries have less material available for the British market. But the industry is in duty bound to neglect no opportunity of procuring even a partial increase of immediate supplies.

The further extension of home producing capacity may well be necessary, even if a more liberal tariff policy is pursued. But it is essential that the industry should take a long view, and avoid haphazard extensions which might involve new difficulties a few years hence. Since the war the industry has been subject to violent fluctuations in activity, whose extent and consequences are revealed by the next table. The figures compare the trend of home consumption of iron and steel with the course of general business activity in this country, and

contrast the trend of profits and dividends in coal, iron and steel with their trend in general business:—

INDICES OF ACTIVITY AND PROFITS IN COAL, IRON AND STEEL AND GENERAL BUSINESS
(1929=1000)

	Indices of Activity*		Indices of Profits†		Average Rate of Dividend Paid	
	Index of Business Activity	Home Consumption of Iron and Steel	All Companies included in <i>Economist</i> Profit Analyses	Coal, Iron and Steel Companies	All Companies included in <i>Economist</i> Profit Analyses	Coal, Iron and Steel Companies
					%	%
1923	...	...	77.4	15.3	9.5	5.0
1924	89½	89	85.0	21.3	9.9	4.1
1925	90½	81½	91.4	51.8	11.1	3.3
1926	81½	51	89.5	35.5	11.0	3.3
1927	97	115½	94.7	62.3	10.5	3.1
1928	95½	88½	96.4	68.2	10.3	3.2
1929	100	100	100.0	100.0	10.3	3.9
1930	94½	87	85.5	82.4	8.4	3.0
1931	89	75	82.8	41.9	5.7	2.1
1932	85½	61½	58.7	59.7	5.6	1.5
1933	90½	72	65.8	110.1	5.7	1.9
1934	97½	96½	78.7	204.1	7.1	2.8
1935	101½	103	88.6	265.0	7.9	4.5
1936	107	127	...	...	...	...

* Calculated by *The Economist*.

† Based on reports published during twelve months ended June 30, of following year.

The indices of activity clearly show that there was no capital equipment boom in the years preceding the depression. Between 1924 and 1929 general business activity and home consumption of iron and steel increased at an almost identical rate. During the subsequent depression the fall in the consumption of iron and steel was more marked than the decline in general activity—a normal feature of a cyclical downswing. In common with general business activity, iron and steel consumption began to expand again in 1933, and two years later both indices were slightly above the pre-depression level. In the past year, however, iron and steel consumption rapidly forged ahead of general business activity. This, again, is a normal cyclical phenomenon; for, during recovery, activity in the capital equipment industries usually rises above the general level of business. But the indices also confirm the view that Britain has now reached a fairly advanced stage of the trade cycle, when there is a tendency to over-expansion of industrial capacity. The absence of a boom in the capital equipment industries before the depression is largely due to the fact that British recovery was impeded by the effects of an over-valued pound.

Fluctuations in profits have been even more marked. Between 1923 and 1929 a steady rise in general business profits was accompanied by a more marked increase in the earnings of coal, iron and steel concerns. On the other hand, earnings, expressed as a percentage of capital invested, remained at a low level in the coal, iron and steel industries, and were reflected in the disparity between rates of dividends. As in the case of the comparison of activity, coal, iron and steel profits fell more during the depression than general business earnings. But the recovery since 1932 has been all the more rapid. In 1935, when general business profits were still 11.4 per cent. below the pre-depression level, coal, iron and steel earnings showed a rise of 165 per cent. over 1929. Moreover, although the rate of dividend paid by coal, iron and steel companies in 1935 was still much lower than the average rate paid by all companies, payments were then already higher than in 1929, while the average dividend of industry as a whole was still below the pre-depression level. The profit-earning capacity of the iron and steel industry continued to improve rapidly in the past year; for, as our analysis of industrial profits (see next article) shows, the rate of increase in coal, iron and steel profits during the past year has been more marked than in any other branch of domestic British activity.

Unless demand by importing countries begins to expand at the moment when British consumption takes a downward turn, the iron and steel industry may be faced with a serious contraction of output a few years hence. For the time being, however, demand is likely to continue its upward trend and some expansion of capacity cannot be avoided. But the danger of over-

extension of capacity, say two years hence, must not be overlooked. The prompt removal of all restrictions on imports offers the only means of mitigating the present shortage of iron and steel materials. It would also tend to mitigate the next depression in the iron and steel industry (whenever it occurs) by minimising the over-expansion of capacity. Again, the various concerns comprising the iron and steel industry might with advantage consult together in order to prevent simultaneous additions to capacity which, in the aggregate, might exceed potential demand. Such a development, incidentally, might ultimately lead to greater concentration, which, in the long run, is essential to a satisfactory solution of the industry's problems. At present the capacity of a single organisation in America—the United States Steel Corporation—is more than double that of the entire British industry. If the Government are to continue to afford assistance to the industry, in any shape or form, reorganisation and consolidation must be enforced.

Swelling Profits

WITH the courteous co-operation of many company secretaries, *The Economist* takes a census of British industrial profits, uninterruptedly week by week and year by year. Our census is not exhaustive, for the figures of private businesses are outside its scope; but it may be claimed to be representative of industry generally, since it includes practically every company whose shares are well known to the investor.

Our latest batch of results, which are given on page 146, are of special interest, for they incorporate data received as recently as December 31st, and are the first available measurement of the effect on industrial earning power of last year's rapid increase in trade activity. They show that some 382 companies which reported in the third quarter of 1936 increased their net earnings (after debenture interest) by 14.3 per cent.; and that 496 companies which reported in the last quarter increased their earnings by 15.2 per cent. The majority of these companies made up their accounts on dates between the end of June and October. Their results, therefore, do not yet afford a complete picture of last year's operations. But they relate mainly to the calendar year, and the impression they give is entirely gratifying. It is clear that recovery is well-distributed and well-sustained. From the second quarter of 1933, our analyses have shown an increase in total profits during fifteen successive three-monthly periods, with only two breaks.

Readers who examine the detailed tables, however, will be impressed by the unequal extent to which different groups of companies shared in last year's recovery in profits. If the percentage increases in 1936, compared with 1935, be arranged in descending order for various industries, the following table emerges:—

INCREASE, 1936 OVER 1935

(Reports Received in Last Six Months of 1936)

Group of Co.'s	% Increase	Group of Co.'s	% Increase	Group of Co.'s	% Increase
Rapid Rise (over 20 per cent.)					
Tea	130.0	News and Printing	17.3	Hotels	9.2
Oil	43.7	Financial, Land	16.9	Breweries	9.1
Steel and Coal	38.4	Warehousing and Trading	15.9	Trusts	5.0
Motors and Aero	30.1	All Companies ... 14.8		Tobacco	4.8
Elec. Equipment	23.9	Building Materials	14.3	Water	3.4
Elec. Power	22.0	Textiles	11.6	Food	0.5
Average Rise (10 per cent. to 20 per cent.)					
Miscellaneous	17.6	Shops and Stores	11.1	Falling Profits	
		Rubber	10.9	Shipping	5.0
				Gas	7.4
				Trams and Buses	*

* Debit balance in 1936, but results are insufficiently representative.

There is an obvious relationship between these results and last year's rise in primary commodity prices, the activity in the steel, engineering and "re-armament" trades, and the increasing electrification of industry. Broadly, the race has run true to form, and the best-backed industries have led the field. But how does the rise in earning power compare with the expansion of

industrial activity, as a whole? From the figures of our Index, given regularly in *The Economist* Monthly Supplement, we know that trade activity as a whole last year was about 6 per cent. above 1935, about 25 per cent. above 1932 (the worst year of depression) and about 9 per cent. above 1929. The extent to which profits per £100 of issued capital have varied during the last seven years may be inferred from the following table:—

RETURN ON CAPITAL

Reports published in last six months of	No. of Companies	Profits (after debenture interest) (£'000)	Profits: Per cent. of total issued Capital*	Index of Return on Capital (1929 = 100)
1929	677	56,732	10.7	100
1930	838	55,801	8.5	79
1931	794	28,289	3.9	36
1932	775	32,166	4.1	38
1933	771	36,511	5.3	50
1934	781	45,751	6.9	64
1935	830	56,033	8.5	79
1936	878	71,109	10.1	94

* Ordinary and Preference.

Our sample of companies is not identical throughout, and numerous concerns have increased or reduced their issued capital since 1929. Comparison with our Business Activity Index can obviously be no more than approximate; but it is nevertheless instructive. Taking the figures as they stand, the average rate of earnings last year was 19 per cent. above 1935, two and a half times as high as in 1931-32, but 6 per cent. below 1929. Profits, in other words, fell much more rapidly than industrial activity in the years of depression, and are rising more rapidly now. There are two main explanations of this difference—namely, the incidence of "overhead charges," and the effect of the successive decline and recovery of commodity prices on "inventory values." But even the figures in our table fail to give an adequate idea of the extent to which the return on ordinary capital, which normally carries the largest share of industrial risk, has varied in the last few years. A "fixed" return on debenture and preference capital absorbs a considerably larger proportion of total earnings when profits are low than when they are high. How much recovery has meant to ordinary shareholders can be inferred from the following figures, calculated from our records for 1932, when our Business Activity Index touched its lowest point, and for 1935 and 1936:—

ORDINARY CAPITAL

Reports published in last six months of	Proportion of Total Profits* taken by Fixed Payments† (%)	Ordinary Capital		Proportion of Total Ordinary Earnings "Reserved" (%)
		Rate Earned (%)	Rate Paid (%)	
1932	47.3	4.4†	4.6	Dr. 4.1
1935	32.4	10.8	7.4	31.6
1936	27.9	13.3	8.5	35.9

* Before debenture interest. † Debenture interest plus preference dividends paid. ‡ True figure probably lower, owing to unearned and unpaid preference dividends.

Debenture and preference payments absorbed under 28 per cent. of total profit last year, against over 47 per cent. in 1932. The rate of earnings on ordinary capital is now at least three times as high as it was during the slump. But the average rate of dividend shows less than a twofold increase, for directors have become more conservative as profits have risen. The companies which reported in the last six months of 1932 paid out, on the whole, more than they earned; the companies of 1936 "reserved" more than one-third of the aggregate profits earned for their ordinary shareholders.

We may, therefore, draw three main conclusions from this survey. Business profitability, on the whole, has followed business activity, both in general direction and in distribution between different industries. But its fluctuations, inevitably, have been much more severe, particularly for ordinary shareholders. And an increasing share of "recovery earnings" is being reserved and used to finance new business. This tendency, as we showed last week (page 71) has had a perceptible influence on the total volume of bank advances and on banking profits. Its ultimate effect on industrial earnings however, must necessarily be beneficial.

Willow-Pattern Recovery in China

CHINA abandoned silver, adopted a managed currency, and pegged the exchange on the sterling price of gold on November 3, 1935. Many then prophesied that the experiment would fail. But the experience of the past year has falsified that expectation. China is having a recovery—but it is recovery of the willow-pattern kind.

Before the change-over, China had experienced depressed conditions in agriculture, falling prices, a heavily adverse balance of trade, a rapid flow of silver from the interior to Shanghai and from Shanghai abroad, a steady drain on the currency reserve, and violently erratic exchange rates. Since the change-over, the exchange rate on London has been maintained within extremely close limits; the outflow of silver has been reduced and has been used to build up foreign exchange holdings for exchange control; the indices of prices have risen; and the National Government has had considerable success in impounding the silver holdings of the country. The adverse balance of foreign trade (excluding Manchuria) was reported at \$1,087 millions in 1931, \$733 millions in 1933, and \$343 millions in 1935. The figure for the first nine months of 1936 was \$177 millions, against \$323 millions for the same period of 1935.

The new monetary system is far from complete. The Central Reserve Bank has yet to be put into operation; the Central Bank control over commercial banks is yet to be properly developed; and the new currency has hardly begun to replace the old. But so far the story has been a success. The National Government has been able to reduce the burden of domestic internal debt by its reorganisation, on the basis of a more gradual rate of amortisation. Efforts have been made to improve the expectations of the foreign holder of Chinese bonds.

But there are many other features which make the task of maintaining the economic improvement difficult and uncertain. The Budget is not balanced; and with 80 per cent. of national expenditure devoted to military purposes it is not likely to be so. Peace, both inside and outside China, is essential to domestic reconstruction; and peace may not be granted. Smuggling of goods into North China, under benevolent Japanese protection, threatens to undermine the Customs revenue essential to service of foreign debts and to national expenditure. The loss of Customs revenue was running early in 1936 at almost one-third of the total. Customs duty and salt revenue amount to over 60 per cent. of national revenue. The Central Government has not yet established control over provincial finances and note issues. The collapse of the revolt in the South and the enhanced prestige of Chiang Kai-shek after the abortive Chang Hsueh-liang kidnapping episode may strengthen the Central Government. But victory over the rival political forces in the outlying areas is by no means complete.

Even if all political conditions favour the Chinese Government's new monetary control, its successful operation will touch only the fringe of the main problem ahead of the Chinese National and Provincial Governments: rural reconstruction. There are about 420 million people in China proper, excluding Manchuria, Outer Mongolia, and Tibet; and probably 80 per cent. of them are employed in agriculture. Their lot, to put it mildly, is not a happy one. The extraordinary strength of the Communist movement in China is a measure not of the weakness of the opposing Government military forces, nor of the size of imagined assistance from other countries, but of the poverty and depression of the peasant, to whom desperate remedies alone seem to offer relief.

The nature of the rural problem has frequently been discussed in recent years, and remedies are developed on paper, and on the statute books, if not in reality. Foremost in urgency comes control of floods and famines. Just as important is the need for economic reform, relief of land tax, revised systems of land ownership and facilities for cheap credits. Land tax, increased by surcharges which sometimes make the burden ten times greater, collected in one case for

60 years in advance, demanded even on occasion from peasants whose land has been appropriated without compensation, is the fundamental source of revenue of Local Governments. Relief expenditure by these bodies comes only too frequently from the parties in need of relief. And since the richer landlord can frequently find a way to evade taxation, and since he may be himself the tax collector, the burden is laid more and more heavily upon the man least able to pay it. China may claim the distinction of having developed perhaps the most regressive system of taxation in the world. And if economic reconstruction is to be reared on a lasting base, there must be revision of land tax. A reform law was passed by the Legislative Council in 1930, and came into force in March, 1936. But it has far to go before it becomes effective.

Some peasants find slight economic relief through co-operative societies, which have rapidly grown from feeble beginnings. But in 1935 there were only just over 1,000,000 members in some 26,224 societies, and in a population of 420 millions. In the majority of cases the farmer must rely for expensive credit upon moneylenders, pawnbrokers, landlords and merchants.

Essential elements in rural reconstruction are the improvement of agricultural methods and products; afforestation, and irrigation; and the development of transportation to prevent local famine, to encourage economic diversification, and to strengthen the Government's control over irresponsible Provincial officials. And most important, if most difficult, is the spread of education, both technical and political. For China's progress cannot go far without a reversal of the old-established system of Government—by officials for their own benefit—with the working people prohibited from taking part in it. It is one of the causes of criticism of Chiang Kai-shek by some Chinese that he seems to favour reconstruction of the peasantry along lines of Fascist obedience, checked by police-spying, rather than through the growth of democratic education.

Progress is being made in many of these directions, but it is inevitable that the attention of the National Government should be concentrated on making roads, with obvious military advantages. Indeed, their use for goods transport is negligible; imported gasoline bears a heavy tax which makes it prohibitive for the farmer. The census of April, 1936, gives a total of 44,802 motor vehicles for the whole of China. But road-building proceeds apace, new construction having risen from 1,185 km. in 1921 to 96,345 km. in 1935.

Compared with past standards, expenditure on rural reconstruction is making rapid progress. Appropriations in the 1935-36 National Budget are 16 times the 1931-32 figure; but the 1936 figure was still only \$36,500,000, or 3.7 per cent. of the total budget. Expenditure by Provincial and local governments is larger than by the National Government; but the total is still Lilliputian compared with the work to be done.

It is hoped that the end of economic deflation may encourage a re-investment in domestic industries, particularly in the light industries suitable for a farming country; but industrial development must depend to a large extent upon assistance from other countries—both financial, and of a technical kind. China is determined that foreign assistance must come through co-operation with joint undertakings, in which Chinese hold the control; and it is eminently desirable that foreigners should develop their interests in this way, instead of by the old method of foreign concessions and monopolies protected by extra-territorial rights.

The events of the last year prove conclusively that China is "on the move" to solve her economic and political problems. The stimulus of Japanese aggression and of the platonic friendship of the League of Nations has evoked a national reaction in China which, if encouraged by a wise assistance from Britain, America and Japan, may produce great results. If the first two countries enunciate firm policies, the latter country must co-operate, instead of conquering. In view of the political and social forces at work in the Pacific, it would be a profound mistake to assume that conquest by Japan is China's inevitable fate.

Notes of the Week

Parliament's Programme.—An interesting series of new Bills will come before the resumed session of Parliament which begins next Tuesday. First in all probability will come the Special Areas Bill, which is expected to contain a scheme for spreading rate burdens more equitably over the country as a whole. It remains to be seen whether the Government have adopted the other measures proposed by Mr Malcolm Stewart for attracting new industries to the Special Areas. Next will come the two beef industry Bills. The first, which has already been introduced, sanctions the proposed levy-subsidy; and the second is to provide for the reorganisation of the industry. There is likely to be keen opposition to the levy-subsidy plan, unless the Government propose to ease the present quota on foreign imports. Thirdly, a Factory Act will be introduced; and this sadly belated measure will be welcomed by all parties. One may hope that it will be bold enough to compensate somewhat for the tardiness of its introduction. The last major Bill to be discussed before Easter will be the long-deferred coal-mining measure. Nationalisation of royalties is bound to be included; but it is now feared that the Government will use the congestion of the time-table as an excuse for dropping once more the compulsory amalgamation provisions which the Mining Association so vehemently oppose. If the Government would stick to these proposals, it would win much support from every party. All these Bills will be passed, it is hoped, before Easter; and it is possible, though unlikely, that the Government's "physical culture" plans may also take legislative form by that time. As a whole the programme, with the rather dubious exception of the beef Bills, should furnish a respectable batch of internal reform measures to set off against the inevitable—and now usually embittered—debates on armaments and foreign affairs.

Mr Keynes on British Policy.—Most of the conclusions reached in our recent articles on British monetary policy (*The Economist*, October 17th, October 24th and December 5th) are endorsed by Mr J. M. Keynes in a series of articles in *The Times* this week. Mr Keynes agrees that over the greater part of our economic system unemployment has fallen so low that general expansionist measures are no longer necessary. A better distribution of demand is at present more important than a larger aggregate demand; and the further cure of existing unemployment must be found in special measures directed to the Special Areas. From the general point of view, the problem is accordingly to avert a possible slump rather than to stimulate more rapid recovery. Mr Keynes also agrees that we are on the verge rather than in the midst of a "precarious boom"; and—here again agreeing with the economists who contributed to our recent symposium on British monetary policy (November 14th and November 28th)—he thinks that a rise in the long-term interest rate would do more harm than good. It would check general activity while leaving unaffected the trades most in danger of over-expansion as a result of armament expenditure. Mr Keynes would consequently seek to check unbalanced expansion now by heavy direct taxation designed as far as possible to pay for the whole armaments programme, and by an easing of import restrictions. An increase of imports should check a rise in prices and costs now, and should result in an increased demand for British exports from the primary producing countries when the slump threatens later. Meanwhile, as the principal weapon against the eventual slump, Mr Keynes advocates the preparation in advance of a public works programme; and we welcome his endorsement of our suggestion that some Governmental agency should be given the task of translating this idea into practice. Finally, as part of a more long-term policy, Mr Keynes would like to see far-reaching measures of redistributive

taxation designed to stimulate the public's spending; and the short-term aspect of this argument provides a strong reason for financing arms expenditure by increases in direct rather than indirect taxation. In brief, Mr Keynes's articles bring a further measure of support to the following four proposals put forward by the contributors to our symposium and by our own articles: (1) the financing of arms expenditure by direct taxation; (2) the easing of "import restrictions"; (3) the preparation of public works plans for the future; and (4) the maintenance of the rate of interest at near its present level.

Controlling the Boom in Sweden.—The controversy over British monetary policy now proceeding in this country lends special interest to the decisions of the Swedish Social-Democratic Government announced this week. So successful has the Swedish Government been in rescuing the country from the depression of four years ago, and in combining recovery with reform measures, that its present boom policy is bound to attract widespread attention. In the depression period the Government financed public works and unemployment relief by a deliberately created deficit. In the new Budget now announced the emergency direct taxes are to be maintained with the express purpose of creating a Budget surplus, paying off debt, and so checking the increase in aggregate national expenditure. The actual Budget total for the financial year 1937-38 is Kr. 1,291,486,300 compared with Kr. 1,167,069,000 in 1936-37. Revenue on current account is expected to increase by about Kr. 92,000,000, or 10 per cent., without any increase in rate of taxation; and expenditure will show a rise of about Kr. 113,000,000, or nearly 12 per cent. Defence plans have accounted for a substantial part of the increase in expenditure; but there are also to be further improvements in child welfare, mothers' pensions and rural housing, and higher salaries for various State employees. The whole Budget is planned on the assumption that the present boom will continue in the coming year and that restrictive rather than stimulative measures are more necessary. Sweden has set a notable example in paying for the present high level of expenditure out of taxation—and so incidentally following the advice given to the British Government by experts in this country. If her attempt to control the boom should prove as successful as her attempt to cure the depression, the Social-Democrats will certainly be able to congratulate themselves on a remarkable achievement.

Steps to Freer Trade.—Since the devaluations of last September, the way has been open for the resumption of the co-operative efforts towards freer trade which Holland and the Scandinavian nations were making at the time of the Ouchy and Oslo conventions. Holland, during the deflationary period of 1933-36, was not only cut off from the growing prosperity enjoyed by Sweden, Denmark and Norway. She was also impelled by falling prices to take refuge in protectionist and restrictionist measures which made any sort of co-operation for freer trade impossible. Now the whole situation is changed: prices and production are rising in Holland; and this week Dr Colijn has publicly suggested that the signatories of the Oslo Convention—Norway, Sweden, Denmark, Finland, Holland, Belgium and Luxembourg—should meet at once in order to investigate the possibility of freeing their mutual trade. Dr Colijn's statement is a reply to the recent declaration of M. Hansson, the Swedish Prime Minister, that "all Swedes would welcome any proposal for strengthening economic contacts between Sweden, the other Scandinavian States, and Holland, Belgium and Switzerland." This statement

was very well received in the Scandinavian Press. It is also announced this week that the Dutch Ministers of Commerce and Agriculture are leaving shortly on a visit to Scandinavia; and there is talk in Holland of a subsequent approach to the British Government. The whole movement is hopeful and significant. Here are further signs—following the tariff reductions made by France and Switzerland after the devaluations—that the democratic nations may be at last on the brink of forming a free trade bloc. It is a movement which any British Government with the real interests of this country at heart should do everything to encourage and assist.

Non-intervention Manœuvres.—The German and Italian Governments' replies, on which we commented last week, to the British Government's two Notes appealing for their help to establish effective non-intervention in Spain have led to activities on the non-intervention front. Their surprise at the British Government's insistence has shown their unwillingness to be stigmatised as the chief disturbers of the European political scene. The French Government, taking them at their word, have tabled a Bill giving powers to prevent volunteers going to Spain, as soon as other countries do likewise. The Portuguese Government replied on Wednesday, in a "hopeful" manner, that they would take the necessary preventive and supervisory measures in their country as soon as other Powers did so; but they reject any idea of foreign supervisors on Portuguese soil. As the French Government—the other State limitrophe to Spain—the Spanish Government, and General Franco are agreed in principle on this measure proposed by the London Non-intervention Committee, Portugal should be prevailed upon to come into line. Doubtless His Majesty's Government have not lost their former powers of persuasion over "England's oldest ally." Meanwhile, His Majesty's Government have outstripped all other Governments with an aptly Quixotic gesture which, incidentally, does not appear to be quite good in law. They have warned all British volunteers helping either side in Spain—these Britons really are volunteers, often at their own expense, unprotected by the British Government and its forces, for the sake of their convictions—that they are liable to heavy fines and up to two years' imprisonment under the 1870 Foreign Enlistment Act, if from this week onwards they help either side in Spain. Compared to the direct help afforded by totalitarian Powers' citizens, whose lives are at the disposal of their States, the British volunteers' material aid has been minute. The Government's gesture seems out of place, niggling, and even ineffective as a moral example. The Cabinet's reported firmness last week-end—when even the possibility of a unilateral British naval blockade of Spain was mooted—had disappeared by Tuesday, after consultations between the Prime Minister and Sir Samuel Hoare, First Lord of the Admiralty. Perhaps Herr Hitler's informal assurance to M. François Poncet in Berlin on Monday, to the effect that Germany would respect Spanish territorial integrity in Spain and Morocco, gave the British Cabinet the occasion to leave to France the occasion for showing firmness towards Germany and Italy.

Spain and North Africa.—General Franco's New Year attack on Madrid has been held up on the Escorial road; and stalemate is once more the position of the contending forces all over Spain. The focus of this week's interest, however, has been Morocco, and the reactions in Paris, Berlin and Rome to the grave circumstantial reports of German penetration of the Spanish Zone. *The Times* published a remarkably outspoken report from its Special Correspondent in Tangier last Monday; and the Paris papers for the last few weeks have given detailed accounts of German military infiltration into the Zone, and occupation of the Rif mines by German "experts." Moreover, it is reported this

week that the resident staff of the British-owned Rio Tinto and neighbouring mines, in the parts of Spain held by Franco, are being compelled by the rebel authorities to sell their current output under cost to German firms. The welcome and unexpected forthrightness of the French Government's warning to Germany last week-end was doubtless evoked by the sudden coalescence of all shades of political opinion in France in resistance to German occupation of Spanish Morocco, however disguised. This French coalescence was rendered more striking by the reactions of Dr Goebbels' journalistic lieutenants, whose acrimony against France seemed like that of a culprit caught in *flagrante delicto*.

Two unexpected sequels in Germany this week were the sudden departure of General Goering to Rome "on a holiday," and a report of a visit by Dr Schacht to Paris, officially denied almost immediately on its appearance. General Goering's "holiday" is not, apparently, a rest cure; his Italian programme is remarkably full; and he was welcomed at the station by the Duce on Wednesday. This may be a *douceur* to Germany in exchange for the Anglo-Italian Pact; though it more probably covers discussions on German liberty of action in the Western Mediterranean. As to Dr Schacht's position, it is understood that a new Franco-German commercial agreement is on the way to signature. M. Blum's reported offer of amity to Herr Hitler may herald a *détente* in Western Europe, and a liquidation of the international Spanish problem. January 30th, the crucial fourth anniversary of Herr Hitler's assumption of power, rapidly approaches. All the signs are that Germany is seeking a face-saving exit from the Spanish toils. How she is to find it, and if she can accept it on reasonable terms, are the vital questions.

Dietary on Tyneside.—In September, 1934, the Health Department of Newcastle-upon-Tyne investigated the diet of 69 "representative" working-class families; in 38 cases the breadwinner was unemployed, and 24 families were living on new housing estates. The results of the inquiry, which have just been published, are, unfortunately, largely inconclusive. The average diet of the 69 families was found to be "sufficient." Fresh meat was consumed by all of the persons examined, fresh vegetables by 99 per cent., fresh fruit by 88 per cent. and fresh fish by 71 per cent.; and the 21 per cent. higher rents in the new housing estates had no obvious effect on the consumption of food. Although there was a comparative deficiency of a stone in weight among the unemployed males, blood tests showed "no general shift downward" in physical condition among those without work. It is significant, however, that the families with an employed breadwinner spent 36 per cent. more money on food, and consumed more vegetables, milk,



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bacon and butter than the families whose breadwinners were all unemployed; and their diet was slightly more adequate in calories, calcium and animal protein. The minimum standards of "sufficiency" in diet adopted in this inquiry fall considerably below the optimum requirements laid down by Sir John Orr. Last summer, the alarming evidence of malnutrition given by the Medical Officer of Health for Stockton was followed by the conclusion of an expert investigation, conducted by the Ministry, that there was a progressive deterioration in public health between the Tees and the Tyne. It remains true that there is a serious problem of nutrition, which arises from poverty and inadequate purchasing power. It can only be solved by an advance on all fronts: by the removal of trade barriers and the lowering of food prices; by the revival of staple industries and the improvement of wages and employment; and by the extension of social services to meet the direct dietetic needs of the poor. In the words of Mr Eden this week, "we definitely prefer butter to guns."

The American Budget.—The Budget Message which Mr Roosevelt sent to Congress on Friday of last week was an unusually unexciting affair. The Budget, it is true, is not yet completely balanced, but there is at least an attempt to preserve some orderly relationship between income and outgo. It must be remembered that a Presidential Budget Message is very different from a Budget Speech of a British Chancellor of the Exchequer. The end of the current financial year is still nearly six months off. Moreover, though the President may make proposals for next year, it is Congress, with the Supreme Court intervening, which disposes. In the year which ended on June 30, 1936, Congress—by passing the Veterans' Bonus—and the Court—by invalidating agricultural processing taxes—completely upset the President's calculations. The result was a deficit of \$4,764 millions, larger than the whole of the revenue. In the current year the President estimates that revenue will show an increase of \$1,712 millions, while expenditure will be about \$400 millions lower. The deficit (including provision for debt retirement) will be \$2,653 millions. For 1937-38 the President has set himself the task of balancing the Budget except for the statutory sinking funds. This will involve an increase in revenue from \$5,828 millions to \$7,294 millions, which he proposes to accomplish without any increases of taxation.

It is true that the peculiar nature of the American tax system makes for very rapid increases of yield in the upward phase of the trade cycle, and this feature has been intensified by the tax on undistributed corporation earnings. But an increase of 25 per cent. in revenue, nevertheless, pre-supposes a very considerable rate of economic recovery. The same assumption underlies the estimate for expenditure, which is put at \$7,695 millions (including \$402 millions of debt retirement), or \$786 millions less than in the current year. This appears to depend upon a rate of expenditure on relief only three-quarters, or even less, of the amount being spent in the current year. If Mr Roosevelt's estimates are correct, the Budget will be nearly balanced in 1937-38 and, it is to be presumed, completely balanced in 1938-39. Events are thus bringing a measure of justification for the fiscal policy the President has pursued during the depression. A Budget which is unbalanced in depression and yields a surplus in prosperity is, in theory, perfect. But this is not quite what Mr Roosevelt has attained. He looks like balancing his Budget only at the top of the boom. One surplus is not enough to offset eight consecutive deficits.

American Governmental Reform.—One of the methods by which President Roosevelt hopes to be able to reduce expenditure is by his long-promised plan of administrative reform, which took shape in a Message to Congress on Tuesday. The structure of the executive

branch of the American Government, which had for long been unequal to the demands placed upon it, has entirely cracked under the strain of the New Deal. The defects are manifold. The Cabinet members, for example, have become entirely too departmentalised. The Cabinet as a body has long since ceased to exist, and its meetings have been mere battle-grounds for the Departments. Most of the new agencies of the last four years have been created entirely outside the Departments. As a result, all the burden of co-ordination is thrown directly on the President. Mr Roosevelt proposes that all the agencies of the Government shall be re-allocated to twelve Departments—the existing ten and two new ones to be called Social Welfare and Public Works. In addition to the twelve Heads of Departments the President would have six Executive Assistants, who would inevitably become the real Cabinet. In addition, the Civil Service (i.e. those officials who have security of tenure beyond the reach of patronage) would be greatly increased in scope. Whether a scheme of this nature will pass the gauntlet of a Congress jealous of the patronage powers which the present chaos places in its hands, is more than a little doubtful. Changes of this nature, however, would certainly make for greater efficiency within the Executive, although the sterile influence of the separation of powers between Executive, Legislative and Judiciary would remain. Efficiency of one arm is of limited value so long as the United States retains her present constitutional system.

Anglo-Canadian Trade.—A slight flurry occurred in two or three London newspapers at the end of last week over the delay in the negotiations for renewing the Anglo-Canadian trade pact. Ottawa correspondents reported "mystification" and "concern" in political circles, and attributed the delay to divisions of opinion within the Government of the Dominion. We may recall that, as Leader of the Opposition, Mr Mackenzie King denounced the pact that resulted from the Ottawa Conference, claiming that it was an unjust and unsafe bargain, in which Canada had taken far more than she had been ready to give. This criticism certainly seemed to be borne out by the subsequent figures of Anglo-Canadian trade. Soon after his return to office, Mr Mackenzie King announced his intention of entering into negotiations forthwith with the United Kingdom Government for a liberalisation of the Ottawa pact. These negotiations were carried through their first stage last summer by a mission headed by Mr Charles Dunning, the Minister of Finance. Since then, they have apparently hung fire. Speculation has hinted at various reasons, the most plausible being anxiety in the Canadian Cabinet for the future of the trade agreement with the United States. Some Ministers are said to be reluctant to pledge away the chance of making further trade concessions to the United States, which would give a larger return than anything the United Kingdom is likely to offer. Their reluctance may be reinforced by political motives, since more esteem is to be gained by the Liberals through the enlargement of their own trade pact with Washington than through the improvement of Mr Bennett's pact with London. Whatever the truth of these particular rumours, it is clear that the perennial economic and regional tug-of-war in Canadian public affairs is again in evidence within, as well as between, the great political parties.

South Africa and the Crown.—The opening of Parliament at Capetown on January 8th was remarkable for two things—the action of the Malanite Nationalists in walking out when the Prime Minister moved that a loyal address be sent to the King, and the announcement that a Bill would be introduced dealing with a revised form of oath to be taken by the King at his Coronation. It is not apparent from the cabled reports whether the Nationalists' demonstration was inspired by anything more typical than their anti-monarchical creed. Presumably, however, they are reserving their expected criticism

of the Union's part in the abdication crisis for the debates on the promised measure validating the change in the succession. The announcement about the Coronation oath is of wider significance; it implies an all-Commonwealth agreement on a new formula, in accordance with the present status of the Dominions as autonomous and equal members of the Commonwealth. At his Coronation in 1911 King George V promised "to govern the people of this United Kingdom of Great Britain and Ireland, and the Dominions thereto belonging, according to the statutes in Parliament agreed on, and the respective laws and customs of the same." The notion of subjection contained in those phrases, and justifiably repugnant to Dominion thought, is repeated in the present Latin form of the Royal Style and Titles: *Dei Gratia Britanniarum et terrarum transmarinarum quae in ditone sunt Britannica Rex, Fidei Defensor, Indiae Imperator*. In accordance with the sense of the Statute of Westminster, any amendment of these forms requires the approval of the Parliaments of all the self-governing members of the Commonwealth. Now that there are six sovereign Parliaments it will be interesting to see what amendment is made to the phrase "according to the statutes in Parliament agreed on."

Tin Control Continues.—Another event of importance in the metal markets was the publication of the terms of the revised tin restriction agreement, which was ratified on January 5th, and is to remain in force for a period of five years. The allocation of standard tonnages under the new agreement shows the price which the original restricting countries have had to pay for their price policy during the first few years of control. The following table shows the output of the countries participating in the new scheme in 1929, as well as the standard tonnages and votes allocated to them under the new agreement:—

	Output in 1929 Tons	Standard Tonnages under New Agreement Tons	Votes allocated under New Agreement
Belgian Congo	970	13,200	2
Bolivia†	46,338	46,490	4
French Indo-China	584*	3,000	1
Malaya†	69,366	71,940	5
Dutch East Indies†	35,730	36,330	4
Nigeria†	10,734	10,890	2
Siam	9,939	18,000	2
Total	173,661	199,850	20

* Imports into Straits Settlements.
† Original restricting countries.

The share of the total output secured by Malaya, Nigeria, Bolivia and the Dutch East Indies, it will be seen, has been considerably reduced.

So much for the past. The second point which deserves mention is that the new agreement is less rigid than the original scheme. If the estimated output outside the seven territories during a period of consecutive six months has exceeded 15 per cent. of world production, or 12,500 tons of metallic tin, whichever is the lower, any country adhering to the scheme may give six months' notice of its intention to withdraw from the scheme. Moreover—and this is important—majority control has been substituted for unanimous decisions, as required under the old agreement. Any proposal will now be carried by eleven votes. But whether the new restriction scheme is likely to be more successful than the original plan will depend on the policy pursued by those in control. During the first quarter of the current year the restricting countries are to be allowed to produce to the extent of their standard tonnages. At the present moment, however, when world demand for primary products is rapidly expanding, while stocks are declining and production is nearing capacity, the only way to prevent a wild upward rush in prices is to suspend

restriction altogether for the time being. The copper producers have already led the way, and both the rubber and tin industries might do well to follow their example. At the same time, the organisations set up under the various restriction schemes might continue to function, especially as the rubber and tin producing industries consist of a multiplicity of independent units.

Copper Sets an Example.—The commodity markets continue to attract a good deal of attention. The rising trend of prices, recently accentuated by the increasing activity of speculators, is still going on. The market in rubber has been somewhat erratic this week, but has partially recovered from the previous setback. Liverpool wheat futures, too, are again dearer, and the price of petrol, after remaining unchanged since May 1, 1935, was raised by a halfpenny to 1s. 6½d. per gallon on January 14th. Recent developments in the oil situation are surveyed on page 152. The most important developments, however, took place in the non-ferrous metal markets. Despite the successive increases in the production quotas of the copper companies adhering to the international restriction scheme, from 70 per cent. last July to 105 per cent. of the "standard" tonnages in November, the quotation for standard copper has risen from £36 10s. per ton to over £54 per ton. During the past week the quotation rose by more than £5 per ton. Seeing that the pace was getting too hot, the restricting copper producers very sensibly suspended restriction altogether on January 14th, subject to its re-introduction later on, if necessary. In any case restriction had become unnecessary. World production of refined copper during November, for example, was 159,400 short tons (of 2,000 lbs.), while deliveries amounted to 163,200 tons. And, since world stocks of refined copper had been reduced to 353,300 short tons by the end of last November, supplies are now equivalent to little more than two months' requirements. But although restriction has now been suspended, some time must necessarily elapse before production can be increased to any extent. A slump in prices, therefore, is unlikely. The implications of this far-reaching move of the copper producers for the investor are discussed on page 152.

London Evening Newspaper Circulation.—A London evening newspaper has made a very curious use of a statement in the first of our articles on the newspaper industry (see *The Economist*, January 2nd). In a paragraph devoted to a discussion of the effect on circulation of intensive canvassing, we remarked that whereas the popular national morning papers, which indulge in this canvassing, showed a marked gain in circulation over the period 1930-35, the London even-

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ing papers, which do not canvass, had lost circulation. Last Monday the *Evening News* quoted this statement from *The Economist*, pointing out that for some years past its own sales had been increasing and reached the triumphant conclusion that the sales of its nearest rival must have been falling. The *Evening News*' argument is disingenuous in two separate respects. In the first place, the period over which that newspaper's sales have shown an increase is more recent than that to which *The Economist* was referring, namely, 1930 to 1935. Indeed, in the earlier years of that period the sales of the *Evening News* were falling sharply. Secondly, the context of our statement made it quite clear that it referred to the whole sale of the newspapers in question, and that the poor comparison of the "evenings" with the "mornings" was largely due to falling sales of racing editions. The *Evening News*, however, chooses to publish figures of those editions only which carry advertisements, and their argument referred only to these so-called "home" editions.

None of the papers has published complete and continuous monthly figures throughout, and there must, therefore, be some element of estimation in any comprehensive figures quoted. But we do not think any responsible authority will challenge the following as being approximately correct:—

	Four Popular Morning Newspapers	Three London Evening Newspapers All Editions	Home Editions
1930	6,140,000	1,850,000	1,580,000
1935	6,890,000	1,760,000	1,570,000
	+ 750,000	- 90,000	- 10,000

During part of 1930, the *Daily News* and the *Daily Chronicle*, between which there was a certain amount of duplicate circulation, were published as separate newspapers. The figure for the morning newspapers in that year is, therefore, higher than it would have been if the *News Chronicle* had been published as a single paper throughout the year. The contrast between the experience of the two categories is thus even stronger than appears. The *Evening News* figures included in the final column are 714,750 in 1930 and 716,100 in 1935.

The purpose of *The Economist* in the present series of articles is to give as objective a picture as possible of the newspaper industry. We have the greatest admiration for the achievement of the London "evenings" in distributing not far short of two million newspapers in a few hours every evening over the great area of the Home Counties, and we certainly did not suggest in any way that they are less progressive than the "mornings." Nor are we concerned with the rivalry of different newspapers; and we are glad to record that in 1936 the home editions of all three London evening newspapers showed gratifying increases. But since the *Evening News* does us the honour of considering us an authority on these matters, it is very desirable that our statements should not be misrepresented by being torn out of their context.

Germany's Raw Material Supplies.—The German claim for colonies, actively resuscitated in recent weeks, among others by Herr Hitler himself, Dr Schacht, General Goering, Herr Hess and Dr Goebbels, has been based on her needs of raw materials. By these needs, allegedly starved by foreign countries, the new Four-Year Plan for economic self-sufficiency and the ever more drastic State control of private industry and private funds are alike justified. It is opportune, therefore, to examine the volume of Germany's imports and home production of basic raw materials before the Great Depression, and to compare the figures with those most recently published. The first table contrasts her situation in 1929 with that in 1935.

(Yearly Figures, in 1,000 Tons)

Commodity	1929			1935		
	Net Imports	Home Production	Total Supply	Net Imports	Home Production	Total Supply
Wool	161	15	176	149	17	166
Cotton	358	...	358	349	...	349
Flax	...	12*	...	...	14	...
Hemp	231	...	231	242	...	256
Jute	...	...	...	...	...	...
Silk	3	...	3	10	...	10
Rayon	1	26	27	1	44	45
Fibre	...	...	...	8	16	24
Total textile raw materials	754	53	807	759	91	850
Mineral oils	2,429	103†	2,532	3,478	430†	3,908
Iron ore	16,837	6,373	23,210	14,043	6,044	20,087
Rubber	49	...	49	72	...	72
Copper and ore	644	1,053	1,697	608	1,121	1,729
Zinc and ore	92	257	349	165	181	346
Tin and ore	21	...	21	12	...	12
Lead and ore	173	167	340	125	218	343
Total non-ferrous metals	930	1,477	2,407	910	1,520	2,430

All figures, if not otherwise stated, are official.
* Estimate on basis of acreage figure. † Negligible. ‡ Crude oil only.

In the textile group, increased home production of staple and other fibre and rayon has more than offset a negligible reduction in imports of cotton and wool; while imports of flax, hemp and jute together actually increased, as well as home production of flax; the total increase in net imports and home production of textile raw materials resulting in a net increase in supplies of nearly 5 per cent. More startling is the increase of over 50 per cent. in total supplies of mineral oils, caused by a fourfold increase in home production and a 40 per cent. increase in net imports. Germany's net imports of iron ore fell by 17 per cent. and her home production by about 5 per cent.; so total supplies fell by about 10 per cent. Evidently a good deal of scrap has been used in Germany. Imports of rubber have risen by 50 per cent. Net imports of the four non-ferrous metals fell slightly, but the home production rose more than proportionately; accordingly, the total supply increased slightly. This movement comprises a big increase in imports of zinc and a fall in home production; a fall in imports of tin and reduced imports of copper and lead, together with increased home production. Only for tin was Germany worse off than in the last year of prosperity and foreign lending.

Germany's 1936 Supplies.—Now let us compare figures for the first eleven months of 1935 with those for the corresponding period of the year just ended:—

(Figures for the First 11 Months, in 1,000 Tons)

Commodity	1935			1936		
	Net Imports	Home Production	Total Supply	Net Imports	Home Production	Total Supply
Wool	144	16*	160	115	18†	133
Cotton	318	...	318	284	...	284
Flax	...	13*	...	...	27*‡	...
Hemp	229	...	229	180	...	207
Jute	...	...	...	...	...	...
Silk	9	...	9	6	...	6
Rayon	1	40*	41	— 2¶	50	48
Fibre	8	15*	23	4	41*	45*
Total textile raw materials	709	84	793	587	136	723
Mineral oils	3,121	391**	3,512	3,494	405**	3,899
Iron ore	12,826	5,540*	18,366	17,109	5,762	22,871
Rubber	67	...	67	72	...	72
Copper and ore	548	1,030	1,578	612	1,026	1,638
Zinc and ore	145	167	312	160	181	341
Tin and ore	11	...	11	10	...	10
Lead and ore	106	200*	306	153	221	374
Total non-ferrous metals	810	1,397	2,207	935	1,428	2,363

All figures, if not otherwise stated, are official.
* Estimate for 11 months on basis of yearly figure, in the annual report for 1936.
† Based on estimate given in *Frankfurter Zeitung*, September 26, 1936. ‡ Negligible amount. ¶ Net export. || Estimated on basis of half-yearly figures.
** Crude oil only.

Imports of wool, cotton, hemp, flax and jute dropped sharply, offset only by a doubling of flax production. Total supplies were drastically reduced during the twelve

months of 1936, compared with Germany's experience during the whole depression between 1929 and 1935, as shown in the first table above. Imports of silk were cut by a third last year, after having increased more than threefold from 1929 to the end of 1935. Germany changed to a net exporter of rayon between 1935 and 1936; increased her home production of fibre almost threefold; and halved her imports of it, all in twelve months. The net result in the textile category was a sharp reduction in supplies. On the other hand, imports of mineral oils continued to rise steeply, while home production of crude oil tailed off; and, after falling between 1929 and 1935, imports of iron ore suddenly spurted in 1936 by over 33½ per cent., while home production rose, carrying the eleven months' total supply virtually level with the figure for the whole year of 1929. Imports of rubber rose further last year; and, while home production of zinc reversed its 1929-35 downwards trend and that of lead rose further, home production of copper remained stable in 1936. Yet imports of copper, lead and zinc all increased appreciably, and only those of tin fell further. Accordingly, Germany's total supply of these four non-ferrous metals together increased substantially last year.

We can draw a few pertinent conclusions from these two tables. First, compared with 1929, a year of prosperity, Germany was suffering nothing like starvation of raw material supplies, either in 1935 or last year. In 1929 she had no armaments comparable with those of other Great Powers; yet she has now built up a formidable array of them. The starvation, if any such there has ever been, must have—and as these tables show, has—fallen on the more "civil" industries of Germany. The totals being what they were in 1935 and 1936, the diversion of much more of them into armaments compared with 1929 "starves," *pro tanto*, civil industry. Moreover, it follows that Germany's rulers have voluntarily chosen to do this, cost what it may to the great German export business of the last pre-depression year, and to the German public's requirements of imported food and fodder-stuffs. To the extent that imports of these latter have been cut down to maintain the pre-depression level of imports of raw materials shown in these tables, Germany has lost export business with her potential supplies of food and fodder. There-with the insistence on the self-sufficiency attempted in the Four-Year Plan is explained. But, be it noted, this has not been caused by any deliberate boycott, strangulation or economic victimisation of Germany by other countries. It is the simple reflection in Germany's foreign trade returns of a policy deliberately pursued inside Germany by her own Government. Incidentally, a final conclusion, clearly shown in the second table, is the intensification of re-armament last year, evidenced by the severe curtailment of textile imports and the offsetting increase in "strategic" raw material imports.

Twelve Months' Overseas Trade.—The outstanding feature of our overseas trade this year has been the heavy increase in imports and re-exports. British exports made little headway during the first half of the year, and although some improvement has taken place since June, the excess of merchandise imports over exports is 26.5 per cent. higher than last year. In December, imports reached the highest total since December, 1930; while the export total was the second highest of 1936. The following tables give details for the past three years:—

OVERSEAS TRADE IN DECEMBER
(000's omitted)

	1934	1935	1936	Change between 1935 and 1936	
Total imports	£ 63,240	£ 74,413	£ 89,557	+ 9,244	+ 12.4
British exports	34,300	34,917	40,516	+ 5,599	+ 1.6
Re-exports	3,608	5,432	6,100	+ 668	+ 13.9
Total exports	37,908	40,349	46,616	+ 6,267	+ 15.5
Excess of imports over exports	25,334	34,064	37,041	+ 2,977	+ 8.7
Transshipments under bond	1,871	2,482	2,906	+ 424	+ 17.1

TWELVE MONTH'S OVERSEAS TRADE
(000's omitted)

	1934	1935	1936	Change between 1935 and 1936	
Total imports	£ 731,414	£ 756,041	£ 848,936	+ 92,895	+ 12.3
British exports	395,986	425,834	440,719	+ 14,885	+ 3.5
Re-exports	51,243	55,303	60,416	+ 5,113	+ 9.2
Total exports	447,229	481,137	501,135	+ 19,998	+ 4.2
Excess of imports over exports	284,185	274,904	347,801	+ 72,897	+ 26.5
Transshipments under bond	23,783	25,471	28,946	+ 3,475	+ 13.6

The increase in imports reflects the growth of industrial activity in this country; but some allowance must be made for the recent rise in raw material prices. As far as exports are concerned, the increase is mainly in the category of manufactured goods. Considerable progress has been made in our export trade in textiles and motor cars.

Shipbuilding Revival.—The marked improvement in freight rates, due to the expansion in the volume of international trade, is an indication of the growing scarcity of mercantile shipping tonnage which has been reduced during the depression. Consequently the demand for new tonnage and for the re-fitting of existing vessels is steadily expanding. This tendency is revealed in the latest returns of *Lloyd's Register*. The mercantile tonnage launched in this country during the last quarter of 1936, at 280,400 gross, showed an increase of 68,300 gross over the previous quarter and of 148,300 gross over the corresponding period in 1935. The new tonnage commenced during October-December, 1936, was 272,500 gross, compared with 293,200 gross in July-September and 311,100 gross during the last quarter of 1935. Although the new tonnage commenced was slightly lower than in the preceding quarter, the volume of work on hand increased from 743,100 gross at the

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end of 1935 to 928,600 gross at the end of September and 963,600 at the end of December, 1936. Concurrently with the improvement in shipbuilding at home, construction abroad has also tended to expand. Work in hand outside the United Kingdom at the end of December was 1,287,600 gross tons, compared with 1,182,900 gross at the end of September and 800,100 gross a year ago. There has been a slight improvement in foreign orders during the last quarter, the proportion of the total tonnage under construction in this country at the end of last month being 7.3 per cent., against 5.1 per cent. at the end of September and 16.1 per cent. a year ago. British shipbuilders and marine engineers, however, are also benefiting from the increase in naval construction following the lapse of the Washington and London treaties at the end of last year. Meantime, prospects for the industry remain encouraging.

* * *

Iron and Steel in 1936—The past year has been the most active in the history of the British iron and steel industry. Between 1935 and 1936 the output of pig iron rose by 19.6 per cent. to 7,685,700 tons, while production of steel ingots and castings increased by 18.7 per cent. to the recent total of 11,698,200 tons. But the increase in activity has not been due, as formerly, to a simultaneous expansion of domestic and foreign demand. The volume of exports of iron and steel materials actually declined by 107,200 tons, from 2,312,400 tons in 1935 to 2,205,200 tons in 1936, while imports rose by 331,100 tons, from 1,151,900 tons to 1,483,100 tons. The pressure of home demand has thus prevented the industry in this country, unprepared as it was for the increase in demand, to benefit from the expansion in the requirements of importing countries:—

(in thousands of tons)

Period	Production		Foreign Trade	
	Pig Iron	Steel Ingots and Castings	Total Imports	British Exports
1913—Monthly Average	855.0	638.6	185.9	414.1
1929 " "	632.4	803.0	235.2	364.9
1932 " "	297.8	438.5	132.7	157.4
1933 " "	344.7	585.3	80.9	160.2
1934 " "	498.2	738.3	113.9	187.8
1935 " "	535.3	821.6	96.0	197.7
1936 " "	640.5	974.8	123.6	183.8
1935—August	543.4	759.9	74.3	193.6
" September	529.6	855.9	89.3	183.8
" October	544.3	907.3	101.2	219.4
" November	529.5	903.3	77.0	212.0
" December	559.3	811.5	112.9	188.4
1936—January	595.5	911.7	119.9	164.8
" February	584.7	938.5	123.2	167.8
" March	633.6	980.1	130.3	163.4
" April	629.8	984.2	120.8	177.5
" May	661.0	963.0	117.5	204.1
" June	644.1	965.9	110.6	173.5
" July	665.6	974.1	110.3	216.1
" August	635.8	872.7	141.8	164.0
" September	650.8	1,027.0	165.0	183.0
" October	670.3	1,060.5	101.0	194.4
" November	643.1	1,001.3	90.7	193.3
" December	671.4	1,019.2	94.8	204.8

But while the industry has surpassed all previous records in 1936, the past year closed without a diminution in the momentum of the upward movement of demand, which was unaffected by an average increase of 10 per cent. in the prices of iron and steel materials. There are difficulties ahead, the possible solution of which is discussed on page 104. Increased imports cannot now be obtained as easily as a few months ago; moreover, apart from the shortage of steel production capacity, it may be difficult to obtain sufficient raw materials. Coke supplies, for example, are none too plentiful, for although the output of oven coke exceeds the requirements of the blast furnaces, an increasing quantity is being used as domestic fuel.

* * *

Commodities Still Dearer.—The advance in world wholesale prices continues. In England, *The Economist's* complete index number has risen during the past fortnight by 1.8 per cent. and the primary products index number by 0.7 per cent. Primary products have risen in the United States by 1.5 per cent., while there has been

an increase of 1.4 per cent. in the Irving Fisher general American index number. French wholesale prices have conformed to the general upward trend, but the impact of devaluation now appears to have spent itself:—

SEPTEMBER 18, 1931 = 100

Date	The Economist Indices			Price of Gold (sterling)	U.S.A., Irving Fisher	France, Statistique Générale	Italy, Milan Chamber of Commerce	Germany, Statistisches Reichsamt
	British Complete Index (sterling)	Primary Products	American (dollar)					
1932 July 27th	99.5	103.5	84.1	136.9	88.3	91.3	88.5	88.1
1933 July 26th	108.1	120.6	124.7	145.7	100.9	89.7	86.2	86.6
1934 July 18th	109.5	124.8	136.7	162.4	113.2	81.4	83.2	91.1
1935 July 31st	112.7	126.7	146.2	165.6	120.2	75.9	98.2	93.9
1936 Jan. 29th	118.1	131.7	145.7	165.6	121.8	82.3	...	95.1
Feb. 26th	117.4	132.8	145.0	168.0	120.7	85.2	...	95.2
Mar. 25th	117.4	133.9	144.3	165.8	119.6	85.2	...	95.3
Apr. 29th	117.3	132.8	143.2	165.8	119.2	85.0	...	95.3
May 27th	115.5	130.1	140.5	164.3	117.7	85.2	...	95.4
June 24th	116.2	133.2	147.0	163.2	119.8	84.1	...	95.5
July 22nd	118.7	140.4	157.2	163.4	120.6	86.6	...	95.7
Aug. 19th	119.4	141.9	163.2	162.7	121.9	88.8	...	96.1
Sept. 30th	121.8	144.5	159.6	165.0	121.8	96.4	...	95.9
Oct. 28th	123.6	145.7	161.1	167.1	122.5	102.1	...	95.9
Nov. 11th	125.0	148.9	167.8	167.7	123.7	105.3	...	95.9
Nov. 25th	128.3	150.9	172.0	167.2	124.8	106.9	...	95.9
Dec. 9th	128.2	157.0	179.5	166.7	125.6	108.9	...	96.3
Dec. 30th	131.3	163.9	187.3	166.7	128.8	113.0	...	95.4
Jan. 13th	133.6	165.1	190.2	166.6	130.6*	113.4*	...	95.6*

* These figures relate to January 6th.

Since last May, when the present rapid rise began, the complete British index number has risen by 15.7 per cent. and the primary products index number by 26.0 per cent. In the United States the advances are 11.0 per cent. for the complete index number and 35.1 per cent. for primary products.

* * *

The past fortnight's rise has been very general, other foods being the only group to register a decline. This was due to a fall in the price of coco-oil, which previously had been rising very rapidly. Tea, sugar and butter recorded advances:—

The Economist INDEX
(1927 = 100)

	Sept. 18, 1931	Dec. 9, 1936	Dec. 30, 1936	Jan. 13, 1937
Cereals and meat	64.5	83.2	86.4	88.2
Other foods	62.2	65.2	65.6	65.2
Textiles	43.7	66.4	67.5	69.4
Minerals	67.4	92.3	95.4	98.0
Miscellaneous ...	65.8	79.6	81.2	82.3
Complete index	60.4	77.5	79.3	80.7
1913 = 100	83.1	106.6	109.1	111.0
1924 = 100	52.2	66.9	68.5	69.7

Canadian wheat and maize were steadier after their previous advances, but English wheat, flour, beet and bacon were dearer. All textile prices advanced with the exceptions of silk and jute. There were further increases in non-ferrous metals (except tin), while in the miscellaneous group there were advances in petrol, leather, tallow, sulphate of ammonia and creosote, offset by a reaction in linseed oil.

* * *

Record Electricity Output.—Britain is passing through a period of rapid electrification. Increased demand for electricity, which has replaced alternative sources of energy, has been accentuated in Great Britain since 1932 by the expansion of the total demand for heat, light and power. Production of electrical energy by authorised undertakings rose from 10,204 million units in 1929 to 17,568 millions in 1935 and 20,220 millions in 1936. Although statistics of private generation in the past year are not yet available, private output has probably also registered some increase in 1936. Moreover, the demand for electricity from authorised undertakings is expected to continue its upward trend, for the Central Electricity Board has already made arrangements for a considerable extension of capacity to meet increased demand during 1938 and 1939.

Overseas Correspondence

From Our Special Correspondents

United States

American Neutrality and the Spanish Conflict

WASHINGTON, January 5.—Congress has yet to prove itself pronouncedly liberal, and certainly it is in no mood to be relegated to the function of the rubber stamp of White House decisions. The first indication of this came with the revival of the neutrality discussion. The Supreme Court, in upholding the grant of discretionary powers to the President, in the suit against the Curtis Wright and other aeroplane companies which had defied the Chaco embargo, enormously strengthened the legal basis of the President's desire for a fairly free hand in conducting foreign affairs. But the new Congress has not been greatly moved by the Supreme Court's ruling. Amendment to the present neutrality legislation was needed to stop shipment of aeroplanes to the Spanish Government. There was readiness to assure this by giving the President discretionary power for a brief term. But Congress wanted it kept clear that this was not to be a permanent grant. Neutrality, as the majority holds at this time, must be mandatory, with the President unauthorised to depart from the letter of the law. It is not that Mr Roosevelt is not trusted; Congress does not wish any individual to be empowered to make decisions which by any hypothesis can bring the United States into a foreign war.

There is a breath of unreality about this now chronic debate between the mandatory and discretionary methods. Bound though it is to-day by rigid legislation, the State Department finds itself enjoying considerable independence, and was able to give some support to British and French efforts to preserve peace early this month. The incident of the licensing of shipments of aeroplanes and engines by Henry Cuse to the Spanish Government was neatly publicised and presented, so that America's interests in neutrality in Spain could be emphasised in Europe at the moment that Britain and France were trying to cajole Italy and Germany into a quieter policy.

A few days later crates of American aeroplanes for Madrid were waiting on the quay at Vera Cruz, and the State Department invited the interference of the Mexican Government to prevent shipment. President Gardenas, fearing the imminence of civil disturbances, was anxious to maintain favour in Washington, and complied. The State Department felt that in this way it was able to exercise considerable influence in Europe, and will continue to do so, no matter what Congress decides to be the President's power.

Labour and the Democrats

The size of the Democratic majority in Congress is an open invitation to party rebels, and will easily lead to a disintegration into blocs. This year, however, the inflationists and silverites are not the menace; they belonged to the acute period of the depression. This being a recovery year, an economy bloc is in the making, which will be much more engrossed with the possibility of balancing the Budget than of emphasising the humane tendencies of the New Deal. The labour war in the automobile industry is sure to create a split in Democratic ranks, with one wing ready to support labour in any reasonable demand for real collective bargaining, and a smaller wing fearful of the rising power of radical unionism.

The President had the support of such a conservative as Senator Robinson, the Democratic floor leader in the Upper House, for empowering either the Federal Gov-

ernment or the States to legislate for better labour conditions, whether by statute or by constitutional amendment. But the automobile strike will determine whether the conservative Democrats will stay with the President on this issue, as indeed it may decide whether the President himself can afford to press it. If labour is badly beaten in that conflict, the President cannot be asked to rescue it. If the conflict should be bitter and sanguinary, with too great a show of radicalism on the labour side, much of the public's present good-will toward labour will be lost. Only if labour proves itself both powerful and moderate, can the President hope to lead Congress through the intricate difficulties of framing labour legislation which the Supreme Court will accept, or in the still harder task of adopting a constitutional amendment.

Exchange Fund Policy

NEW YORK, January 1.—The announcement that the Treasury was to increase the scope of the operations of the Exchange Stabilisation Fund was generally expected. It will be recalled that, as our Fund was created out of the "gold profit," it was only a book-keeping item, though this profit could be monetised. Since the only method of monetisation provided was the issue of non-legal-tender gold certificates to the Reserve Banks, any use of the Fund would produce an effect identical with that of the import of an equivalent amount of gold. In other words, the Fund was set up in such a way as to enable it to meet an export of gold without disturbance to the credit position; but it could not act in the event of an inflow of gold. This serves as a reminder of the vividness of the apprehensions of January, 1934; and of the one-sided character that distinguished the "emergency" monetary legislation. Actually, since January, 1934 (when our price of gold was set at \$35 an ounce) our gold stock has increased from \$6,829 millions to \$11,222 millions (December 16, 1936)—or by \$4,393 millions. This current figure of \$11,222 millions must be set against the actual gold stock, as it was at the end of January, 1934, namely \$4,033 millions, on the former valuation. That is, our stock has been increased by \$2,800 millions by revaluation, and by another \$4,400 millions, so far, from increments.

The gold profit was mostly impounded in the Stabilisation Fund, and the remainder was largely used to retire the National Bank currency. But the acquisitions were promptly monetised by the Reserve Banks; and member bank reserves rose from \$2,652 millions at the end of January, 1934, to a current figure of \$6,674 millions, in spite of a substantial increase of currency in circulation. Of this increase in member bank reserves, only a small part was actually used in the process of refating bank deposits; a part was sterilised by the 50 per cent. increase in required reserves (August 15, 1936), and something over \$2,000 millions remain at present in the System in

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the form of excess reserves. Unless positive action had been taken, this last figure would have been expanded by the post-holiday reflux of currency; while there is reason to anticipate a net increase in gold stocks in coming months, although not necessarily of the same magnitude.

Reducing the "Excess Reserves"

Positive action was taken in the announcement of December 22nd that the Stabilisation Fund would buy gold with funds acquired in the market, thus making our procedure similar to that of the British Equalisation Account. This action, however, concerns the future rather than the present; it will of itself have no effect upon the existing excess reserves. It is generally expected that the Reserve Board will deal with the excess; and the action most commonly predicted is another increase in reserve requirements. It has been estimated that if the required reserves were increased by the full amount provided by law (another 50 per cent. of the base schedules), there would still be left in the System about \$800 millions of excess reserves, after the Christmas currency had returned. If these excess reserves were evenly distributed, there would still be a more than comfortable situation; in the past the system has usually operated with a margin of excess of a little over \$25 millions.

Full use of this power would lift the base schedules of 13 per cent. on demand deposits for central reserve city banks, 10 per cent. for reserve city banks, 7 per cent. for country banks, and 3 per cent. on time deposits, to 26 per cent., 20 per cent., 14 per cent., and 6 per cent., respectively. But it must be remembered that Reserve Board control applies only to the member banks; the numerous State banks, operating under State charters, would then be subject to reserve requirements virtually equivalent to half those imposed on the member banks. With excess reserve so abundant, the question of earmarking a greater or less sum as "required" is hardly more than technical, but so wide a disparity would be anomalous.

The question of the territorial distribution of these excess reserves within our system is another consideration. The fact that a 50 per cent. increase could be imposed last August without the slightest disturbance is no guarantee that the manoeuvre could be repeated. A variety of alternatives is available, singly or in combination; and the choice would depend upon a number of technical considerations involving detailed information about (a) the geographical distribution of the excess reserves and (b) the nature of our internal balances of payments, which are now largely determined by political factors.

"Inflation" or "Control"

But beyond these questions of technique, there is the major question of objective. The relation programme has been completed, and the present programme emphasises control. The definition of control, except as applied to a single element of our economy—the stock market—has not been stated. Furthermore, there has always been an element which wished to expand "reflation" into "inflation," and which has already launched an attack against even the modest measures of control instituted; and this may find support among groups which have developed what might be called a vested interest, if not in expansion, at least in the absence of control. These groups will be represented in the 75th Congress, but their strength and aggressiveness have still to be tested.

At this stage in our monetary evolution, it would appear that there are three specific questions associated with the transition from a period of reflation to a period of control: (1) the political question—that is, the amount of control which could be imposed without encountering effective political objection; (2) the administrative question—monetary responsibility is not lodged with a single agency (the Federal Reserve Board) but is distributed between the President, the Treasury, and the Reserve Board, and to a lesser extent such agencies as the F.D.I.C. and even the several States; and (3)

the technical question—that is, the choice of devices or combinations of devices best adapted to secure the control desired with a minimum of disturbance.

Such questions as these are topics of active discussion in financial circles. Elsewhere discussion seems to centre upon labour problems. The strike in the glass industry has been in progress about six weeks, and caused such a shortage to develop as threatened to stop the production of motor cars. With the New Year, however, the Automobile Workers' Union apparently decided not to wait for the stoppage, but to take direct action, singling out the General Motors Corporation as its immediate target. The three great motor companies are not identical in form. General Motors is a vertical combination, geographically decentralised a little more than the others, and producing a somewhat larger proportion of its products in its own factories or in wholly-owned subsidiaries.

Motor Unions' Demands

The principal demands made on General Motors include: collective bargaining for the entire Corporation rather than by units; the abolition of piece-work; a 30-hour week; minimum pay; the determination of speed of production by a committee of the management and the union; and the recognition of the United Automobile Workers as the sole bargaining agency. Some of these demands are obviously contingent. For example, one motor company alone could hardly accept the 30-hour week.

The year closed with a period of bottle-neck strikes, in which a few workers have been able to threaten stoppages affecting many times their number. The New Year opens with larger strikes (or threatened strikes) in great corporations, but not in the form of a general strike throughout a great industry. The ultimate objective would appear to be the vertical organisation of labour in whole industries, in which production is now only semi-vertically organised.

France

The Rise in Prices

PARIS, January 14.—The Opposition's main attack on the Government is now concentrated on the social conflicts, the rise in prices and the alleged danger of inflation. Social conflicts have, however, nearly disappeared since the beginning of the year. This was immediately welcomed by the Stock Exchange; all shares have now become firm, particularly since the recent improvement in Franco-German relations. The "Rentes" have also risen.

The rise in commodity prices continues, as the following table shows:—

	1936		1937	
	June	Sept.	Dec.	Jan. 9
Wholesale prices.....	372	407	496	502
Domestic products.....	415	457	522	528
Imported products	296	319	448	455
Foodstuffs	396	447	511	517
Industrial products	352	373	483	489
Retail prices	458	483	534	...
Lighting and heating.....	79	88	93.6	...
Clothing	57	61.2	77.2	...
Cost of living	493*	504†	540‡	...

* Second quarter. † Third quarter. ‡ Fourth quarter.

This rise of prices has apparently disquieted M. Spinasse, the Minister of Economy, who recently explained that French prices in June were 15 per cent. higher than foreign prices, and that the 33 per cent. devaluation was calculated on the expectation that they would become 50 per cent. higher after the new social laws had been enforced. The Minister declared that, at the end of the year, French and foreign prices had been brought into line, and remarked that the need for

monetary alignment put certain limits on French social progress. At the end of December, three months after the devaluation, French wholesale prices had risen by about 23 per cent., but fortunately foreign wholesale prices had risen in the same period by 18 per cent., and the equilibrium re-established by the devaluation had therefore been maintained.

On the other hand, retail prices have risen by about 11 per cent., which is appreciably less than the rise in wholesale prices. The relatively small rise in retail prices is obviously due to the slow rise in the price of foodstuffs; the index of foodstuff prices has only risen 14 per cent., against a 30 per cent. rise in the price of industrial products. The next task of the Government will be to bring agricultural and industrial prices into equilibrium; agricultural prices are to some extent supported by the Wheat Office, although the farmers still complain. Industrial prices are naturally dependent on the activity of the trade unions.

The cost of living rose from 493 (second quarter 1936) to 504 (third quarter) and 540 (fourth quarter), or nearly 10 per cent. M. Spinasse has also drawn attention to the rise in the cost of living of 11.2 per cent. between May and November. This is still appreciably less than the estimated increase in wages between the same dates.

Signs of a Return of Confidence

The position of the Treasury is not easy. Parliament authorised the Minister of Finance to issue Treasury bonds to a maximum of 20,000 million francs or to borrow from the Bank of France a maximum of 10,000 million francs. But in 1937 the Treasury will probably require 30,000 million francs or 35,000 million francs.

Of the authorised issue of 20,000 million francs some 4,500 million francs have been issued in "Auriol bonds," and 7,000 millions of bonds have been subscribed by banks and various institutions. But short-term borrowing possibilities have been nearly exhausted. There remain the middle and long-term ones, which may be considerable, if strikes do not recur, if the signs of a revival of business are confirmed, and if improved conditions on the Stock Exchange continue. Signs of a return of confidence and capital are now more apparent than recently.

It is being widely remarked that stringency in the capital market cannot last for ever. At the same time, the gold certificates are quoted at improved rates, which seems to indicate that the French Equalisation Fund is more comfortably situated than it was. It is now probable that public opinion will be encouraged by the recovery of business preceding the opening of the International Exhibition in Paris in May. Public opinion, favourably impressed by the sympathetic comments of the English newspapers on the progress of the Blum experiment, is likely to strengthen the hands of the Government, if the present improvement in social conditions and foreign relations and the increased confidence of the Stock Exchange can be maintained until the spring.

Further Increase in Industrial Production

Meanwhile the increase in industrial production has been proceeding steadily since the devaluation at the end of September. The increase has been spread over most of the major industries. This may be seen from the latest monthly figures of industrial production in France (1913 = 100) published by the Statistique Générale.



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INCLUDING DOMESTIC AND FOREIGN BRANCHES

ASSETS	
Cash and Due from Banks and Bankers.....	\$ 463,258,611.11
United States Government Obligations (Direct or Fully Guaranteed).....	526,917,830.63
State and Municipal Bonds.....	105,201,096.07
Other Bonds and Securities.....	122,800,453.08
Loans, Discounts and Bankers' Acceptances.....	588,348,845.92
Customers' Liability Account of Acceptances.....	23,662,028.73
Stock in Federal Reserve Bank.....	3,600,000.00
Ownership of International Banking Corporation.....	8,000,000.00
Bank Premises.....	52,636,931.59
Items in Transit with Branches.....	4,729,858.26
Other Assets.....	5,644,141.90
Total.....	\$1,904,799,797.29
LIABILITIES	
Deposits.....	\$1,713,840,229.36
Liability as Acceptor, Endorser or Maker on Acceptances and Bills.....	\$49,976,611.65
Less: Own Acceptances in Portfolio.....	6,301,552.72
	43,675,058.93
Reserves for:	
Unearned Discount and Other Unearned Income.....	4,138,469.18
Interest, Taxes and Other Accrued Expenses.....	6,583,086.60
Dividend.....	3,100,000.00
Capital.....	\$77,500,000.00
Surplus.....	42,500,000.00
Undivided Profits.....	13,462,953.22
Total.....	\$1,904,799,797.29

Figures of Foreign Branches are as of December 24, 1936.

United States Government Obligations and other securities carried at \$75,281,291.82 in the foregoing statement are deposited to secure public and trust deposits and for other purposes required by law.

	Nov., 1935	Sept., 1936	Oct., 1936	Nov., 1936
General index	95	95	97	98
Engineering	96	97	98	101
Iron and steel	80	81	87	88
Textiles	70	64	69	74
Mines (adjusted figures).....	101	91	103	95
Building " "	66	58	56	56
Leather " "	93	106	100	95
Paper " "	116	159	151	151
Rubber " "	851	952	955	945
Motors " "	390	452	493	532

In November 13,439 motor cars and 1,825 lorries were put on the road, against 14,059 and 1,810 respectively in October. The figures for the cotton industry were as follows:—

	Aug., 1936	Sept., 1936	Oct., 1936	Nov., 1936
<i>Spinning</i> (average per spindle in kilograms)—				
Production	1.191	1.722	1.969	1.836
Deliveries	1.185	1.844	2.052	1.960
 Stocks	1.714	1.642	1.469	1.322
Unfulfilled orders	4.765	4.926	5.474	5.583
<i>Weaving</i> (average per loom in pieces of 100 metres)—				
Production	3.21	4.74	6.00	5.53
Deliveries	3.95	4.90	6.28	6.04
Stocks	6.02	5.74	5.29	4.86
Unfulfilled orders	22.39	21.85	23.89	25.41

Railway receipts for the fifty-first week of 1936 were 206,465,000 francs, against 184,278,000 francs for the same week of 1935; an increase of 12.02 per cent. Loaded wagons during the fifty-second week were 252,823 (seven days), against 281,394 in 1935 (eight days). Loaded wagons for the whole year (December 29th included) were thus 14,861,064, against 14,648,009 in 1935 (December 31st included).

Unemployment Falling

Unemployment at the end of 1936 was 410,785; against 439,782 at the end of 1935 and 419,129 at the end of 1934. The seasonal increase in December was only 2,954; against 30,316 in December, 1935, 49,694 in December, 1934, and 60,684 in December, 1933.

Germany

Restricting Capital Extensions

BERLIN, January 13.—The problem of providing capital and labour for the industrial boom, and in particular for the Four Year Plan for raw materials, continues to dominate public interest. Semi-official utterances leave no doubt that the State will increasingly intervene in this matter, and not merely in order to further its immediate aims. A Reich-owned bank predicts that "a number of the political-economic expedients which originated in the fight against depression will become permanent factors in, and elements of, our economic structure." This forecast seems to apply to both negative and positive State measures. An instance of the former is the wholesale prolongation of the vetoes of the Reich Ministry of Economy on the erection or expansion of industrial plant. The ostensible purpose is to save capital, materials, or labour for more urgent enterprises.

It is also declared that the vetoed trades suffer from excessive competition; but in effect this merely means that there is a deficiency of supply of the products of the trades officially favoured. Most of the prohibitions expired at the end of 1936, but some came to an end earlier. With a single exception all have been

prolonged, many for one year, some for two, some even for four, years. Altogether thirty-two prohibitions are now in force. These direct prohibitions constitute only a small part of the measures directed against investment or competition; for numerous restrictions are imposed upon investment by cartel contracts and virtual prohibitions result from the discretionary power of the Supervision Boards to refuse raw materials to newly-formed concerns.

If the supply of capital is limited, so, owing to the restriction of enterprise, is the effective demand. The savings available are the funds of the Reich, the accumulations of existing industrial concerns, such cash as may be raised by bond or share issues, and bank credits. The Reich will this year have a considerably increased tax revenue. It claims for the not yet completed financial year 1936-37 an increase of some Rm. 2,000 millions. The *Frankfurter Zeitung* estimates that in 1936-37 the Reich, including the saving on payments to the unemployed, had some Rm. 7,000 millions for "supplementary expenditure," to which should be added some Rm. 2,000 millions raised by long or middle-term loans. This does not take into account short-term borrowing.

Increase in Tax Revenue

The tendency is for the Reich to rely increasingly on revenue from taxation and long-term loans. Although little new taxation has been imposed, revenue has rapidly increased: one important factor is the increase in nominal incomes with the consequent transfer of numerous tax-payers to a higher place in the progressive scale. On the basis of the official estimates of tax-revenue in 1936-37 and of national income in 1936, it appears that 25 per cent. of total income was collected in taxes of all kinds, as against 22.6 per cent. in the first year of the Nazi administration, and 17.6 per cent. just before the depression, when the nominal national income was higher, but revenue from taxation lower. If the Reich's current expenditure had not increased, it would certainly be able to provide capital liberally.

The labour question is not entirely solved. In December, the number of unemployed increased by 281,000 to 1,478,000, as against an increase of 524,000 to 2,508,000 in December, 1935. In the chemical trades there were practically no unemployed. In spite of official protests, manufacturers who are short of labour attempt to entice men from rival works by offering higher wages. The "work book," an innovation regarded by workers from the first with suspicion, is henceforth to be used to prevent this. In the metal, building, and agricultural trades employers are authorised to confiscate the "work books" of employees who leave their jobs arbitrarily. Against this an appeal lies to the Labour Courts.

Standstill Credits and Colonial Claims

The problem of the standstill credits must soon be settled for 1937. In authoritative utterances this question is treated in its relation to colonial and foreign trade policy; and it is affirmed that Germany would be ready to make important commercial concessions, not however defined, if the debts were reduced and a supply of foreign raw materials were ensured. In effect, the latter demand is for the return of the colonies. The Reichskredit Bank says that "Germany's economic aim . . . is to abolish her foreign exchange control; but this can only be done if a solution of the problem of debts and raw materials can be found which will be satisfactory to Germany, and will correspond to her structure as a debtor and industrial country." The speeches of the Prime Minister of Holland advocating a free-trade bloc, from which Germany, as a result of her policy of autarky, would be excluded, have been unfavourably received.

Germany dislikes Democratic blocs as much as Communistic; and she believes that she is already threatened by at least three Communistic, or semi-Communistic, neighbours. But so far she has been careful to exclude the smaller North European countries from her attacks.

She objects to plans which may involve negotiating with neighbouring States as a group. In this spirit, she opposed the suggestion of a Customs Union made by the Little Entente at Pressburg last September, and, despite her reconciliation with Italy, she still suspects that the Rome Pact between Italy, Austria and Hungary is potentially an instrument for excluding her commercially from South-Central Europe. This attitude is partly determined by considerations of defence. Whatever may be the character of the next war, it is unlikely that the Reich will be able to draw supplies from overseas; but she might be able to draw them from the small neighbouring States of North and South Europe. Since the Nazi Government took office, German imports from Hungary, Roumania and Yugoslavia have doubled. Towards these countries, and towards Austria and Czechoslovakia, German trade policy is not "autarkic." It is relatively liberal, but is based on bilateral agreements; this plan the Reich desires to extend to the North European countries.

Coercing the Farmers

The steel market is active; but the Steel Trust's output in the last quarter of 1936 shows a considerable decline. The grain shortage has evoked new measures. Farmers are now urged to deliver quantities in excess of their compulsory quotas, which must in any case be fulfilled by the end of February. Lists are to be compiled of the farmers who consent. This measure unquestionably constitutes semi-compulsion. In addition, committees of experts have been set up to find out why the compulsory quotas have not been delivered. The consumption of purchased wheat or rye as fodder has been entirely forbidden. The fodder supply is quite inadequate, and the alternative therefore seems to be: sufficient bread, or sufficient meat.

Spain

"Collectivisation" in Catalonia

BARCELONA, January 6.—Catalonia is now well started along its highway of "collectivisation," which is merely another word for Communism of a kind. The new economic order in Catalonia is embodied in three decrees. The first and most important is that of October 27th for the socialisation of large industries and land holdings; another is a decree whereby the municipalities are made the social-economic units, while the third divides Catalonia into nine economic areas in accordance with geographical boundaries.

For the moment the situation is unpromising. Catalonia, a manufacturing and agricultural region, has lost its markets in a large part of Spain and in foreign lands as well, while industries are threatened with stoppage for lack of raw materials. The foreign exchange situation is so unsatisfactory that most foreign firms simply decline to send materials unless they have been paid in advance. The exchange rate against the peseta is so high in the free market that Catalonian importers find themselves faced with grave difficulties.

A National Bank Proposed

One of the principal functions of the new Council of Economy, the controlling organ of "the new economy" is "to regulate the total production of industry, stabilising prices, studying the necessity of consumption and production and the possibilities of interior and foreign markets; to propose the suppression or extension of factories and the reform of methods of work . . . suggest modification of tariffs or of commercial treaties . . . procure credit or banking facilities . . . organise technical laboratories . . . study the substitution of materials of foreign origin by internally produced materials." The Council of Economy is now studying the

creation of a Catalan Bank of Industrial and Commercial Credit as a necessary organ of the "new economy." The function of this bank, according to one of the spokesmen of the Council, would be "to canalise the possible losses and gains of collectivised industry." More specifically, he explained, it would impound the gains of profitable enterprises, extending credits to those that need them and compensating other industries for their losses. Catalonia is rapidly moving toward a very comprehensive control of its financial regime, and the new bank, when established, will probably be a national bank with certain limited powers of issue.

The Government's Financial Resources

As announced in the press, the Catalan Government has already issued its own money—20 million pesetas' worth of currency in notes of two and one-half, five and ten pesetas, guaranteed by the resources of the Catalan Government. There appear, however, to be no reserves of any kind to support them. The Catalan Government has resources. It has expropriated millions of dollars' worth of lands and buildings since July 19th; currency, bonds and similar paper, worth perhaps several times the amount of the issue, from the Church; gold, silver and jewellery seized from "factionous elements." The police continue their daily visits to the domiciles of suspected persons, where they seize valuables, which are then handed over to the Government.

"Collectivisation" is being put into practice piecemeal because the municipalities and their districts have been accorded a large measure of autonomy—so much so, in fact, that Catalan cities and towns have been described as so many little republics. This may make for individuality and independence, but it certainly does not make for harmony; for, as one of the Catalan councillors recently expressed it, each municipality seems to think itself the centre of the world, whose interests are superior to those of all other cities and towns, to the Republic and to the universe itself. In many cities "collectivisation" has hardly got under way, while in other localities it is rushing forward pell mell.

Foreign Properties and Workers' Control

The question of the foreign-owned industrial properties, of which the British-owned Riegos y Fuerzas de Ebro (Barcelona Traction Company) is the most outstanding, still awaits solution. Its foreign personnel departed more than three months ago, and the company is now in the hands of the workers. To all outward appearances they are doing well; for the supply of electricity is normal, and the deposits of subscribers are being refunded, although there are no reductions in rates. The Catalan Government's decree provides that there shall be compensation to foreign companies on the basis of mutual agreement, and workers have been advised to refrain from further "collectivisation" in the case of such properties until agreements have been reached. It seems, however, that compensation is still a matter for the future.

Turkey

The Sanjak of Alexandretta

ISTANBUL, January 2.—Political interest is chiefly focused on the negotiations with France about the Sanjak of Alexandretta. The question is difficult because the Quai d'Orsay treats it only as a juridical problem, whereas the Turks claim that its political aspect cannot be separated from the legal issues involved.

The important point, which has been discussed only in the foreign Press, is that the Turks object to any situation which might one day favour the exertion of hostile influences on their Southern frontiers. Moreover, they

cannot agree to a compact Turkish population being placed under a Syrian administration, i.e. of a country with no experience of independence or proof of political maturity. Turkey entrusted the "Hatay" Turks to a French administration, and she cannot admit that a French mandate should be replaced by what is looked upon as an Arab mandate.

As to the legal aspect of the question, the Turks reject the claim that the Ankara Convention of October 20, 1921, was signed by France on behalf of Syria, and maintain it was negotiated with France herself, since in 1921 there existed no recognised State known as Syria. They also suggest that the Convention recognised the right of the Sanjak to a special flag embodying the Turkish flag. The subsequent Treaty of Lausanne, moreover, stipulated that the future of the territories over which Turkey renounced her rights was settled, or was to be settled, by "the parties concerned." Thus, either France was the direct signatory, and in that case she is not entitled to transfer her authority over the Sanjak to any other country without Turkey's approval; or she was not the direct signatory, and in that case the "party concerned" is the population of the Sanjak and not any other party covered by the French mandate.

The claim that the Sanjak should become independent and then become part of a Syrian federation is considered moderate. Meanwhile, feeling runs higher and higher, and seems to be based on the conviction that Turkish rights are being thwarted at Geneva.

New Zealand

Growing Business Confidence

CANTERBURY, January 1.—Substantial increases in the prices of wool at the season's opening sales have given a marked stimulus to confidence in the Dominion. At the first four sales average prices were 50 to 70 per cent. above those ruling a year ago, and it is anticipated that the price per bale, which averaged £NZ21 12s. 6d. for the eight years 1922-29 and about £NZ7 10s. during the three worst years of depression, will now average nearly £NZ19. Japanese and Continental competition has been strong, while Bradford buyers have been comparatively inactive. Exports, which totalled £NZ43.36 millions for the year ending September, 1935, have increased steadily during the year, helped by higher prices and larger quantities of wool, and by better prices for dairy produce, during the last season. The year's exports now exceed £NZ56½ millions, a figure higher (in domestic currency) than that for 1929, and only once exceeded, when £NZ57.1 millions was reached in 1924-25. Imports have responded to increasing demand, following the expansion of internal business, and for the latest year exceeded £NZ42 millions, an increase of about £NZ6 millions on the figures a year earlier.

Internal trade is more active than at any time since 1930. It is being realised that the depression is over, and there are suggestions that high wool prices will carry exports for the season above the £NZ60 millions mark and create a boom. The recovery, especially in retail trade, has been helped by the general restoration of wages to pre-depression levels and by a revival of heavy Government expenditure on public works. Its extent is indicated by the fact that the September quarter's yield of sales tax was 25 per cent. greater in 1936 than in 1935, while total bank debits were 18 per cent. higher. Average share prices, however, have fallen by 7 per cent. during the year.

The Labour Government's Measures

This is partly a reaction to the change in Government and in policy. An enormous amount of new legislation has been passed during the year, much of which is enabling legislation, and it is not yet clear how it will be used. The Industrial Efficiency Act, for instance, passed last session, set up a Bureau of Industry, with

wide powers of industrial and trade regulation; and a few prices have been fixed, including the guaranteed price for exported dairy produce and domestic prices of wheat, flour and bread. A basic wage, representing a minimum below which no award rates may fall, was announced by the Arbitration Court. Part of the Government's policy, including some public works expenditure, was designed to increase spending and relieve depression. It appears now that the rise in export prices will make such assistance unnecessary. About 36,000 registered unemployed remain, but in many occupations a scarcity of competent labour is being experienced.

Public Finance and the Trading Banks

The public works programme announced required £NZ13 millions to finance it, and the Finance Minister stated that no public issue would be necessary. Later it was announced that £NZ3 millions would be advanced for housing by the Reserve Bank. The Bank has already advanced to the Government £NZ4.4 millions against exports of dairy produce under the Government marketing scheme and £NZ700,000 for other and unstated purposes. These advances, however, would in former years have been made by the trading banks. The transfer of such business accounts in some measure for the slow rise in trading bank advances. These have shown an increase of £NZ3 millions to £NZ48 millions since June. Combined with Government advances, they indicate an increase of £NZ7½ millions, or 17 per cent., in total advances since June, which represents more than the usual seasonal expansion. Bank deposits remain high, £NZ62 millions at the trading banks, and £NZ3.6 millions Government deposits at the Reserve Bank.

40 per cent. Rise in Export Prices

The recovery experienced has so far had little effect on internal prices. It is expected that higher costs, due to the restoration of wage cuts, shorter hours in many industries, and heavier taxation, must increase domestic prices. Higher export prices will also increase the prices of exportable goods sold locally. During the past year retail prices have increased about 4 per cent., while import and wholesale prices have remained practically stationary. Compared with the year 1933, export prices for October, 1936, have increased by 41 per cent., retail and wholesale prices by 9 per cent. (mainly owing to export influences) and award wage rates by 21 per cent. The depression was due very largely to the fact that export prices fell much more heavily than internal prices.

Letters to the Editor

Dearer Money and Rising Prices

TO THE EDITOR OF THE ECONOMIST

SIR,—In a Note on the "Gilt-Edged Outlook" on page 72 of your issue of January 9th, you remark that the authorities desire to maintain a firm (gilt-edged) market while financing the re-armament programme, and that this might be done by widening the basis of credit and so increasing the volume of bank cash. You continue with the reflection that "to do that, on a considerable scale, in a period of depression is one thing, and to do it at a time of rapidly rising prices is another"—meaning, presumably, a worse thing.

But widening the basis of credit is not merely a means of strengthening the gilt-edged market; it is also a means, and the only means, of financing net additional expenditure with rising prices.

No reasonable person would deny that prices can rise unduly fast, or that increased public expenditure (on re-armament or anything else) may, other things being

equal, accelerate their rise. But if prices do rise unduly fast, the causal factor will be the increased expenditure, not the provision of additional bank cash to finance it. To incur public expenditure on credit, and at the same time to try to neutralise its effect on prices by declining to widen the basis of credit and increase the volume of money, would be a policy which could only succeed (as we found in 1923-24, when we combined public works with a return to the gold standard) by depriving private industry of the resources attracted by the public expenditure.

No doubt a simple way to do this would be to render marginal private industry unprofitable by raising an item of industrial costs, namely, the rate at which business men can raise long-term capital; and no doubt this would be just the effect of increasing public expenditure without providing enough additional bank cash to finance both it and private industrial expenditure. But is this really what *The Economist* expects our authorities to do?

The proposition that it is one thing to increase the volume of money in a time of rising prices and another to increase it during a depression is, indeed, easily grasped; but the inference that, if we indulge in a policy of public expenditure while prices are rising, we shall proceed (with 1,500,000 workers still unemployed) to create enough counterbalancing depression to enable us to finance it without accelerating the rise of prices, is less self-evident. Common sense would suggest choosing the lesser of two evils. But perhaps the point is that common sense is hard to reconcile with "cyclical forces."

I am, etc.,
HUGH TOWNSEND.

21 Hillcroft Crescent,
Ealing, W.5.

[We would agree with Mr Townsend that if a further rise in commodity prices is necessary to absorb genuinely cyclical unemployment, there is no valid objection to an expansion of credit necessary to finance such a rise. But if prices are beginning to rise beyond the point associated with a disappearance of cyclical unemployment, the case may very well be otherwise. We would also suggest that additional expenditure at rising prices might be financed by an increase in the velocity of circulation.—ED. *Econ.*]

Anti-British Propaganda in Germany

TO THE EDITOR OF THE ECONOMIST

SIR,—Having just completed a long tour through Germany, I should like to call your readers' attention, if I may, to the increasingly anti-British tone which Nazi propaganda has recently assumed. I have been there several times before, and so perhaps the contrast this Christmas was much more noticeable. Although one can sympathise with Germany over her colonial difficulties, it is difficult to do so when one is told so often by the inhabitants that "England has robbed her of her gold, and despoiled her of her colonies." Still more unpleasant are the slights cast upon the incompetence of the British Government, and the disparaging contrasts so often drawn in the newspapers, on the wireless and even on the films, between the depressed areas and the present position in Germany.

The crowning insult, however, is the theory, deliberately propagated by the Government, that England is under the thumb of a Jewish autocracy, and that Sir Oswald Mosley is the only Englishman who has "the foresight to see the danger and the courage to speak his mind." I have spoken with several Germans, who are convinced as a result of this propaganda, although none of them had even been to England, that our country is controlled by Jewish cliques, and I have even seen on an official Government notice-board a picture of a pair of dark spectacles labelled "A Christmas present for England—so that she won't see her own Jews."

The most distressing feature about this insidious campaign is that it all emanates from the German Government, and is not from private persons, as is the case with any anti-Nazi feeling which may exist in this country. One wonders, therefore, how much sincerity there can be in Herr Hitler's alleged desire for peaceful and friendly relations with other States, and, above all, in his claim not to interfere with the internal policies of his neighbours.

I am, Sir,
Yours faithfully,
GEORGE A. BONNER.

Vienna.



A GOVERNMENT SERVICE for BUSINESS MEN throughout 1937

"THE BOARD of TRADE JOURNAL" The authoritative weekly journal of the Board of Trade contains essential news for exporters. It includes news of trade openings, exchange regulations, commercial treaties, Customs regulations, &c. The issue of December 10, 1936, contained a special 16-page supplement giving the complete text of the new trade agreement between the United Kingdom and Argentina. On January 14, 1937, Part I of the British India Customs Tariff was included. Annual Subscription 30s. post free.

MINISTRY OF LABOUR MAGAZETTE An invaluable monthly news service on very many aspects of industrial labour and employment including employment and unemployment, wages and hours, cost of living, strikes and lock-outs, legal cases, etc. 6d. per copy. Annual subscription, 7s. post free.

ACCOUNTS relating to A TRADE and NAVIGATION These monthly returns give the volume and value of imports and exports for the current month with aggregate figures for the previous months of the year. Similar totals for the corresponding periods in the previous two years are given for purposes of comparison. Summary tables of imports and exports preface the figures analysed in more detail. In the return for December, preliminary figures are given for the past year. Each monthly return is adequately indexed. Annual subscription, £2 17s. 0d.

ANNUAL STATEMENT of the TRADE of the UNITED KINGDOM This work, appearing in four volumes, contains the final figures for each year's trade analysed in considerable detail with comparative figures for the previous four years. The division is as follows:
Vol. I.—Summary of imports and exports.
Vol. II.—Detailed Statements of imports; exports of imported merchandise, bullion and coin and free goods in transit.
Vol. III.—Detailed Statements showing exports of produce and manufactures of the United Kingdom.
Vol. IV.—Detailed statement of the trade at each port or place, etc.
Prices for the volumes relating to the year 1934 are as follows: Vol. I, 12s. 6d. (13s.); Vol. II, 35s. (35s. 8d.); Vol. III, 22s. 6d. (23s.); Vol. IV, 25s. (25s. 7d.); post-free prices in brackets. Returns for 1935 now in course of publication.

OVERSEAS TRADE REPORTS Concise and informative accounts of the commercial and economic conditions prevailing in the principal countries throughout the world are presented in the series of reports by H.M. Trade Commissioners and Commercial, Diplomatic and Consular Officers. Some thirty to forty reports are issued annually at a subscription price of 40s. post free. Reports on individual countries may be obtained separately at various prices.

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Books and Publications

The Dilemma of Poland

It is perhaps the main duty of an historian to interpret, and of a journalist to record. In these two books,* it is the journalist, M. Václav Fiala, who interprets, the historian, Mr. Robert Machray, who records. "The Poland of To-day" is, in the words of its author, a "consecutive record in chronological order of the day-to-day drama of the restored Polish State, with Pilsudski as the central figure." It incorporates Mr Machray's previous book, "Poland, 1914-31" and carries on the history of Poland till July, 1936. The very thoroughness with which Mr Machray has collected his facts does much to obscure their significance. The record of frequent changes of government, of frequent financial crises, of *communiqués* after foreign visits, and of Press reports, only elucidates what the reader already knows; his curiosity about the real springs of Polish action remains as great as before.

In the chapter headed "Relations with Germany," an account is given of the negotiations leading up to the surprising Polish-German Ten Years' Pact of January, 1934. The chronological order here is wholly out of place; for the dominant features of the treaty at that time were the secrecy with which the treaty was negotiated, and the suddenness of its publication, not only to the world at large, but to Poland's closest ally, France. It was this which chiefly caused the surprise and suspicion which Mr Machray, representing the Polish point of view, finds so unjustified. While fully describing the tension between Germany and Poland which grew increasingly with Hitler's approach to power, Mr Machray, nevertheless, treats the pact itself without astonishment and with little explanation. With his "sympathetic but not propagandist point of view," he underestimates the strategic and other factors which caused France to regard the pact as an encouragement to potential aggression in Central and South-Eastern Europe.

M. Fiala, on the other hand, gives an excellent account of Polish-German and Polish-Russian relations. He shows how Poland's exposed position between these two countries inevitably determines her foreign policy and, to a large extent, her home policy also. He gives an acute analysis of the foreign policies of Pilsudski and Colonel Beck, and does much to suggest the superiority in diplomacy and single-mindedness possessed by Pilsudski. Much light is thus thrown on the peculiar political and strategic dilemma of Poland—situated as she is between two huge and highly-armed Powers.

Mr Machray, in his chapter "Poland since Pilsudski," gives one little idea of the real significance for Poland of Pilsudski's death. On the one hand he says that it meant no change in home or foreign policy: on the other, that "a fresh period in the history of Poland had begun." "Marshal Pilsudski," writes M. Fiala, "vanished at the height of his power, but without having achieved his object." He died leaving a dictatorship but no dictator, and it is this which sets one speculating not only on the probable course of Poland's foreign policy but on the eventual stability of her internal regime.

Though M. Fiala, who is a Czechoslovak citizen, wrote his articles at various times during the last two years, he writes with such intelligence and care, that he enables one to understand not only the past of which he writes but the present which was then unknown. He has certainly attained his object of writing a book which "can be consulted with interest to-day by the contemporary reader who is interested in politics, and in the future by the historian who is studying the problem of Poland."

* "The Poland of Pilsudski." By RoLert Machray. Allen and Unwin. 508 pages. 15s.

"La Pologne d'Aujourd'hui." By Václav Fiala. Paul Hartmann. 280 pages. 15 frs.

Shorter Notices

"The Four Green Fields." By George O'Brien. (Dublin). The Talbot Press, Ltd. 152 pages. 3s. 6d.

The point about the Four Green Fields is that there are only three; for this is an essay on the partition of Ireland. Dr O'Brien is very well known as a sober, moderate, well-informed observer, possessed both of the historical background and the economic knowledge necessary to form a balanced judgment on Irish affairs. This only makes the more disturbing to the English reader his emphatic insistence that there can be no peace between England and Ireland so long as the whole island of Ireland is not a juridical whole. Dr O'Brien admits that the desire for reunion with Ulster is utterly illogical. It is not a desire for domination, as virtually any concession of practical autonomy would be made in return for the admission of theoretical juridical unity. It is not love for the Protestant Ulstermen; Dr O'Brien's remarks about the Orange order are bitter in the extreme. It is merely that attachment to a mystical combination of history and geography which is the most powerful force in Irish politics. The Englishman cannot understand it; but he must accept it as a fact.

This book, though published in Ireland, is clearly intended for English readers, and it deserves to have many of them. They will find an essay which is both witty and wise and delightfully written. With the exception of the major hypothesis, all is logic and reason. If that hypothesis can be accepted, the book is a powerful tract on what can still be called the Anglo-Irish problem.

"Handbook on the Formation, Management and Winding-up of Joint Stock Companies." ("Gore Browne.") By His Honour Judge Haydon and Stanley Borrie. 39th Edition. Jordan and Sons. 916 pages. 20s.

This famous work on Company Law is now in its seventieth year. That its authority has been strengthened as its subject-matter became more complex must be attributed to the succession of talented editors who have been responsible for its many editions. The late Sir Francis Gore-Browne was responsible for no fewer than twenty-two of its thirty-nine editions, and for its familiar short title. The present editors have ably succeeded to his task. They have revised the company case law and have altered the text, where necessary, to conform with the present practice of the registrar. For all who are intimately concerned with company legal work, "Gore Browne" is indispensable.

Books Received

National Income and Outlay. By Colin Clark. (London) Macmillan and Company. 304 pages. 12s. 6d. net.

Anarchy or Hierarchy. By S. de Madariaga. (London) Allen and Unwin. 244 pages. 7s. 6d. net.

Leadership in a Free Society. By T. N. Whitehead. (London) Oxford University Press. 266 pages. 10s. 6d. net.

Electricity Supply Regulations, 1937: For Securing the Safety of the Public and for Insuring a proper and sufficient supply of Electrical Energy. 6d. net.

Explanatory Notes on the Electricity Supply Regulations, 1937. 3d. net.

Law Revision Committee: Fifth Interim Report (Statutes of Limitation). Cmd. 5334. 9d. net.

Department of Overseas Trade: Report on Economic & Commercial Conditions in Australia to October, 1936. 3s. net.

Colonial Reports, No. 1783. Straits Settlements, 1935. 5s. net; No. 1788. Falkland Islands, 1935. 1s. 3d. net.

Coal Mining Industry: Statistical Summary of Output, and of Costs of Production, etc., for the quarter ended September 30, 1936. Cmd. 5340. 1d. net.

A Simple Theory of Capital, Wages and Profit or Loss. By E. C. van Dorp. (London) P. S. King and Son, 260 pages. 12s. net.

Industrial Reconstruction and the Control of Competition. By Arthur F. Lucas. (London) Longmans, Green and Company. 384 pages. 15s. net.

Reconditioning Slum Property. Publication Department, Bournville.

Pacific Affairs. Vol. IX., No. 4. December, 1936. The Institute of Pacific Relations. (New Jersey). 50 cents.

MONEY AND BANKING

The Function of the Discount Houses

JANUARY is a month of financial stock-taking, when the leading banks and discount houses issue their accounts. The bank balance sheets which have already appeared confirm earlier indications of a growing demand for bank credit, but we propose to reserve our detailed comment upon them until the complete set of accounts is available. In the meantime, we may concern ourselves with the results of the discount houses, who are engaged in a more specialised form of short-term finance. The accounts so far available are summarised below:—

December 31st	Alexanders			National		
	1934	1935	1936	1934	1935	1936
Liabilities:—	£mn.	£mn.	£mn.	£mn.	£mn.	£mn.
Capital	1.0	1.0	1.0	1.0	1.0	1.0
Reserve fund	1.0	1.0	1.0	1.0	1.0	1.0
Loans, deposits, etc.	22.3	22.3	28.2	30.4	31.7	36.3
Rediscouts	1.2	1.4	0.9	12.9	17.5	18.5
Rebate	0.2	0.2	0.1	0.3	0.3	0.3
Assets:—						
Cash	0.6	0.6	0.6	0.8	0.9	1.0
Investments	12.6	12.9	13.4	8.7	8.7	11.2
Loans	0.7	0.4	1.7	0.6	0.4	0.5
Discounts	12.0	12.1	15.7	35.6	41.6	44.5
Gross profits	£'000	£'000	£'000	£'000	£'000	£'000
Expenses	458	334	206	202	221	223
Investment reserve	54	49	41	41	41	44
Net profit	200	185	165	161	180	179
To pension funds	10	164	164	10	149	148
To dividends	164	164	164	140	149	148
Change in undistributed profits	+30	+21	+1	+11	+21	+23

The figures illustrate the strength and power of these institutions, but we are here concerned mainly with their broad functions.

As their name implies, the function of the discount houses is to discount bills of exchange. They grew up in the nineteenth century, which was the heyday of the bill of exchange, both in internal and external trade. At home, it was the era of the independent country bank, which discounted bills for its customers and looked to London for rediscounting facilities. It was equally the era of the small independent trader who obtained a large part of his credit from discounting rather than from the bank overdraft. Reference to the centenary histories of the British joint-stock banks or to George Rae's famous book on the duties of a country banker makes this abundantly clear. The bill of exchange was the main instrument for financing international trade, and London's pre-eminence as a bill market was unchallenged. Round the bill of exchange grew up an elaborate system, under which the accepting house gave its name to a bill, which was then purchased, initially, by the discount house. The joint-stock bank looked to the discount market as a means of employment for its surplus cash and as a source whence it could obtain bills of the suitable character and dates of payment for inclusion in its own portfolio. To-day a trader can still approach one member of this system, secure an introduction to other members, obtain an acceptance to his bills and proceed to discount them.

The difficulty at the present time is that the machinery of discounting remains, but the commercial bill has largely disappeared. The inland bill has gone, with the growing integration of British industry and banking, and internal financing and the bank overdraft have taken its place. International trade has shrunk in volume, and exchange clearings and the growing domestication of industrial and commercial operations have further restricted the use of the bill. Thus the discount market has had to find new outlets for its

activities, and so far it has found these in the Treasury bill and the short-term Government security.

It is questionable whether Walter Bagehot could possibly have foreseen all the implications of his "invention" of the three months' Treasury bill as an instrument of Government finance. It was originally intended to bridge seasonal discrepancies between revenue and expenditure. For its growth to its present colossal dimensions the Great War was primarily responsible. The extent of its growth since 1913 is shown by the following table:—

TENDER ISSUES OF TREASURY BILLS

	£ millions
December 21, 1913	10.5
December 28, 1929	565.0
December 26, 1936	614.0

This table speaks for itself. Changes since 1929 have been largely fortuitous, and they indicate no permanent trend. The predominance of the Treasury bill in the discount market was established long before that year.

The growth of the Treasury bill and the decline of the commercial bill have produced a fundamental change in the structure of the discount house—a change which would be even more apparent if the three houses showed Treasury bills separately in their accounts. This change is illustrated in the following table:—

Date	Capital and Reserves	Loans, Deposits, etc.	Discounts	Securities
	£ mill.	£ mill.	%	£ mill. %
Alexanders:—				
end of—1912	0.6	9.7	8.8	90.7 1.0 10.3
1928	1.3	21.4	17.2	80.6 5.1 23.8
1935	2.0	22.3	10.7	48.0 12.9 57.8
1936	2.0	28.2	14.8	52.6 13.4 47.6
National:—				
end of—1912	1.3	15.9	12.8	80.6 2.5 15.7
1928	1.9	25.2	22.7	90.2 3.2 12.7
1935	2.0	31.7	24.1	76.2 8.7 27.4
1936	2.0	36.3	28.0	77.6 11.2 30.9
Union:—				
end of—1912	1.5	18.9	16.0	84.8 2.2 11.6
1928	3.0	45.9	39.2	85.4 9.0 19.6
1935	3.0	59.2	42.2	71.3 16.2 27.4

Note.—The figures in italics represent the percentages borne by discounts and securities, respectively, to loans, deposits, etc. Discounts exclude bills rediscounted.

The three discount companies have met the post-war situation in different ways, but in every case they have ceased to be almost exclusively holders of bills, and have admitted a larger proportion of securities among their total assets. Alexanders, in fact, to-day hold bills and securities in almost equal proportions. Thus, while the three companies have greatly increased their total resources since pre-war days, they have ceased to be predominantly interested in the financing of trade, and have largely become a part of the machinery for providing the Government with short-term finance. They have continued to be of the utmost service both to the Treasury and the banking system. They still provide the banks with an outlet for their short-term funds. If, however, the machinery of short-term Government finance were being designed *de novo*, it is by no means certain that it would include a component with functions precisely similar to those of the discount houses to-day.

What are the future profit-earning potentialities of the discount houses? It is patent that during the past four years of cheap money these bills have contributed little or nothing to net profits. Short-term Government securities give a higher yield, and until recently they also offered scope for capital appreciation and "jobbing profits." Last year, however, must have been very lean

from this point of view. The trend of the gilt-edged market was downwards, and increased appropriations to depreciation reserves must have been necessary. On this occasion Alexanders have followed the procedure of the other two houses and have not disclosed these appropriations. This is the probable explanation of the drop in Alexanders' disclosed gross profits.

This suggests a conclusion—which can hardly be denied—that Government securities are not a wholly adequate substitute for self-liquidating bills of exchange, for an institution which derives the bulk of its working capital from short-term loans and deposits. Nor are jobbing profits a satisfactory substitute for the income formerly derived from bills of exchange; for, as we are seeing to-day, jobbing profits in time begin to be replaced by losses. Initially the discount houses could set the upward trend of gilt-edged prices against the downward trend of interest rates, but to-day they can no longer do so. Thus either the bill of exchange must be revived or the discount house must find a way of taking part in the newer forms of short-term finance, such as hire-purchase or instalment buying. This raises very wide questions, some of which we hope to discuss at a later date. Our concluding word to-day is that the strength of the discount houses is unquestionable, and they are still able to earn profits and to pay a reasonable dividend on their capital. On the other hand, the financial world has moved on, so that old methods of finance have fallen into disuse while new methods have been invented. It seems that the financial mechanism of London may in consequence need modernising in its turn.

Financial Notes

Japanese Exchange Restrictions.—At a time when other countries are relaxing their exchange regulations it is disconcerting to learn that Japan is imposing fresh restrictions, which came into force without warning on January 8th. Purchases and sales of foreign exchange, remittances abroad, and even the execution of exchange contracts made before the issue of the ordinance, now require the permission of the Finance Minister. The only exceptions are amounts of less than Yen 30,000 a month, the settlement of documentary bills in respect of goods shipped not later than one week after the issue of the ordinance, and transactions arising from letters of credit for which permission has either been granted or is not required. Traders also require permission before they can dispose of foreign currency assets arising from the shipment of goods. Finally, foreign exchange banks must obtain permission to make payment to a bank in accordance with instructions from abroad unless the sum involved does not exceed Yen 10,000. The new ordinance is to remain in force until July 31, 1937, and it is officially stated that its objects are to stabilise the exchange, to prevent speculation, and to impose a check on excessive imports which might otherwise be made in anticipation of the higher duties due to come into force next April. These explanations are not entirely convincing. During the past year imports into Japan have been shrinking, while exports have been rising, though it is fair to add that the import surplus for the first nine months of each year was greater in 1936 than in 1935. In any case, London bankers rightly take strong exception to the retrospective character of the section of the ordinance controlling inter-bank payments, for this interferes with the covering of forward exchange positions opened prior to the ordinance. It is difficult to dissociate these new restrictions from Japan's heavy military expenditure and the dubious condition of her national finances. Finally, this is not the first occasion when a country has announced exchange restrictions for a limited period, and on previous occasions the restrictions have remained in force indefinitely.

The First Russian Notes.—The first of the Russian five and a half per cent. five-year notes, endorsed by the Export Credit Guarantee Department under the Trade Agreement of last July, have now been placed in the London money market. The amount issued so far is very small, being only about £50,000, but as the Russian orders for British goods are completed and fall due for payment, more notes will appear. Orders for the whole of the £10 millions of British goods arranged for under the Agreement must be placed by the end of next September, so that the notes should now be appearing with fair regularity. The few notes placed so far were taken at a price of 115, which was the exact figure suggested by us last July. The premium of 15 per cent. accrues to the Export Credits Guarantee Department, to cover the cost of the work and to act as a margin by way of insurance, in place of the premium normally payable by the British exporter. One disquieting fact is that Russia is using the Agreement to place orders for heavy machinery, British makers of which are already working at capacity for the home market. It would be much better if Russia bought other goods such as textiles, for which there is not so intense a home demand, and it is possible that delays over the delivery of heavy machinery will induce Russia to divert her orders in this direction.

A New Czech Loan from France.—The financial and economic negotiations conducted for many months in Paris by the Czech Minister, Dr Osucky, have ended in an agreement in principle which, when the remaining details have been filled in, will be signed at the end of the month. The Czech balance of trade with France is passive by about Kc. 120 millions annually, and Czechoslovakia annually owes France in addition about Kc. 300-350 millions net, for interest on loans, dividends, etc. The Czechs wished to cover this high passive balance of payments towards France by increasing exports in her direction—as the Jugoslavs, for obvious political reasons in view of German economic penetration there, were able to get the French to balance the passive Yugoslav account by multiplying fourfold the French import quotas for Yugoslav products. The French, however, preferred to offer Czechoslovakia a new loan, despite the latter's desire to increase her exports. In 1932, France made the last loan to Czechoslovakia, Kc. 600 millions at 5 per cent., secured by a second mortgage on the net profit of the Czech tobacco monopoly. This loan, originally taken up at 94.5 and quoted at 99, was to be repaid at par. It is now to be prolonged. But in addition, Czechoslovakia is to get a new loan, reported to be of Frs. 800 millions, half payable this year and half next. Accordingly, the Czechs' desiderata—increased import quotas in France—have only been met to a very narrow degree, involving an increase in the value of Czech exports to France of only Frs. 120 millions per annum. Probably, however, as French foreign trade continues to improve, Czechoslovakia will be easier able to secure an increase in her commodity exports to France, wherewith to pay off both the old and the new debts. In view of this, the outcome of the long negotiations in Paris is favourable to Czechoslovakia, at an important juncture for the political leaders of that progressive and comparatively prosperous little country.

Floating Debt Changes.—We publish below our usual table showing changes in the size and composition of the floating debt during the past calendar year. The position at the end of the last financial year is also given, to illustrate the effects of the heavy revenue collection between December 31st and March 31st. To avoid

the distortion due to the preparations for the end of the calendar year, the dates chosen are not December 31st, but an early date in each January.

	Jan. 11, 1936	March 31, 1936 (£ millions)	Jan. 9, 1937
Treasury bills—			
(a) Tender	556.0	498.0	599.0
(b) Tap	338.9	265.1	174.9
Ways and Means Advances—			
(a) Public Depts.	27.0	19.1	30.0
(b) Bank of England	Nil	Nil	Nil
Floating Assets*	365.9	284.2	204.9
Total, Floating Debt.....	921.9	782.2	803.9

* i.e., tap Treasury bills plus ways and means advances from Public Depts.

During the past year there has been a reduction of £118 millions in the floating debt. Simultaneously, payments on the 1935 and 1936 Funding Loans, offset by redemption of Treasury bonds and other minor operations, added £153 millions to the non-floating debt. This means an increase of £35 millions in the total National Debt, probably due to this year's heavier expenditure and to the fact that the bulk of the year's extra revenue has still to be collected. From the narrower angle of the money market, the floating assets of the departments are reduced by £161 millions, while tender issues of Treasury bills have increased by £43 millions. This points strongly both to the Exchange Equalisation Account's large gold acquisition during the year, and also to the departments' support of the new Funding Loan. It was noticeable that there was no significant change in floating assets at the time of the Bank's gold purchase and reduction in the fiduciary note issue. This suggests that the Treasury bills taken from the backing to the note issue, and transferred by the Bank to the Exchange Account, formed part of the tap issue.

The Money Market.—The stringency that developed at the turn of the year has now entirely disappeared, and money is by contrast extremely plentiful. Rates are unchanged from last week at the usual lowest figures. Banks with funds still available at the end of the day found considerable difficulty in placing them.

	Dec. 23, 1936	Dec. 31, 1936	Jan. 7, 1937	Jan. 14, 1937
Bank rate	2%	2%	2%	2%
Clearing banks' deposit rate	1½	1½	1½	1½
Short loan rate:—				
Clearing banks	1½-1*	1½-1*	1½-1*	1½-1*
Others	1½-1*	1½-1*	1½-1*	1½-1*
Discount rates:—				
Treasury bills	1½-1*	1½-1*	1½-1*	1½-1*
Three months' bank bills	1½-1*	1½-1*	1½-1*	1½-1*

* Loans against Treasury bills and other approved bills and British Government securities within six months of maturity; 1 per cent. Treasury Bonds and other gilt-edged stocks within six months of maturity; and other collateral respectively.

The small percentage allotment at last week's Treasury bill tender was a not unexpected disappointment, and the market has consequently been averse from selling the few bills at its disposal to the clearing banks, which are quite willing to buy. A few March and early-April maturities have, however, gone at the minimum rate of ½ per cent. A significant feature is that money is not going into the gilt-edged security market, as it usually does at this time of year.

The Foreign Exchanges.—It has been a very quiet week indeed in the foreign exchange market, and movements of rates have been minimal. Sterling has on the whole sustained its strength against other currencies, the whole sustained its strength against other currencies, and whatever fluctuations there have been in the rates were directly attributable to the varying tension of the international situation in Europe. This was particularly noticeable in the case of American dollars, which were offered and bid alternately in step with the Franco-German statements and negotiations over the question

of Morocco. The quotations only varied, however, within the limits of \$4.91 and \$4.91½, with the three months forward rate steady at ½ cents premium. The Swiss franc, the guilder and the belga have all been firm, and neither the spot nor the forward rates have varied significantly. The French franc alone has shown a certain weakness, discernible not in the spot rate, which is firmly held by the French Control at Frs. 105½-¾, but in the three months forward rate, which at the end of last week went out as far as Frs. 2 discount, coming back this week to the more normal figure of Frs. 1½-1½ discount. This periodic weakness is due to the persistence in some quarters of the belief that sooner or later the franc will be further devalued to the lower statutory limit. As far as can be ascertained, this belief is entirely without foundation. The new restrictions on exchange dealings in Japan, discussed in another Note, resulted in a strengthening of the yen to the officially desired rate of 1s. 2d. "Bear" speculation had previously reduced the rate on occasion to 1s. 1½-¾d.

The Bank Return.—This week's Bank return shows that we have returned to the normal conditions prevailing before Christmas.

	Jan. 15, 1936	Dec. 23, 1936	Dec. 30, 1936	Jan. 6, 1937	Jan. 13, 1937
	£ mill.	£ mill.	£ mill.	£ mill.	£ mill.
Issue Department:—					
Gold	200.2	313.7	313.7	313.7	313.7
Note circulation	397.7	474.1	467.4	462.7	455.0
Banking Department:—					
Reserve	63.1	40.2	46.8	51.4	59.0
Public deposits.....	13.8	21.7	12.1	13.5	12.4
Bankers' deposits.....	110.1	72.2	150.6	110.2	106.7
Other deposits	37.5	38.8	39.2	38.4	38.3
Government securities	83.9	83.1	134.5	93.3	83.2
Discounts and advances	20.0	6.4	17.5	14.4	12.5
Other securities	12.5	21.0	21.2	21.1	20.8
Proportion.....	39.0%	30.2%	23.1%	31.7%	37.4%

The note circulation is down by £7.7 millions, but is still at a substantially higher level than last year, which reflects the considerable increase in business activity. Bankers' deposits are down by £3.5 millions, but still stand at a high level. Government securities are down by £10.1 millions, reducing them to the normal pre-Christmas level. This shows that the Government borrowing on Ways and Means necessitated over the turn of the year has now been fully repaid.

Prosperity in Canada.—At the annual meeting of the Canadian Bank of Commerce two points of view were expressed. The general manager, Mr S. H. Logan, presented an array of statistics illustrating the measure of Canada's recovery in 1936. Exports for the year were above the \$1,000 millions level, placing Canada fourth in importance in world trade, and ahead of France and Japan. Mining, newsprint and the heavy industries all made substantial improvements, and agriculture benefited from higher prices, although crops were light. By contrast, the address of the President of the Bank, Sir John Aird, contained more than one note of warning that the duration of this recently acquired prosperity should not be taken for granted. Thus he explained that the average yearly requirements since 1932 onwards of the wheat-importing countries have been about 500 million bushels, compared with 750 millions in the previous five years. Yet to-day there is a tendency to increase acreage beyond what even the earlier figure would justify. Sir John Aird insisted that it was imperative that to meet this situation Canadian agriculture should be more efficient and more diversified, that the farmers' sales policy should be more aggressive, and that sub-marginal lands should be withdrawn from cultivation. The most salutary and effective remedy would be the freeing of world trade, and Canada, who exports 30 per cent. of her national production, should be thankful for the recent movements in that direction.

THE STOCK EXCHANGE

Oil Company Prospects

AMID the recent exuberance of commodity shares, the oil group has enjoyed its share of attention. The resumption of interim dividends by "Shell" Transport, coupled with a capital bonus, is one reminder that recovery in the oil industry is now established. A second is the raising of British petrol prices by $\frac{1}{4}$ d. per gallon this week. Yet the market still lacks a stimulus comparable with the recent experience of the rubber and copper share markets. Seasonally, the opening weeks of a new year are the least favourable period for oil shares. The statistical position of the industry in the United States usually shows some deterioration, owing to the reduced winter demand for gasoline. The present season is no exception, and though the current level of consumption has exceeded all prophecies, stocks of gasoline are rising. On the other hand, the general statistical position is stronger than for a long time. At the end of a year of record output, stocks of crude oil stand at little more than fifty days' absorption—their lowest for a decade. Consumption of motor fuel in 1936 exceeded the 1935 figure—its record—by more than 11 per cent. And the demand for fuel oil, both for industrial and domestic purposes, has been quite exceptional.

The present situation, however, is in some respects anomalous. Now that crude oil stocks have been reduced to record low levels, an advance in prices might appear imminent. Yet, so far, none of the major American companies has shown any eagerness to follow the Continental Oil Company, which recently raised its buying price for mid-continental crude by no less than 17 cents to \$1.35 a barrel. This reluctance is due to a legitimate fear that higher crude prices may encourage production and thus prevent the gasoline companies from raising the prices of refined products adequately later on. The increase at the beginning of 1936 had precisely this effect. But, on the whole, the omens for a further rise in the near future would appear to be bright. Though gasoline prices are still below the level of twelve months ago, they show an unseasonal tendency to harden. The current demand for motor spirit rivals summer dimensions, and the consumption of heavy fuel oils is the market's strongest point. All these tendencies should be maintained. Only two uncertainties cloud the picture. The first is the extent of the increase in gasoline stocks. The second is the persistent excess of crude oil production over that recommended by the Bureau of Mines.

Provided that neither of these problems assumes

threatening dimensions, 1937 may conceivably bring a substantial advance in oil prices. In comparison with prices of other commodities, oil is undoubtedly lagging. It would be unwise, however, to base any undue expectations on the development of an "oil boom." For the moment, attention is being rightly devoted to the record of 1936 and to its reflection in company profits.

Any attempt to estimate oil company revenue encounters obstacles rarely found among other leading commodity groups. Oil is not a unitary product, and the price trends of different grades are not necessarily uniform. Nor are costs data available in many instances. Estimates of net profits, therefore, are immediately precluded. To circumvent these difficulties we have attempted to segregate the oil products on which the receipts of a number of leading oil companies have been found, in the past, to depend most closely. By means of separate indices of prices and of output we have endeavoured to compute the percentage changes in gross revenues in 1936 compared with 1935. The final "receipts indices" obtained must obviously be regarded as no more than a rough approximation. Even if they are accurate, they represent only the first step in the final determination of net profits. Nevertheless, some indication is provided, by this method, of the extent of changes in oil revenues, compared with the latest year for which results are obtainable. The figures, which are as good a pointer to probable dividends as any, are tabulated at the foot of this page.

The suggested results show significant differences for individual companies. Attock Oil and Mexican Eagle stand out with the largest relative increase in estimated receipts. But the financial record of the former has not been fortunate and an immediate resumption of dividends can hardly be expected. The Mexican Eagle estimate is complicated by the fact that no figure for gross revenues in 1935 is available. For 1936, however, receipts in excess of £1,250,000 would not be surprising, and the company might easily pay up to, or over, 15d. a share against 10d. the year before. For the investor, as distinct from the speculator, however, the prospects of Burmah Oil and "Shell" would appear more attractive. Official output figures for 1936 are not available for either concern, and the movement in gross receipts must be largely a matter of conjecture. Burmah Oil should have benefited substantially from the advance in Indian kerosene prices last year, and provided that sales were

at least equal to those of 1935, earnings might easily exceed 25 per cent. on the ordinary capital. A dividend of this figure might not, therefore, be surprising, while a 20 per cent. increase in the gross receipts of "Shell" should make a final dividend of 15 per cent. possible, bringing the year's dividend rate up to 22½ per cent., against 17½ per cent. on the smaller capital.

Of the remaining companies, the three crude oil producers all promise a substantial advance in receipts. The 20 per cent. increase for Anglo-Ecuadorian is, however, estimated for the year ending next June and is based on the assumption of a 10 cents rise in crude oil prices by the spring. It is thus in the highest degree provisional. For Lobitos and Venezuelan Oil Concessions, the estimates are for 1936 only. The Lobitos operating subsidiary should be in a position to resume dividend payments this year, and an increased distribution by the parent concern thus appears likely. The prospects for V.O.C. are rather less certain, since the company has been increasing its output of relatively low-grade crude oil. For this reason, a big increase in dividends cannot be looked for. On the other hand, the high gearing of the United British ordinary capital suggests that, although the company's oil output was unchanged, a substantial increase in net profits may be expected to result from the 7 per cent. advance in prices which was recorded in 1936. The Roumanian producers appear to be in the least favourable position, owing to lower prices for their refined products and to reduced exports. A small distribution by the Phoenix Company, however, cannot be completely ruled out.

There remain, finally, Apex (Trinidad) and Anglo-Iranian—both largely dependent on the British market. The former has already increased its dividend for 1936, and the $\frac{1}{4}$ d. rise in British petrol prices promises a further increase as suggested in our table. But the Anglo-Iranian results are probably the greatest enigma of all. Should the board relax the caution so evident in last year's accounts, a big increase in profits might be shown this year, for an increase of 12 per cent. in gross earnings, as compared with 1935, appears possible. A dividend of 20 per cent. against 15 per cent. does not, in these circumstances, appear an extravagant forecast. For 1937, the advance in petrol may mean up to 5 per cent. more in gross receipts.

All in all, the results for 1936 should reveal a fair measure of recovery, which is likely to be uneven in its incidence on different companies. For the current year the outlook is no less bright, particularly if the winter season is comfortably passed in the United States. But even if oil prices fail to satisfy the inveterate optimist, increased production alone promises a satisfactory advance in receipts and dividends over the coming year. On this showing, current share levels appear to value the possibilities of 1937 confidently, but not extravagantly.

92½. Compared with the present level of the 1935 issue, again, there is but little attraction in its terms for the general investor, although the trustee who is still on the quest for redemption profits may find it more useful. On the eve of the issue, however, the 1935 stock, which stood at 93 ex interest on Tuesday, fell to 91 middle. It is subject to stamp duty, of course, but even after this adjustment the new loan appears to have been pitched fully half a point higher. Meanwhile, those investors who can draw sermons from redemption yields may note that, whereas the first portion of the debentures was priced to yield £2 14s. per cent., the second has been arranged on a £3 1s. per cent. basis.

* * *

Mr Keynes and the Markets.—In the gilt-edged market Mr Keynes is a best seller. The market always likes the tone of his voice, and finds his words "comfortable." In a series of articles in *The Times* this week (on which we comment on page 108) he emphatically contends that there should be no resort to the weapon of higher interest rates to check any incipient trade boom. With this view the market entirely agrees, but it fears, nevertheless, that Mr Keynes may be putting the offensive and defensive powers of the Bank of England and the Treasury rather high when he says:—

With the existing control over the exchanges, which has revolutionised the technical position, and with the vast resources at the disposal of the authorities through the Bank of England, the Exchange Equalisation Fund, and other funds under the control of the Treasury, it lies within their power, by the exercise of the moderation, the gradualness, and the discreet handling of the market of which they have shown themselves to be masters, to make the long-term rate of interest what they choose within reason. If we know what rate of interest is required . . . we have the power to make that rate prevail in the market.

The authorities must assuredly have been guilty of a dereliction of duty in allowing this week's instalment

PRODUCTION PRICES AND PROFITS OF LEADING OIL COMPANIES

Company (and Share Denomination)	Oil Price—or Chief Market for Oil Produced	Indices for 1936 (1935=100)			Net Profits or Gross Receipts in 1935	Earnings and Dividends on Ordinary Shares			Current Price of Ordinary.	Yields (%)	
		Production.	Prices	Combined "receipts" Index		1935		Est. Dividend for 1936		On Latest year's Dividends	On Estimated Dividend for 1936
						Earned	Paid				
Anglo-Ecuadorian (£1)	American crude	111(a)	108(a)	120(a)	(£'000) 341.0(b)	(%) 11.1(b)	(%) 10.0(b)	(%) 12.5(c)	35/9	(%) 5.6	(%) 7.0(c)
Anglo-Iranian (£1)	British petrol (also world markets)	108	104	112	5,979	15.2	15.0	20.0	5½	2.7	3.7
Apex (Trinidad) (5/-)	British petrol	112(d)	104(d)	116(d)	369.7	36.2(b)	35.0(b)	40.0(c)	32/9	5.4	6.1(c)
Attock Oil (£1)	Indian kerosene	125	120	150	Dr. 44.6	Nil	Nil	Nil	18/1½	Nil	Nil
Burmah Oil (£1 stock)	Indian kerosene and benzine	?	120	?	1,903	22.3	20	25	5½	3.5	4.4
Lobitos (Opg. Subsid.)	American crude	107	111	119	50.1	5	Nil	?	2½	2.2	4.3
Do. (Parent Co. £1 stock)	Gulf export	120	108	130	705.1	10d.	10d.	15d. +	30/3	3.8	4.2 +
Mexican Eagle (4 pesos)						per share	per share				
Phoenix Oil (£1 Shs.)	Roumanian export	100	91	91	192.5	4.3	Nil	Nil?	10/-	Nil	?
Do. (1/- Shs.)						49.2	Nil	5/-	Nil	?	
"Shell" Transport (£1)	World markets (Gulf export prices)	110(h)	108	119	5,067	17.5	17.5	22.5	6½ cum rts.	3.1	4.0
Steaua Romana S.A. (Lei 500) (s)	Roumanian export	123	91	113	594 mun. lei	Nil	Nil	Nil?	10/9(f)	7.4(f)	?
United British Oil of Trinidad (8/8)	Gulf export (tupl. oil and gaso- line)	100	107	107	883.1(g)	9.3	7.5	10-12.5	15/9	3.2	4.3-5.3
Venezuelan Oil Concessions (13/4)	American crude	107	111	119	2,767(g)	14.8	18½	18½	2½	5.6	5.6

(a) Index for 1936-37; 1935-36 = 100 (year ends June 30th). (b) For 1935-36. (c) For 1936-37. (d) Estimated for 1936-37 (ending September). (e) Estimated for 1936-37 (ending September). (f) Price (and yield) of Steaua Romana British. (g) Actual receipts. (h) Estimated.

Investment Notes

London Electric Issue.—While the market was canvassing the possibility of a large Treasury operation (with re-armament financing at the back of its mind) the authorities were busy with a trustee issue. But it proved to be merely the second—and final—instalment of the London Electric Transport Finance Corporation's borrowing. The issue, for which lists were open all day on Thursday (in accordance with the now fashionable terms for trustee issues) is of £9,650,000 2½ per cent. guaranteed debenture stock. In all respects—except the issue price—it is identical with the £32 millions issued in July, 1935, for it is backed by Treasury guarantee and is redeemable between 1950 and 1955. The proceeds of the two issues total £39,966,250, and are within £33,750 of the Corporation's borrowing limit. For the investor it presents several points of interest. The first part of the loan received an auspicious reception at 97. But the second appeared to require some mustering of forces in the absence of an enthusiastic response to an offer at

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of the Treasury-guaranteed London Electric loan, to be issued a nominal $4\frac{1}{2}$ points lower than its predecessor! Some brokers have lately been advising their clients to choose "dated" rather than "undated" gilt-edged stocks, in view of the possibility of an eventual stiffening of long-term rates. Before they advise the reversal of the switch, they may well desire a longer and more convincing experience of the power of the authorities, after having said "Basingstoke," to make it so.

* * *

With Mr Keynes's contention that a higher rate of interest will in itself be useless to prevent the development of speculative exuberance on the Stock Exchange, there will be widespread agreement, though a high rate has always been potent in pricking a bubble once it has been blown. The suggestion that the banks should be cautious in allowing their names to appear on prospectuses, and that the Stock Exchange Committee should exercise discrimination in granting permission to deal, is valid at all times, and not merely when a boom threatens. But Mr Keynes' proposal that such a movement should be checked by "a temporary increase of substantial amount in the stamp on contract notes (as distinguished from transfers) in respect of transactions in ordinary shares" will be unwelcome to many members of the Stock Exchange, who fear that it would give a fillip to the formation of a rival Curb Exchange.

* * *

Roping the Bulls in Wall Street.—Despite the unabated labour troubles in the motor industry, Wall Street has enjoyed a comfortable week, with rising prices in most sections of the market, and a heavy turnover. This testifies both to the underlying strength of the economic position and to the apparent weakening of the strikers' front, due to the opposition of the craft unions and of some non-union labour to the attempt of the United Automobile Workers to secure a monopoly of bargaining with the employers. With the labour forces divided, the employers can afford to assume the appearance of neutrality. Utility issues have come back into favour on the report of a Congressional Committee criticising the Administration's planning of public power projects. And the President's Budget Estimates favoured the market in so far as they had any effect at all. Steel shares were especially favoured by the rising expenditure on armaments. Further evidence of the determination of the Administration to avoid any speculative mania is provided by the statement in the report of the Secretary of the Treasury that a study is being made of income tax on investment and speculative profits. Various measures have already been adopted to make it more difficult to speculate on borrowed money, and existing taxes on capital profits are graded to discriminate against the speculator who holds his securities for short periods. There are many loopholes in these measures, but apparently there is to be no flagging in the determination of the Government to keep the market within reasonable bounds. The difficulty will be to decide just what is reasonable from an investment point of view; the suggestion from the Securities and Exchange Commission that the proper index is the earnings ratio obviously will not meet the case, since the prospect of future earnings is more important than present earnings in market valuations. There is no mathematical standard by which the difference between an investment price and a speculative price can be gauged, and therefore the efforts of the Administration must probably stop at creating an atmosphere unfavourable to speculation. This, presumably, is the correct interpretation of the many hard sayings of the Commission.

* * *

Industrial Profits in December.—The regular rate of increase in industrial profits continues to fluctuate on either side of 15 per cent. Our analysis of 175 company reports published in December reveals an increase of 15.49 per cent., against 13.49 per cent. for the previous month and 12.27 per cent. for the "December" companies of the previous year. The following table shows the rise in profits for the past seventeen months.

Reports published in	No. of Companies	Rise in Profits*	Reports published in	No. of Companies	Rise in Profits*
1935—		%	1936—		%
August	38	5.93	April	254	9.66
September ...	77	9.28	May	269	9.41
October	166	29.19	June	214	13.50
November ...	160	17.47	July	228	15.69
December ...	159	12.27	August	47	14.21
1936—			September ...	107	12.32
January	128	13.66	October ...	146	18.09
February ...	205	9.00	November...	177	13.49
March	236	17.39	December...	175	15.49

* After payment of debenture interest.

The total net profits covered by the December reports amounted to £18,438,723, compared with £15,964,449 for the preceding year. The increase in profits of £2,474,274 is general in nature. The largest rise amounts to £477,562 for iron, coal and steel companies. Tobacco earnings contribute over a third to the total, but, owing to the inclusion of the stable B.A.T. disclosed earnings, they have increased by only 5 per cent. Only three groups—shipping, tramways and omnibus, and building materials—show declines.

Company Notes

British Banking Profits.—With the publication of all the banks' profits statements and the Barclays' balance sheet, an attempt may be made to show the progress of true banking profitability during the past year, and its association with the growth of advances. Bank profits are, of course, disclosed after making provisions to inner reserves of unstated amounts, and they depend, more than those of many other companies, upon decisions of policy. But it is usual to assume that such provisions do not obscure the trend of profits. The rate of progress, again, is more accurately revealed if profits struck after income tax are "grossed-up" at the appropriate standard rate. In the following table the profits figures have been adjusted in this way, to give a more direct comparison with changes in advances, which are the banks' chief source of increasing earnings:—

	(£'000)	1929	1934	1935	1936
Barclays	Profits	2,915	2,203	2,300	2,485
	Advances	172,296	154,666	159,747	179,652
Lloyds	Profits	3,178	2,130	2,117	2,285
	Advances	191,011	135,927	140,294	154,813†
Midland	Profits	3,330	2,955	3,035	3,235
	Advances	210,374	163,815	177,023	193,333†
Nat. Prov.	Profits	2,320	1,717	1,746	1,885
	Advances	156,678	113,398	112,060	120,834†
Westminster ..	Profits	2,700	1,966	1,808	2,270
	Advances	146,757	110,358	114,533	126,465†
Total, Five Banks ..	Profits	14,442	10,971	11,008	12,100
	Advances	877,116	678,164	703,657	776,100

† November average figures.

For the "Big Five" as a whole total profits have recovered nearly half their fall between 1929 and 1932-33, and are now within 16 per cent. of the 1929 figures. Total advances (including the November figures in four cases in the absence of the balance sheets) are now 11½ per cent. below the 1929 figure. For purposes of exact comparison, it would doubtless be desirable to compute yearly average figures of advances in preference to year-end totals. But the table shows a very pronounced correlation between advances and the trend of banking profits as a whole.

* * *

For comparison between individual banks, the figures in the foregoing table are presented as percentages of the 1929 levels below:—

		1929	1934	1935	1936
Barclays	Profits	100	75.6	78.9	85.3
	Advances	100	89.8	92.7	104.3
Lloyds	Profits	100	67.1	66.6	72.0
	Advances	100	71.2	73.5	81.1
Midland	Profits	100	88.7	91.2	97.1
	Advances	100	77.9	84.2	91.9
Nat. Prov.	Profits	100	74.0	75.3	81.3
	Advances	100	72.4	71.6	77.2
Westminster ..	Profits	100	72.8	67.0	84.1
	Advances	100	75.2	78.1	86.2
Total, Five Banks ..	Profits	100	76.0	76.6	84.2
	Advances	100	77.4	80.2	88.4

Here marked differences are revealed. The balance sheet of Barclays Bank, whose dividend has been maintained since 1929, shows that advances now exceed the end-1929 level, but profits are still 15 per cent. below it. Lloyds Bank (using the November averages) also shows slower progress in profits than advances, but for the Westminster Bank (in the latest year at least—the 1935 figures were affected by the centenary bonus) the two totals are approximately 15 per cent. below the 1929 level. The opposite trend has been disclosed during the last three years by both the Midland and National Provincial Banks. For the bank shareholder these diverse trends rob a simple inference from movements in bank advances to profits of some of its force. Investors may also note the failure of advances to regain more than 88½ per cent. of the level of 1929, despite the fact that industrial activity is now running around 10 per cent. higher. New methods of company finance, the growth of large holding company organisations feeding their operating subsidiaries, and the ability of industrial undertakings actually to increase their liquid resources during the recovery period have all combined to limit the industrial demand for bank credit. According to the traditional pendulum, the earning power—and dividends—of the banks increase, and thus counteract the effect of higher interest rates on share levels as recovery develops into prosperity. Despite the progress of the past year, both in share prices and earnings, it would be premature to expect that the 1929 dividend levels could be regained without a considerable supplementing of earnings, towards which a further rise in advances would make a large and welcome contribution.

* * *

Millions From Sixpences.—Both in the speed of its publication and in the profits it discloses, the F. W. Woolworth report is admirable. Geometricity is still the dominant characteristic of earnings: total profits increased last year by 10½ per cent., compared with 8½ per cent. in the preceding year. On a comparable basis, the 1936 total distribution is increased by one-fifth, after adjusting for the free capital bonus issued in December last, and is covered one and a quarter times by available earnings. Yet the amount of undivided profits is still in excess of £3½ millions. The massive strength of the company's revenue position is analysed below:—

	1934	1935	1936
Trading profit	5,108,748	5,548,451	6,127,221
Written off properties ...	124,514	137,650	153,152
Do., fixtures	104,254	112,387	119,714
Directors' fees	30	44	20
Taxation	1,077,672	1,112,445	1,256,128
Staff fund	10,000	20,000	100,000
Preference dividend	232,500	232,500	228,750
Ordinary shares—			
Earned	3,559,778	3,933,459	4,269,457
Paid	2,325,000	2,906,250	3,431,250
Earned (%)	122.5	135.3	(a)
Paid (%)	80	100	(b)

Freehold buildings reserve 50,000 100,000 100,000
Carried forward

(a) Earnings expressed on new capital, 74.7 per cent.
(b) Interim dividend, 30 per cent. on 15,000,000 5s. ordinary shares. Final dividend (35 per cent.) and cash bonus (10 per cent.) on 30,000,000 5s. shares, after 100 per cent. capital bonus in December, 1936.

(c) After capitalising £3,750,000 of undivided profits, and charging £21,892 for expenses of new issue.

The expansion of purchasing power during the past year has vastly increased the company's turnover, but year has vastly increased the company's turnover, but advance of a longer order is indicated in the continued growth of balance-sheet items for properties. Although many of the stores established in recent years are in areas which, for a time, have provided less than the average return for the group, the 1936 accounts suggest that their earning power is increasing. The figures give no hint, on the other hand, of reductions in profit-margins or limitations upon stock ranges due to higher costs. Stocks per store amount to about £4,900, but total stocks have increased by some 23 per cent. during the year. This impressive advance suggests, in fact, that

rising prices are exerting a marked influence on replacement costs. Although they will be masked for some time to come by the effects of rising purchasing power, the future may show more fully how far the organisation reacts to rapidly rising prices. The 5s. shares are quoted at £4½ to yield £3 7s. 6d. per cent. on a 60 per cent. dividend.

* * *

British-American Tobacco Prospects.—British-American Tobacco £1 stock units are commonly regarded as one of the most stable and best-secured equities in the Stock Exchange List. Before the depression, 25 per cent. tax free was invariably paid, and since 1931 the rate has been 20 per cent. net. Disclosed earnings, of course, are subject to the powerful control of "policy," and they are consequently no more significant than the rate of dividend actually declared. But within this context of stable distributions, the market has never forgotten that the organisation is a world-wide trading concern, and that sooner or later it might expect some return, partial or complete, to the earnings levels of pre-1931. To some extent, perhaps, the wide geographical spread of its interests has protected the group from the worst ravages of depression. But now there is no major consuming country which is not set towards economic recovery. British-American Tobacco, in fact, should be one of the first companies to benefit from a recovery in the purchasing power of primary producing countries and from the growth of foreign trade when prosperity bursts through its nationalist bounds. For some time exchange difficulties and emergency taxation imposed by distressed governments have diluted the increase in profits from advancing turnover. But Sir Hugo Cunliffe-Owen expressed his confidence to the stockholders this week that, if the group continued to increase its business, the advance should be gradually reflected in disclosed profits—and, therefore, in dividends. If the present rise in primary commodity prices continues, that may prove a comfortably realised expectation. This expression of optimism strengthened the £1 units to 6½, at which level they yield a modest but very secure £3 17s. 9d. per cent. gross, with eventual prospect of more to come.

* * *

Suspension of Copper Restriction.—The abandonment, for the time being, of all restriction on copper production by the companies within the scheme, recognises quite frankly that no generous policy of releases can stem wildly rising prices when boom buying is in progress. For low-cost producers, such as the Rhodesian mines, a feverish rise of metal prices has its dangers, as well as its profits. As we show in a Note on page 111, the decision to free production has scarcely given the copper market a moment's pause. Copper shares, similarly, have been stronger on the news, for free production is a considerable bull point. If it is true that the Rhodesian companies had some 20 to 30 per cent. of capacity still in hand when they were producing 105 per cent. of standard quotas, it is evident that a tolerable fall in copper prices would not be inconsistent with a sharp increase in total profits. Such are the advantages of low-cost production. During this period of rapidly rising prices and advancing production, estimates of potential earnings are unlikely to be reliable. And this conclusion is reinforced by the probability that time will be needed before the producers can open the throttle fully. The prevailing high level of Rhodesian copper share prices, however, may yet be justified. It might be urged, perhaps, that Rhokana, which crossed the £14½ mark on Thursday, might conveniently be split into smaller denomination, for the market is not wide. For the six months to December, this concern estimates its net profit at £470,000, compared with £250,000 for the corresponding period of 1935. Nor should the incidental advantages of free production be ignored. The Beira Railway, whose debenture conversion was so successful this week, should gain in traffics, although the chairman has issued a warning regarding the expediency of raising the share dividend. For the Rhodesia and Mashonaland systems similar advantages to Rhodesia Railways Trust and to "Chartered"

In calculating yields on fixed interest stocks quoted below allowance is made for interest accrued since the last date of payment, less income tax at the standard rate. Where stocks are definitely redeemable at a certain date the yield includes any profit or loss on redemption; where stocks are redeemable at or before a certain date the final dividend repayment is taken when the stock stands at a discount and the earliest date when the quotation is above par. The yield on preference shares is calculated by reference to the latest dividends, account being taken of any enhancement or reduction of interim dividends. A low yield may be due to a recent dividend distribution which is calculated on a "cum. div." basis.

[illegible]

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386
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[illegible]

(a) Interim dividend. (b) Final dividend. (c) Calculated

(Continued from page 133)

(no val.) is on investments and investment depreciation account. Auditors' report qualified: no valuation of investments, investments and depreciation merged, and £292,655 believed mainly accumulated losses. £436,421 stock voluntarily surrendered since last balance sheet. Balance on last revenue account £3,000 (directors fees waived, £3,224).

Flower and Sons, Ltd.—Brewers, of Stratford-on-Avon; founded 1831. Issued capital, 450,000 £1 ordinary shares, 150,000 6 per cent. cumulative £1 preference shares. Debentures, 4½ per cent. £80,300 and 4 per cent. irredeemable, £263,000. Rowe and Pitman take 120,000 ordinary shares at £4, less 1s. commission. Net profit after interest, depreciation, and preference dividend: 1933, £59,816; 1934, £69,571; 1935, £81,054. Net assets exceed £1,210,744.

Hick, Hargreaves and Company, Ltd.—Issued capital, 240,000 £1 ordinary shares. General engineers and ironfounders of Bolton, Lancashire, founded 1833. £50,000 mortgage debentures deposited with bankers as security for loan. Total assets, £354,967 (Patents and goodwill, £40,000). Profits after depreciation, years to March 31st: 1935, £4,160; 1936, £29,031.

William Evans and Company (Manchester), Ltd.—Issued capital 600,000 5s. ordinary shares and 100,000 5½ per cent. cumulative £1 preference shares. Timber merchants near Widnes. Net assets £150,001 (total assets, £243,166). Preference shares redeemable at minimum rate of 2,000 annually from 1939 at 22s. Profits, after depreciation, years to April 30, 1934, £20,828; 1935, £13,764; 1936, £21,657. Minster Trust take 50,000 preference shares at par and 200,000 ordinary shares at 5s. 3d. Statement gives profits of F. H. Heaton (subsidiary) and James Watt and Company.

North Central Wagon Company, Ltd.—Issued capital 1,500,000 £1 ordinary shares 3s. paid and 250,000 6½ per cent. cumulative £1 preference shares. Debentures, £1,286,217. Incorporated 1861. Company and subsidiaries finance the purchase of railway wagons and other vehicles on hire with purchase options. Total assets, £2,084,795. Net assets, £754,038. Combined profits (Company and main subsidiary), after provision for losses, years, 1933-34, £67,455; 1934-35, £49,712; 1935-36, £64,249.

ISSUES TO SHAREHOLDERS ONLY

Clyde and Mersey Investment Trust.—Issue of 100,000 4½ per cent. cumulative £1 preference shares to ordinary, preference and debenture stockholders at 21s.

Lampport and Holt Line, Ltd.—Issue of 669,603 6s. 8d. shares at 7s. 6d. in proportion of one for each three shares held on January 1st.

Laundry Services, Ltd.—Issue of 50,000 5½ per cent. cumulative £1 preference shares at 20s. 3d. and 50,000 £1 ordinary shares at 21s.

Lloyd (F. H.) and Company.—Issue of 50,000 new ordinary £1 shares at 28s. to ordinary shareholders in proportion of one new share for each four shares held on December 29th.

Newman and Watson, Ltd.—Issue of 200,000 2s. 8d. shares to ordinary shareholders at 3s.

Smith (D.) and Sons.—Issue of 200,000 1s. ordinary shares at 6s., in proportion of one new for each four held on December 18th.

CONVERSIONS AND REPAYMENTS

Beira Railway Company.—Issue of £2,000,000 5 per cent. first debenture stock at par. Holders of £1,771,170 6½ per cent. debenture stock may convert. Redeemable at par from 1937 by sinking fund, in 1947, or in 1974. Portuguese government has right to purchase line on certain terms from 1946. Chief exports, copper and chrome ore. Profits, after depreciation, years to September 30: 1934, £296,480; 1935, £377,431; 1936, £381,755. Net assets, £2,770,926. Company limited by guarantee (£1 per member). Cash Lists closed at 9.1 a.m., January 12th. Heavily over-subscribed. Conversion lists closed 9.0 a.m., January 12th.

Tadcaster Tower Brewery.—The directors will redeem £250,000 4½ per cent. first mortgage debenture stock at 110 on July 1, 1937. An issue of £250,000 3½ per cent. debenture stock is being made at 99. Holders who exchange will receive an equal amount of stock, plus a payment of £11 7s. 7½d. per cent.

RESULT OF ISSUE

Trinidad Petroleum Development.—Subscriptions for the offer of 500,000 ordinary shares of £1 at par amounted to about £15,000,000.

ADVICE ON AMERICAN STOCKS

Recognizing the demand of both private investors and financial institutions in Europe for first-hand advice regarding American securities and the cyclical trend of the American Stock Market, Major L. B. Angus of 301 Park Avenue, New York City, who is now established as Investment Counsel in America, is prepared to accept enquiries regarding this service.

Accounts managed; portfolios supervised

PUBLICATIONS: Coming Rise in Wall Street (Apr. 1933). Coming American Boom (Aug. 1934). The American Boom Begins (May 1935). Investment for Appreciation, etc.

LONDON NEW ISSUE PRICES

Stock or Share	Issue price	Paid	Jan. 6, 1937	Jan. 13, 1937
Associated British Properties 4½% Deb.	100	50	3-2 dis	3½-2½ dis
Austin Vener (2/-)	3/-	3/-	2/10½-3/1½	3/0-3/3
Brown (F. G.) Ord. (2/-)	...	...	4/4½-4/7½	4/1½-4/4½
Do. 5½% Pref. (5/-)	...	...	4/10½-5/1½	4/10½-5/1½
Bristol 3%	99½	24½	1-1 pm	1-1 pm
Crabtree Electric Ord. (10/-)	12/9	12/9	30/9-31/3	31/9-32/3
Do. 5% Pref. £1	20/6	20/6	23/6-24/-	24/3-24/9
Dietograph (2/-)	2/3	2/3	2/--2/3	2/0-2/3
Drey, Simpson (5/-)	41/6	41/6	4/10½-5/1½	4/10½-5/1½
Dunswart Iron Ord. £1	21/-	21/-	39/9-40/3	37/9-38/3
Do. 5½% Pref. £1	21/-	21/-	20/9-21/3	20/0-20/6
General Engineering Ord. 2/-	3/6	3/6	2/10½-3/1½	2/10½-3/1½
Hackney Wick Stadium	...	...	3/4½-3/7½	3/1½-3/4½
Heenan & Froude 5/-	...	...	...	9/7½-9/10½
Indian Iron, etc., Ord. (15/-)	15/-	15/-	45/--45/6	44/9-45/3
Do. 4% 1st Deb.	98	30	95½-96½	140-142
Do. 4% 2nd Conv. Debts.	100	30	142½-144½	95½-96½
Kinemas 5½% Debts.	par	50	31-2½ dis	31-2½ dis
K. and L. Timbers (5/-)	8/3	8/3	8/7½-9/1½	8/6-9/0
Mt. Bank of Dominick 4½% Deb.	95½	15	2½-1½ dis	2½-2 dis
Pease and Partners, 5% Preference £1	21/-	21/-	21/--2/9 pm	22/7½-23/1½ pm
Railway Clearing House 2½%	94½	20	2½-3½ pm	24-24 pm
Trinidad Petroleum (20/-)	20/-	10/-	...	5/0-5/6 pm
Vac Products (2/-)	3/3	3/3	2/10½-3/1½	2/10½-3/1½
Ward (G.) Barwell (10/-)	26/-	26/-	24/9-25/3	24/9-25/3

SHORTER COMPANY COMMENTS

OTHER COMPANY RESULTS.—The full report of DE HAVILLAND AIRCRAFT shows profits of £132,185 against £115,257, but the earnings for the equity are lower, owing to a £22,000 increase in depreciation. Rubber companies continue to show uniform improvement, SEDENAK repeating the striking increase of 169 per cent. with profits of £23,894. Higher dividends by WILLIAM TIMPSON, LTD., JOHN LOVEYS AND COMPANY, and WEBER AND PHILLIPS are symptomatic of better conditions in the boot and shoe trade. Among investment trusts, GREAT NORTHERN INVESTMENT, whose profits are 3 per cent. higher, have raised their dividend from 3 per cent. to 5 per cent.; a similar rate of progress is shown by DEBENTURE CORPORATION, whose dividend, however, remains at 10 per cent. FANTI CONSOLIDATED INVESTMENT have earned some £46,000 more, at £109,808, but of this increase only £7,287 is due to higher interest and dividends.

ASSOCIATED PAPER MILLS profits are £46,564 against £30,711, the dividend from P. Garnett and Son being £12,500 higher. The gross earnings of INTERNATIONAL COMBUSTION show an increase of about £55,000 at £170,150, which combined with the saving of income tax provision (the existing reserve being adequate) permits the raising of the dividend from 20 per cent. to 30 per cent. MICHAEL NAIK AND GREENWICH have earned £281,740 against £252,088, but the increase includes adjustment for Dominion income tax relief, which appears to account for a dividend disbursement of £24,500 more, the same rate of 10 per cent. being payable on the same capital. A rise of no less than 28 per cent. is shown by the profits of UNITED TOBACCO (SOUTH), whose dividend (free of South African tax) of 40 per cent. compares with 30 per cent.

BANK AND DISCOUNT RESULTS

ALEXANDERS DISCOUNT COMPANY.—After rebate on bills not due, the net profit for 1936 is £205,519, compared with £333,764 for 1935. Balance sheets shows total assets, £31,473,929. Bills discounted and short-dated maturities stand at £15,705,114, an increase of £3,628,391 on the year. Investments in British and Indian Government securities are £534,481 higher at £13,439,281.

BANK OF THE MANHATTAN COMPANY.—The yearly statement at December 31, 1936, discloses total resources \$570,538,076, an increase of over \$22,000,000 on last year. During 1936 deposits increased by \$36,513,273 to a total of \$463,000,948, and loans by \$30,237,949 to \$155,897,531.

CLYDESDALE BANK, LTD.—Net profits for 1936, at £315,518, show an increase of £3,046. The 16 per cent. dividend absorbs £208,000. To reduction of bank buildings, £20,000. £35,000 is credited to super-annuation fund, and £50,000 to reserve surplus fund. Carry-forward increased from £102,405 to £104,923.

GLYN, MILLS AND COMPANY.—Total assets, December 31, 1936, £48,113,112, against £41,594,173 at end of 1935. Coin, bank notes and balance at Bank of England, £5,938,384, against £5,956,185. Bills discounted, £662,360, against £542,004. Advances, £7,750,649, against £10,014,218. Deposits, £41,039,208, against £38,200,591.

IMPERIAL BANK OF INDIA.—Net profits, half-year to December 31, Rs. 35,60,200. Brought forward, Rs. 29,35,400. Available, Rs. 64,95,600. Dividend, 12 per cent. per annum free of income tax, absorbs Rs. 33,75,000; to pension fund, Rs. 68,000; to premises account, Rs. 2,50,000; carried forward, Rs. 28,02,600.

LLOYDS BANK, LTD.—Net profit for 1936, £1,743,955, against £1,642,785 for 1935. Dividends, 12 per cent. on "A" shares, and 5 per cent. on "B" shares, as before, absorbing £1,369,922 against £1,392,380. To contingencies account, £250,000 as before. To bank premises account, £100,000, against nil. The amount carried forward is increased from £515,635 to £539,668.

MIDLAND BANK, LTD.—Net profits for 1936, £2,467,894, compared with £2,353,098 for 1935. Dividends, 16 per cent. as before, absorbing £1,738,257 against £1,766,753. To reduction of bank premises account, £350,000 against £300,000. To reserve for contingencies, £300,000, compared with £250,000. Carry-forward increased from £467,447 to £547,084. In 1935 a centenary bonus of 2 per cent. absorbed £220,844.

NATIONAL PROVINCIAL BANK, LTD.—Net profit for 1936, £1,770,173, compared with £1,665,437 for 1935. Dividends, 15 per cent., absorbing £1,421,912. To bank premises account, £100,000 as before. To pension fund, £200,000 against £100,000. Carry-forward increased from £922,406 to £970,667.

(Continued on page 149)

COMPANY MEETINGS

TURNER AND NEWALL, LIMITED

SATISFACTORY RESULTS—GOOD PROSPECTS

PROGRESS IN ALL COMPANY'S ACTIVITIES

MR SAMUEL TURNER'S ADDRESS

The annual general meeting of the members of Turner and Newall, Limited, was held, on Thursday, January 14th, at the Royal Station Hotel, York.

Mr Samuel Turner (Chairman of the company) presided. The Secretary, Mr John L. Collins, read the notice convening the meeting and the report of the auditors, Messrs Deloitte, Plender, Griffiths and Company.

After dealing with the accounts, the Chairman said:—As is my custom, I shall now give you such information about our business as I think may be of interest.

No doubt the most significant event of the year from your point of view is the issue of the additional shares to the ordinary stockholders on terms which, whilst advantageous to the company, have proved a source of great satisfaction to the stockholders. The issue has been a complete success from every point of view.

PURPOSES OF NEW ISSUE

The purposes for which we need the funds provided by this issue are, *inter alia*:—

(a) The opening up, development and equipment of the Havelock Asbestos Mine in Swaziland. This is a mine acquired by New Amianthus Mines, Limited, some years ago, and it is a proved property of great promise. The development of the property will necessitate our subscribing for additional shares in New Amianthus Mines, Limited.

(b) The acquisition of the balance of the shares and the bonds in the Keasbey and Mattison Company, which company has now been completely reorganised. The prospects here are excellent, but in order to implement our opportunities in this market we have to face substantial expenditure for additional buildings and plant. Subject to reasonable economic conditions prevailing in the United States, this undertaking will prove an asset of increasing value. As you may remember, an interest in this business was acquired at a time of great depression in the United States, and, in fact, at that time the Keasbey and Mattison Company was making heavy losses, but is now earning profits.

(c) We have decided to build and equip two additional factories in India, as our business in that country has grown at such a rate that the first works established there some time ago no longer suffices to meet the demand for our products. Our Indian company is now on a profit earning basis; during its early years it was a source of loss.

(d) The rapid increase in the demand for "Everite" asbestos cement pipes has made it necessary not only to double our output, but also to plan for a subsequent large increase.

(e) Further large extensions are now necessary at the Rochdale works of Turner Brothers Asbestos Company, Limited.

PENETRATION OF OVERSEAS MARKETS

These are the immediate requirements, but being engaged in a relatively new industry, we propose to continue the policy of penetrating overseas markets by establishing or acquiring works in them, as we have recently done with success in India and the United States. Such work, costly in its initial stages, steadily infuses new blood into our organisation and increases its chance of unbroken success in the future. Whilst your directors have actively exploited, in so far as they could with safety, each such opportunity in the past, they are aware of others of promise likely to come our way in the future.

Continuing the policy operated from the inception of our company, your directors have not been unmindful of the company, upon consideration due to the staff and employees of the company, whose work and loyalty so much has depended and will depend. They have established during the year a pension scheme for the benefit of the staff and employees, and decided to grant in future to the works employees their summer holiday with pay. In-cluding £10,000 allocated annually to the funds of Turner and Newall Welfare Trust, Limited, the cost of these changes will amount to about £50,000 a year, but your directors feel that a great company such as ours should march well with the times whenever possible in matters of this sort. We are fortunate, and

have always been fortunate, in having sympathetic relations with our staff and employees, and your directors feel that this is one of the company's best assets. In support of this good feeling, ever-increasing attention is being paid to maintain the very best working conditions from the point of view of comfort and hygiene in all new buildings, and in the extensions which are constantly being made to offices and works.

During the year, in all branches of our activity, we have been able to profit by the fact that we have been found ready to meet the increased volume of business as it has come to us. Our policy of continuing works development during the years of depression is the reason for our good fortune in this respect, and to-day our mines and factories have a greater output and are in a state of higher efficiency than ever.

SURVEY OF COMPANY'S ACTIVITIES

Now I will pass to a more detailed survey of our activities. In the raw material market our asbestos mines have benefited from an expansion in world demand for raw asbestos. This has enabled production to be increased and lower costs to be attained, but in Rhodesia and South Africa, owing to the great activity in gold mining, and consequent increased salaries of technical personnel, our savings in cost have been offset to some extent by additional expenses. I have already mentioned that it is now proposed to equip and operate the Havelock Mine. One of our smaller mining interests, the Amianthus Mine, is approaching the end of its life and will be closed at the end of 1937, but this has been known well in advance and the amortisation fund already established provides for this cessation of operations.

Our textile manufacturing companies, Turner Brothers Asbestos Company, Limited, and J. W. Roberts, Limited, continue in full activity. The goods they produce, i.e. asbestos yarn and cloth, asbestos and rubber packings, compressed asbestos fibre sheeting, transmission and conveyor belting, and allied goods, cover a wide range, and are supplied by us all over the world on a scale not attained by any other company. The market for such goods, which are bought and used by those engaged in the mechanic arts, has grown with rapidity of late and the prospects indicate a continuance of this growth.

DEMAND FOR FERODO PRODUCTS

Ferodo, Limited, our company specialising in the manufacture and sale of brake linings, has operated successfully in an active market. The growth of the demand for Ferodo products continues to tax our productive capacity to the utmost, despite the large extensions already completed.

Recent legislation has included the efficient braking of vehicles among the measures taken for greater safety on the roads. This will undoubtedly result in focusing considerable public attention on the matter, and it is the intention of Ferodo, Limited, to direct its advertising towards the stimulation of this interest. At the same time, the facilities offered by Ferodo, Limited, to those responsible for servicing the brakes of road vehicles will be developed and extended, and it is hoped that the excellent reputation which the Ferodo company enjoys in the motor trade will be increased by these additional service developments.

RECORD SALES OF QUASI-ARC COMPANY

The Quasi-Arc Company, Limited, has this year exceeded its previous records in the manufacture and sale of its world renowned electrodes and welding equipment. The extensions of that company's London factory have now been completed and are equipped with the latest automatic machinery for the production of electrodes.

British and foreign railway engineers have further developed, during the past year, the use of electric welding not only in bridge construction but also in the fabrication of locomotives and rolling stock.

Of all the industries which to-day use electric welding, ship-building has during the past year shown the greatest increase. I am glad to say that the Quasi-Arc Company has reaped the full

FANTI CONSOLIDATED INVESTMENT COMPANY, LIMITED

IMPROVED RESULTS

The ordinary general meeting of this company was held, on the 11th instant, at Southern House, London.

Sir Edmund Davis, the chairman, said that after deducting income tax there was a credit balance to be carried to the balance sheet of £109,808, against £64,175 at December 31, 1935, an increase of £45,633. With the balance of £68,449 brought forward there was a total of £178,257, against £142,024, an increase of £36,233.

The directors recommended the payment of a dividend of 15s. per share, plus a bonus of 3d. per share, which was equivalent to 15½ per cent., leaving £93,882 to be carried forward. Their investments were very well spread. In 1935 they had had 310 investments and in the present balance sheet they had 372 investments.

During the year the company underwrote an issue of £100,000 for additional working capital of the Kenya Consolidated Goldfields, Limited. As consideration they received an option over 400,000 of that company's shares of 2s. 6d. at par for twelve months, and a further option for a similar number of shares at par for eighteen months, of which their company's proportion was 13,500 shares of each option.

At their last ordinary general meeting he referred to the appreciation at December 31, 1935, which amounted to £97,325, and stated there would have been no difficulty, had the board so wished, to have increased the profit for the year then under review had some of the investments been realised and the appreciation actually turned into profit. Their investments stood in the accounts at December 31, 1936, at £696,209 on the basis of valuation at cost or market prices, whichever was the lower. To that they might add the appreciation above cost at December 31, 1936, namely £169,207, making a total of £865,506, which was the market valuation at that date.

If the resolution submitted that day was approved the average dividend paid over the last nineteen years, including bonuses, worked out at 10.57 per cent. per annum, which the directors felt sure would satisfy every member of the company.

The report and accounts were unanimously adopted.

RIO DE JANEIRO FLOUR MILLS AND GRANARIES, LIMITED

DIFFICULT CONDITIONS

The fifty-first ordinary general meeting of this company was held, on the 12th instant, in London.

The Chairman, Mr S. C. Sheppard, said that the reserves now grouped together made a very good showing at £1,076,500 against the issued capital of £1,364,838, and outstanding debenture stock of £203,500.

To celebrate the fiftieth anniversary of the incorporation of the company the board had proposed to distribute a special Jubilee bonus of 8d. per share, less income tax. This bonus was being taken from the dividend received during the year from the English subsidiary, the Frumentum Steamship Company.

He expressed regret that the reduced profits, some £14,000 down, had obliged them to reduce the dividend to 8 per cent., but this was after placing £7,500 to debenture stock reserve and the carry forward was increased by £1,500. It had been a very difficult year from every point of view, for the Argentine crop had been relatively a failure, necessitating the purchase and shipments of wheat being controlled by a Governmental Grain Board, and the company had had to contend with lower rates of exchange for sterling and other remittances. The effect of this, together with the increased cost of raw material, had been so to increase the currency prices in Brazil as to undoubtedly check the consumption, to say nothing of creating an even more intense or cut-throat competition.

The recommended final dividend of 10.2d. per share, less income tax, making 8 per cent. less tax for the year, and the special Jubilee bonus of 8d. per share, less tax, were approved.

Orders for the publication in these columns of the reports of Company Meetings should be addressed to the Reporting Manager of THE ECONOMIST, 8 Bouverie Street, Fleet Street, London, E.C.4.

GOVERNMENT RETURNS, &c.

NATIONAL ACCOUNTS

The total ordinary revenue for the nine days ended January 9, 1937, amounted to £31,736,000, against ordinary expenditure of £27,074,000. After allowing for an increase in Exchequer Balances of £541,614, the operations for the period, as shown below, decreased the gross National Debt by £3,882,000 to approximately £8,043 millions.†

(000's omitted)			
Treasury Bills	£ 7,702	Advances by Bank of England ..	£ 57,000
Public Dept. Advances	+ 2,200	Road Fund	127
2½% Funding Loan, 1932-37 ..	+ 43,185		
National Savings Certificates ..	+ 150		
Land Settlement (Fac.) Acts ...	+ 8		
	53,245		57,127

† Including £375 millions on Account of Exchange Equalisation Fund and Borrowing for Statutory Sinking Fund.

A complete analysis of the approximate position of the National Debt at December 31, 1936, appeared in *The Economist* for January 2, 1937.

REVENUE	Estimate for the year 1936-37	Total Receipts into the Exchequer				
		April 1, 1935, to Jan. 11, 1936	April 1, 1936, to Jan. 9, 1937	Week ended Jan. 11, 1936	Nine days ended Jan. 9, 1937	
ORDINARY REVENUE	£	£	£	£	£	
Inland Revenue—						
Income Tax	258,000,000	97,713,000	90,588,000	13,390,000	13,620,000	
Sur-tax	56,500,000	16,190,000	14,810,000	4,800,000	5,410,000	
Estate, etc., Duties	89,000,000	66,950,000	64,930,000	1,160,000	1,860,000	
Stamps	27,000,000	16,040,000	19,110,000	450,000	400,000	
Excess Profits Duty and Corporation Profits Tax ..	750,000	...	...	...	...	
Land Tax and Mineral Rights Duty	750,000	180,000	160,000	20,000	10,000	
Total Inland Revenue	433,000,000	197,073,000	189,596,000	19,620,000	21,300,000	
Customs and Excise—						
Customs	207,525,000	155,174,000	164,270,000	4,089,000	5,360,000	
Excise	110,000,000	84,400,000	85,400,000	939,000	1,100,000	
Total Customs and Excise ..	317,525,000	239,574,000	249,670,000	5,028,000	6,460,000	
Motor Vehicle Duties (Exchequer Share)	5,000,000	9,012,000	4,499,000	5,992,000	2,694,000	
Post Office (Net Receipts) ...	11,256,000	11,300,000	9,900,000	Dr 400,000	Dr 100,000	
Crown Lands	1,350,000	1,050,000	1,050,000	...	...	
Receipts from Sundry Loans ..	5,000,000	4,681,402	4,362,782	122,279	728,015	
Miscellaneous Receipts	25,250,000	16,916,648	15,951,702	1,715	653,655	
Total Ordinary Revenue	798,381,000	479,607,050	475,029,484	30,353,994	31,735,670	
SELF-BALANCING REVENUE						
Post Office	69,344,000	49,200,000	53,600,000	1,700,000	1,400,000	
Motor Vehicle Duties apportioned to Road Fund	26,500,000	9,043,000	9,718,000	...	187,000	
Total Self-balancing Revenue ..	95,844,000	58,243,000	63,318,000	1,700,000	1,587,000	
Total	...	537,850,050	538,347,484	32,053,994	33,322,670	

EXPENDITURE	Estimate for the year 1936-37	Total Issues out of the Exchequer to meet Payments				
		April 1, 1935, to Jan. 11, 1936	April 1, 1936, to Jan. 9, 1937	Week ended Jan. 11, 1936	Nine days ended Jan. 9, 1937	
ORDINARY EXPENDITURE	£	£	£	£	£	
Interest and Management of National Debt	224,000,000	189,621,737	189,144,677	2,480,805	10,303,805	
Payments to Northern Ireland Exchequer	7,500,000	4,147,071	4,999,710	230,393	248,464	
Other Consolidated Fund Services	3,200,000	2,626,540	2,502,337	...	571,096	
Post Office Fund	600,000	1,126,817	420,529	...	...	
Total	235,300,000	197,522,165	197,067,253	2,711,198	11,123,365	
Total Supply Services (excluding Post Office) ..	570,969,000	380,499,899	412,155,179	8,254,000	15,951,000	
Total Ordinary Expenditure ..	806,269,000	578,022,064	609,222,432	10,965,198	27,074,365	
SELF-BALANCING EXPENDITURE						
Post Office	69,344,000	49,200,000	53,600,000	1,700,000	1,400,000	
Road Fund	26,500,000	9,043,000	9,718,000	...	187,000	
Total Self-Balancing Expenditure	95,844,000	58,243,000	63,318,000	1,700,000	1,587,000	
Total	...	636,265,064	672,540,432	12,665,198	28,661,365	

† Estimated Expenditure as per Financial Statement (H.C. 77) ... 797,897,000
Add: Supplementary Estimates ... 33,972,000
Less: Provision made in the Budget ... 25,600,000
806,269,000

The aggregate revenue from April 1, 1936, to January 9, 1937, is shown below:—

(000's omitted)	
Revenue	£ 475,029
Gross borrowing	£ 141,196
Less: New Sinking Fund* ...	6,696
Net borrowing	134,500
	609,529

* Authority will be sought in the Finance Bill to meet the Statutory Sinking Funds in 1936 by borrowing.

POSITION OF THE FLOATING DEBT

Jan. 11, '36 Mar. 31, '36 Jan. 9, '37				Movement 9 days ended Jan. 9, '37
Ways and Means Advances Outstanding: £	£	£	£	£
Advances by Bank of England	27,000,000	19,055,000	29,990,000	+ 2,200,000
Advances by Public Department	894,880,000	763,115,000	773,880,000	+ 7,685,000
Treasury Bills outstanding	921,880,000	782,170,000	803,870,000	+ 47,115,000
Total Floating Debt	921,880,000	782,170,000	803,870,000	+ 47,115,000
* Includes £5,000, the proceeds of which were not carried to the Exchequer within the period of the Account.				

TREASURY BILLS BY PUBLIC TENDER

Tenders for £35,000,000 Treasury bills were opened on January 8, 1937. The amount applied for was £72,935,000. Tenders were accepted for Treasury bills at three months dated Monday at £99 17s. 5d., and above in full; Tuesday to Saturday at £99 17s. 4d., and above in full; and above in full. The average rate per cent. was 10s. 8.11d. The amount allotted was £35,000,000.

Date	Amount Offered	Total Applications	Amount Allotted	Average Rate %
January 4, 1935	30,000,000	49,560,000	27,500,000	6 s. d.
July 5, 1935	40,000,000	60,905,000	40,000,000	0 12 4-32
January 3, 1936	35,000,000	68,075,000	35,000,000	0 10 10-72
July 3, 1936	50,000,000	72,750,000	50,000,000	0 12 1-27
January 1, 1937	40,000,000	75,450,000	40,000,000	0 12 5-63
January 8, 1937	35,000,000	72,935,000	35,000,000	0 10 8-11

NATIONAL SAVINGS CERTIFICATES

Total Sales of Savings Certificates	No. of Certificates	Value
Four days ended December 26, 1936	361,286	£ 270,964
Week ended January 2, 1937	708,548	£ 531,411
February, 1916, to January 2, 1937	1,280,653,346	£ 1,006,927,848

At the end of November, 1936, the amount remaining to the credit of investors in Savings Certificates, excluding interest, was £390,110,062.

THE BANKERS' GAZETTE

BANK OF ENGLAND

RETURN FOR WEEK ENDED WEDNESDAY,
JANUARY 13, 1937

ISSUE DEPARTMENT

Notes Issued:—		£
In Circulation	455,047,031	
In Banking Department	58,613,628	
Government Debt	11,015,100	
Other Government Securities ..	188,923,796	
Other Securities	50,817	
Silver Coin	10,287	
Amount of Fiduciary Issue	200,000,000	
Gold Coin and Bullion	313,660,659	
	513,660,659	

BANKING DEPARTMENT

Proprietors' Capital		£
Rest	3,546,228	
Public Deposits*	12,384,131	
Other Deposits:—		
Bankers	£106,720,106	
Other Accounts	£38,265,553	
	144,985,659	
Government Securities	83,158,199	
Other Securities:—		
Discounts and Advances	£12,520,596	
Securities	£20,805,919	
Notes	33,326,515	
Gold and Silver Coin	58,613,628	
	372,676	
	175,469,018	

* Including Exchequer, Savings Banks, Commissioners of National Debt, and Dividend Accounts.

Both Departments	Amount, Jan. 13, 1937	Inc. or Dec. on Last Week	Inc. or Dec. on Last Year
Note circulation	£ 455,047,031	— 7,655,594	+ 57,324,947
Public deposits	12,384,131	— 1,141,446	— 1,432,129
Bankers' deposits	106,720,106	— 3,510,008	— 3,885,208
Other deposits	38,265,553	— 135,059	+ 726,742
Total outside liabilities	612,416,821	— 12,442,107	+ 53,234,352
Capital and rest	18,099,228	+ 21,106	— 1,841
Government debt and securities	283,095,095	— 10,087,774	— 58,288,244
Discounts and advances	12,520,596	— 1,892,285	— 7,508,659
Other securities	20,856,736	— 349,251	+ 6,933,129
Silver coin in issue department	10,287	— 789	— 1,099,758
Coin and bullion (bank's reserves) ..	314,033,335	— 90,902	+ 113,196,043
Reserves of notes and coin in banking department	58,986,304	+ 7,564,792	— 4,128,904
Proportion of reserve to outside liabilities—			
(a) Banking Department only ("proportion")	37.4%	+ 5.7%	— 1.6%
(b) Gold stocks to deposits and notes ("reserve ratio") ..	51.3%	+ 1.0%	+ 15.1%

Date		Issue Department	Banking Department			Gold in or out of Bank	Bank Rate
		Notes Issued	Circulation	Public Deposits	Bankers' Deposits	Other Deposits	
1936							
Dec. 23	£ 513,861	£ 474,116	£ 21,734	£ 72,220	£ 38,768	£ Nil	% 2
30	513,661	467,406	12,135	150,580	39,191	Nil	2
1937							
Jan. 6	513,661	462,703	13,526	110,230	38,401	Nil	2
13	513,661	455,047	12,384	106,720	38,266	Nil	2

Date		Issue Department	Both Depts.		Banking Department				Reserve and the "Proportion"
		Govt. Debt and Securities	Other Securities	Gold Coin and Bullion and Reserve Ratio	Govt. Securities	Discounts & Advances	Other Securities		
1936									
Dec. 23	£ 199,789	£ 199	£ 314,278	51%	£ 83,121	£ 6,448	£ 20,966	£ 40,163	% 30
30	199,852	136	314,212	46%	134,481	17,467	21,157	46,906	23
1937									
Jan. 6	199,888	101	314,124	50%	83,295	14,413	21,105	51,422	31
13	199,939	51	314,033	51%	83,156	12,521	20,806	58,986	37

BANKERS' CLEARING RETURNS LONDON (000's omitted)

	Town	Metropolitan	Country	Total
1936				
January 1 to December 30	34,856,688	2,032,393	3,524,342	40,413,423
1936-7				
Week ended January 6	911,106	54,199	96,655	1,061,960
1937				
Week ended January 13	722,932	44,608	79,301	846,841
Total to date, 1937	1,451,370	91,580	162,700	1,705,650
Total to date, 1936	1,246,558	88,657	146,643	1,481,85

OVERSEAS BANK RETURNS

NOTE.—The latest return of the Bank of Spain appeared in *The Economist* for August 15. Argentina and Lithuania in December 26. Egypt in January 2. Australia, Bulgaria, Danzig, Denmark, Greece, International Settlements, Java, Reichsbank, Sweden, Latvia, Norway, New Zealand, Austria, and Czechoslovakia in January 9.

U.S. FEDERAL RESERVE BANKS.—In \$'s (000's omitted)

U.S.F.R. BANKS	Jan. 16, 1936	Dec. 24, 1936	Dec. 31, 1936	Jan. 7, 1937	Jan. 14, 1937
Gold Certificates on hand and due from the Treasury	7,617,880	8,851,880	8,851,880	8,849,880	8,849,880
Total reserves	7,962,210	9,064,190	9,112,280	9,142,290	9,167,960
Total cash reserves	327,900	199,570	247,670	278,370	304,750
Total bills discounted	5,350	8,880	5,380	3,040	2,350
Bills bought in open market	4,660	3,990	3,090	3,090	3,090
Total bills on hand	10,010	11,970	8,470	6,130	5,440
Industrial advances	32,240	25,000	24,770	24,330	24,220
Total U.S. Govt. securities	2,430,240	2,430,230	2,430,230	2,430,230	2,430,230
Total bills and securities	2,472,670	2,467,200	2,463,460	2,460,680	2,459,880
Total resources	11,154,380	12,390,910	12,454,800	12,382,430	12,417,230
LIABILITIES					
Federal Reserve notes in actual circulation	3,619,650	4,350,490	4,278,790	4,242,340	4,176,760
Aggregate of excess member-bank reserves over requirements	3,090,000	1,880,000	1,950,000	2,010,000	2,100,000
Deposits—Member-bank—					
reserve account	8,858,860	6,507,490	6,571,720	6,627,000	6,739,610
Government deposits	461,640	250,560	230,830	232,290	190,030
Total deposits	6,605,000	7,013,860	7,076,480	7,136,910	7,237,880
Capital paid in and surplus	302,790	303,210	303,420	304,750	304,840
Total liabilities	11,154,280	12,390,910	12,454,800	12,382,430	12,417,230
Ratio of total reserves to deposit and F.R. note liabilities combined	77.9%	79.8%	80.2%	80.3%	80.3%
U.S.F.R. BANKS AND TREASURY COMBINED					
Monetary Gold Stock	10,158,000	11,229,000	11,251,000	11,271,000	11,306,000
Treasury and National Bank Currency	2,492,000	2,531,000	2,530,000	2,531,000	2,528,000
LIABILITIES					
Money in Circulation	5,722,000	6,680,000	6,550,000	6,473,000	6,371,000
Treasury Cash and Deposits with Federal Reserve Banks	3,018,000	2,593,000	2,599,000	2,627,000	2,629,000

NEW YORK FEDERAL RESERVE BANK.—In \$'s (000's omitted)

	Jan. 16, 1936	Dec. 24, 1936	Dec. 31, 1936	Jan. 7, 1937	Jan. 14, 1937
Total gold reserves	3,413,590	3,458,230	3,475,020	3,540,710	3,567,250
Total bills discounted	3,770	4,590	3,010	1,580	1,100
Bills bought in open market	1,740	1,100	1,100	1,100	1,310
Total U.S. Govt. securities	734,380	645,240	645,240	652,660	652,660
Total bills and securities	747,610	655,990	655,380	660,850	660,990
Deposits—Member-bank—					
reserve account	2,845,980	2,891,220	2,902,120	2,952,950	2,996,500
Ratio of total res. to dep. and Federal Res. note liabilities combined	83.2%	85.4%	85.8%	85.9%	86.1%

FEDERAL RESERVE REPORTING MEMBER BANKS.
In \$'s (000,000's omitted)

	Dec. 31, 1935	Dec. 2, 1936	Dec. 9, 1936	Dec. 16, 1936	Dec. 23, 1936	Dec. 27, 1936
Loans	8,249	8,812	8,712	9,069	9,170	9,189
Investments	12,646	13,647	13,672	13,966	13,771	13,742
Reserve with Federal Reserve Bank	4,597	5,371	5,317	5,307	5,161	5,163
Due from banks	2,309	2,512	2,457	2,498	2,386	2,345
Demand deposits	13,888	15,464	15,488	15,625	15,574	15,571
Time deposits	4,911	5,037	5,050	5,031	5,043	5,067
Government deposits	701	449	450	700	702	702
Due to banks	5,793	6,731	6,665	6,640	6,500	6,436

BANK OF CANADA.—In \$'s (000's omitted)

ASSETS	Jan. 7, 1936	Dec. 23, 1936	Dec. 30, 1936	Jan. 6, 1937
Reserve, of which	190,481	193,420	194,452	190,996
Gold coin and bullion	180,068	179,228	179,371	179,356
Dominion Government securities	114,040	161,432	162,272	161,737
LIABILITIES				
Note circulation	97,145	133,861	135,933	134,802
Deposits: Dominion Government	27,470	21,067	22,363	20,060
Chartered banks	178,516	187,700	186,856	187,235
Ratio of reserves to notes and deposit liabilities	62.7%	56.1%	56.0%	55.4%

SOUTH AFRICAN RESERVE BANK.—In £'s (000's omitted)

ASSETS	Jan. 10, 1935	Dec. 11, 1936	Dec. 18, 1936	Dec. 24, 1936	Dec. 31, 1936	Jan. 8, 1937
Gold coin and bullion	25,933	23,360	23,784	24,209	24,635	25,061
Bills discounted: Foreign	8,430	10,672	10,626	10,793	10,794	6,189
Investments	1,726	1,745	1,745	1,745	1,745	1,745
Other assets	13,572	11,269	11,436	11,593	11,916	12,218
LIABILITIES						
Notes in circulation	13,569	14,839	14,705	15,220	16,418	15,271
Deposits: Government	2,494	1,688	2,245	2,217	2,661	1,618
Banks	27,766	24,055	23,180	22,990	22,451	22,865
Ratio of cash reserves to liabilities to public	55.1%	52.3%	52.9%	53.3%	52.5%	57.2%

RESERVE BANK OF INDIA.—In Rupees (000's omitted)

ASSETS	Jan. 10, 1936	Dec. 25, 1936	Jan. 1, 1937	Jan. 8, 1937
Gold coin and bullion	44,42,17	44,42,17	44,42,17	44,42,17
Rupee coin	57,19,61	64,05,46	64,81,98	63,74,15
Balances abroad	16,21,29	16,21,29	14,96,22	15,08,37
Indian Govt. securities	66,18,83	67,31,71	71,31,05	71,31,05
Investments	25,54,30	23,40,64	23,37,83	24,37,73
LIABILITIES				
Note circulation	5,28,25	6,33,16	6,16,32	6,23,33
Deposits: Government	1,69,37,76	1,89,85,46	1,91,99,37	1,93,25,17
Banks	5,58,41	6,93,44	7,14,12	8,71,40
Ratio of gold and sterling to liabilities	57.2%	56.1%	56.8%	56.8%

* Held against notes.

BANK OF FRANCE.—In francs* (000's omitted)

ASSETS	Jan. 10, 1936	Dec. 18, 1936	Dec. 23, 1936	Dec. 30, 1936	Jan. 7, 1937
Gold	66,267,831	60,358,742	60,358,742	60,358,742	60,358,742
Advances on Gold Coin	1,203,360	1,259,014	1,259,014	1,258,523	1,257,915
Commercial bills	8,283,958	8,283,043	8,900,904	8,959,808	8,490,208
Bills bought abroad	1,111,213	1,436,914	1,436,914	1,429,204	1,429,204
Advances on securities	4,423,084	4,185,842	3,904,853†	4,298,317	4,391,891
Loans to State without interest: (a) general	3,200,000	3,200,000	3,200,000	3,200,000	3,200,000
(b) provisional	—	14,998,092	15,798,092	17,698,092	19,048,092
Negotiable Bonds	—	—	—	—	—
Sinking Fund Dept.	5,770,139	5,639,780	5,639,780	5,639,771	5,639,771
Other assets (excluding forward exch.)	4,106,607	3,628,423	3,963,033	3,901,042	4,053,221
LIABILITIES					
Notes in circulation	81,260,372	86,598,165	87,306,240	89,341,929	88,417,422
Public deposits	2,864,580	2,078,194	2,073,231	2,088,826	2,063,691
Private deposits	8,361,255	11,077,875	12,367,151	13,549,957	14,365,912
Other liabilities	2,634,830	3,235,616	2,714,710	2,682,785†	3,022,069
Ratio of gold reserve to sight liabilities	71.5%	60.4%	59.3%	57.4%	57.5%

* The gold stock is based on the franc at 49 milligrams on and after Oct. 2, 1936.
† Revised figures.

NATIONAL BANK OF BELGIUM.—In belgas (000's omitted)

ASSETS	Jan. 9, 1936	Dec. 10, 1936	Dec. 17, 1936	Dec. 22, 1936	Dec. 30, 1936	Jan. 7, 1937
Gold	3,416,510	3,722,771	3,730,426	3,735,680	3,728,010	3,704,212
Silver and other coin	61,788	55,694	58,138	57,549	54,709	52,131
Securities	1,271,371	1,358,927	1,363,061	1,374,407	1,389,560	1,373,120
Advances	86,839	72,214	74,899	72,123	67,679	54,990
LIABILITIES						
Notes in circulation	4,150,837	4,468,978	4,452,042	4,469,197	4,540,396	4,539,021
Deposits: Govt.	21,016	31,859	53,511	54,987	119,788	62,449
Other	856,739	897,636	909,825	904,428	768,612	769,297

NETHERLANDS BANK.—In florins (000's omitted)

ASSETS	Jan. 6, 1936	Dec. 7, 1936	Dec. 14, 1936	Dec. 21, 1936	Dec. 28, 1936	Jan. 4, 1937
Gold	651,231	569,895	669,533	669,533	719,557	719,557
Silver	19,131	18,762	19,725	19,428	18,105	17,663
Home bills discounted	30,173	22,596	22,359	21,991	23,222	17,565
Loans and advances in current account	141,423	327,210	282,281	311,530	320,162	297,470
LIABILITIES						
Notes in circulation	796,293	787,667	776,488	776,931	792,424	818,855
Deposits	65,679	172,177	238,726	267,102	310,688	255,008

SWISS NATIONAL BANK.—In francs (000's omitted)†

ASSETS	Jan. 7, 1936	Dec. 7, 1936	Dec. 15, 1936	Dec. 23, 1936	Dec. 31, 1936	Jan. 7, 1937
Gold	1,388,810	2,630,687	2,636,774	2,683,169	2,709,005	2,713,504
Of which held abroad	218,187	568,181	573,432	605,627	626,592	629,733
Discounts	133,730	23,360	22,999	23,621	19,517	18,586
Confederation Bills	83,481	16,000	16,000	16,000	28,500	23,500
Advances	108,632	42,041	40,614	42,385	46,768	41,212
Securities	44,868	29,967	29,490	29,472	15,897	15,897
LIABILITIES						
Notes in circulation	1,296,310	1,383,736	1,382,026	1,441,784	1,482,222	1,406,206
Deposits	400,831	1,359,867	1,373,515	1,364,767	1,363,375	1,421,527

† Gold revalued, by increase of 35.033% from October 7, 1936.

BANK OF PORTUGAL.—In escudos (000's omitted)

ASSETS	Dec. 18, 1935	Nov. 18, 1936	Nov. 25, 1936	Dec. 2, 1936	Dec. 9, 1936	Dec. 16, 1936
Gold	909,964	911,237	911,590	911,592	911,596	911,603
Balances abroad	489,667	548,860	579,210	596,690	597,962	593,464
Discounts	333,897	339,929	347,875	351,267	347,393	342,828
Securities	71,153	130,138	130,137	130,135	130,136	130,135
Government loans	1,046,823	1,044,201	1,044,201	1,044,201	1,044,201	1,044,201
LIABILITIES						
Notes in circulation	2,132,942	2,114,321	2,107,475	2,197,561	2,175,950	2,169,536
Government deposits	493,780	565,354	614,946	504,035	216,064	269,261
Bankers' deposits	293,738	375,096	378,486	400,014	466,919	473,277
Other deposits	41,859	58,500	54,819	91,401	320,301	249,368
Foreign commitments	33,077	37,266	37,266	37,258	41,026	41,020

NATIONAL BANK OF HUNGARY.—In Hungarian Pengo (000's omitted)

ASSETS	Dec. 31, 1935	Dec. 7, 1936	Dec. 15, 1936	Dec. 23, 1936	Dec. 31, 1936
Metal reserve—					
Gold coin and bullion	78,936	84,056	84,056	84,056	84,056
Foreign Exchange	33,301	33,963	34,514	37,304	42,358
Inland bills, warrants and securities	8,965	6,478	7,329	7,219	6,152
Advances to Treasury	574,442	490,103	479,205	489,374	535,609
LIABILITIES					
Notes in circulation	417,364	383,545	370,583	372,296	436,447
Current accounts, deposits, etc.	14,860	200,637	211,386	227,448	212,626
Cash certificates	104,298	92,901	92,901	92,901	92,901
Other liabilities	173,935	167,347	165,905	165,461	164,382

NATIONAL BANK OF JUGOSLAVIA

ASSETS	Dec. 31, 1935	Dec. 15, 1936	Dec. 22, 1936	Dec. 31, 1936
Cash reserve: Gold at home and abroad	1,431,536	1,606,502	1,609,531	1,626

NEW YORK MONEY AND EXCHANGE RATES

The Irving Trust Company cables the following money and exchange rates in New York:—

	Jan. 15, 1936	Dec. 16, 1936	Dec. 23, 1936	Dec. 30, 1936	Jan. 6, 1937	Jan. 13, 1937
Call money	100	100	100	100	100	100
Time money (90 days' mixed coll.)	100	100	100	100	100	100
Bank acceptances:—						
Members—eligible, 90 days	100	100	100	100	100	100
Non-mem.—eligible, 90 days	100	100	100	100	100	100
Commercial accept., 90 days	100	100	100	100	100	100

Rates of Exchange, New York on—	Par Level	Jan. 15, 1936	Dec. 30, 1936	Jan. 6, 1937	Jan. 13, 1937
London—					
60 days					
Cable					
Cheques					

London—	Old par	4-96	4-9025	4-9037	4-9037
60 days	4-8966	4-96	4-9025	4-9037	4-9037
Cable	4-92	4-92	4-9125	4-9118	4-9118
Cheques	4-9237	4-9237	4-9118	4-9112	4-9112
Paris—					
60 days	6-63	6-6325	4-9712	4-9712	4-9712
Cheques	23-54	16-86	16-86	16-87	16-87
Brussels—					
60 days	32-67	32-70	22-98	22-98	22-97
Switzerland—					
60 days	8-91	8-0450	5-264	5-264	5-264
Cheques	40-33	40-43	40-24	40-24	40-23
Berlin—					
60 days	23-82	18-86	18-71	18-72	18-71
Cheques	32-67	13-75			
Vienna—					
60 days	68-06	54-76	54-76	54-76	54-76
Cheques	22-19	21-93	21-93	21-93	21-93
Amsterdam—					
60 days	45-37	24-97	24-685	25-69	25-69
Cheques	25-625	25-33	25-33	25-33	25-33
Copenhagen—					
60 days	0-94	0-94	0-94	0-94	0-94
Cheques	169-31	100	100	100	100
Stockholm—					
60 days	84-40	29-10	28-26	28-50	28-65
Cheques	30-12	29-80	29-85	29-85	29-85
Yokohama—					
60 days	61-80	37-60	37-20	37-18	37-14
Cheques	33-12	39-45	30-55	30-60	30-60
Shanghai—					
60 days	11-96	8-37	8-28	8-28	8-28
Cheques					

THE BANK OF LONDON AND SOUTH AMERICA, LTD., has received telegraphic advice from the Valencia Branch that the gold surcharge for payment of Spanish customs duties has been fixed for the period January 11 to 141 at 142-81 per cent. The previous rate was fixed as from January 11 at 142-80 per cent.

South African, Central and South American and Australasian Exchange Rates appeared in the issue of January 2nd on pages 41 and 42. The Batavian Bank Rate was reduced on January 14th from 4 to 3 per cent., and the Albanian and Greek Bank Rates are now 6½ and 6 per cent. respectively. Other Overseas Bank Rates also appeared in the above issue.

GOLD AND SILVER

The following statistics of imports and exports of gold and silver for the week ended January 14, 1937, are issued by the Statistical Department of H.M. Customs and Excise.

IMPORTS AND EXPORTS OF GOLD

(Into and from United Kingdom)

Imports			Exports		
From	Bullion*	Coin†	To	Bullion*	Coin†
British S. Africa	£ 673,223	...	Palestine	£ 426	£ 2,000
British India	258,476	...	Aden and Dependencies	...	2,000
Australia	97,787	267	Bombay, via other ports	...	10,000
New Zealand	3,429	...	Denmark	228	2,000
Trinidad and Tobago	2,353	...	Germany	2,865	...
British Guiana	2,603	...	Netherlands	...	2,000
Germany	4,518	312	France	118,088	15,388
Netherlands	64,537	5,131	Belgium	...	32,498
France	12,303	11,153	Algeria	...	3,000
Argentina	570	3,200	Switzerland	...	6,210
Other countries	4,489	3,158	U.S.A.	796,769	9,419
		660	Other countries	455	...
Totals	1,124,279	3,567	Totals	918,829	42,628
		20,414			41,917

IMPORTS AND EXPORTS OF SILVER

Imports			Exports		
From	Bullion*	Coin†	To	Bullion*	Coin†
Australia	£ 758	...	Aden and Dependencies	...	14
Jamaica and Dependencies	...	3,282	Bombay, via other ports	134,035	...
Germany	245	634	Denmark	1,367	...
Netherlands	...	54	France	1,510	45
Belgium	9,604	263	Liberia	...	5,000
Japan	1,435	...	Other Countries	715	61
France	76,004	16			
U.S.A.	15,325	390			
Other Countries	1,724	1,894			
Totals	104,337	5,064	Totals	137,627	5,045
		2,227			75

* At current market value. † Coin which is of legal tender in the United Kingdom is entered at face value and shown in italics. Other coin is entered at current market value.

GOLD MOVEMENTS: BANK OF ENGLAND

1937	ARRIVALS	1937	WITHDRAWALS
Jan. 8	Nil	Jan. 8	Nil
" 9	Nil	" 9	Nil
" 11	Nil	" 11	Nil
" 12	Nil	" 12	Nil
" 13	Nil	" 13	Nil
" 14	Nil	" 14	Nil
Total	Nil	Total	Nil

Movement, January 8 to January 14, 1937 (inclusive) Nil
Movement during year 1936 £113,609,527 in
Movement during 1937 (January 1 to January 14, inclusive) Nil
Movement, April 29, 1925, to January 14, 1937 (inclusive) £154,566,724 in
Movement, September 21, 1931 (gold standard suspended) to January 14, 1937 (inclusive) £176,972,176 in

GOLD MARKET

Messrs. Samuel Montagu and Company write on January 13, 1937:—
The Bank of England gold reserve against notes amounted to £313,660,659 on January 6, 1937, showing no change as compared with December 30, 1936. Bar gold to the value of about £1,400,000 has been on offer in the market during the week. The prices arranged daily have shown a premium over the dollar parity, calculated on the exchange rate quoted at the time of fixing, but nevertheless the bulk of supplies has been taken for America. The s.s. "Comorin" which sailed from Bombay on January 9, 1937, carries gold to value of about £797,000.

SILVER MARKET

The past week opened with a recovery of ½d. to 21½d. for cash and 21½d. for forward, but prices subsequently sagged until 21½d. and 20½d. were quoted for the respective deliveries on January 9, 1937. A slight improvement registered on January 11, was lost on January 12, whilst on January 13, quotations are respectively ½d. and ½d. lower at 21d. for cash and 20½d. for forward.

Indian demand has fallen off, particularly during the latter half of the week, and there has been rather more inclination in that quarter to resell. China sales and some speculative resales have continued, whilst buying has included moderate demand on Continental account. The rather easier trend was probably in part induced by the publication of Press messages from Washington reporting that enthusiasm was lacking both in Congress and amongst officials of the Treasury for the retention of any part of the silver purchase policy other than the payment of the present special price of 77-57 cents for domestic newly-mined silver. Whether such enthusiasm exists in fact or not, it can by no means be assumed that responsible opinion is necessarily prepared to accept the idea of abandonment of the major portion of the silver policy with all that such action would imply. The undertone of the market appears to lack strength and falling a revival of Indian demand some further fall is not unlikely.

Quotations for gold and silver are shown below:—

1937	Price of Gold per Fine Ounce	Equivalent Value of £ sterling	Price of Bar Silver in London per ounce standard		Price of Silver New York per ounce fine
			Cash	Two Months	
Jan. 7	141 7	12 0-01	21½	21½	Jan. 6 45½
" 8	141 7	12 0-01	21½	21½	" 7 45½
" 9	141 6½	12 0-05	21½	21½	" 8 45½
" 11	141 8	11 11-92	21½	21½	" 9 45½
" 12	141 6½	12 0-05	21½	21½	" 11 45½
" 13	141 7	12 0-01	21½	21½	" 12 45½
Average	141 7	12 0-01	21-167	21-010	
Jan. 14	141 8	11 11-92	20½	20½	

The highest rate of exchange on New York recorded during period from January 7, 1937, to January 13, was \$4-91½ and the lowest \$4-90½.

Statistics for the month of December, 1936:—

	Bar Silver per oz. std.		Bar Gold per oz. fine
	Cash delivery	Two months' delivery	
Highest price	21½d.	21½d.	142s. 1d.
Lowest price	20½d.	20½d.	141s. 4d.
Average	21-2375d.	21-1875d.	141s. 8-28d.

COMPANY NEWS

INDUSTRIAL PROFITS

(See Leading Article on page 106.)

NET PROFITS (AFTER PAYMENT OF DEBENTURE INTEREST, ETC.)

	No. of Companies	Reports published in		Increase (+)
		1935	1936	
Third quarter	345	20,926,208	22,471,189	+ 2,444,981
Fourth quarter	485	28,710,628	33,561,979	+ 4,851,351
		1936	1935	
First quarter	569	66,839,644	75,731,976	+ 8,892,332
Second quarter	739	83,404,187	92,280,660	+ 8,876,473
Third quarter	382	25,359,334	28,974,570	+ 3,615,236
Fourth quarter	496	36,565,347	42,134,767	+ 5,569,420
Total 1936	2,186	212,168,512	239,121,973	+ 26,953,461
Total 1935	2,116	175,289,571	203,246,989	+ 27,957,418

PERCENTAGE COMPARISON WITH PRECEDING YEARS

	1930-31	1931-32	1932-33	1933-34	1934-35	1935-36	1936-37
Third quarter	- 6-4	- 35-5	- 28-6	- 5-5	+ 27-7	+ 12-2	+ 14-3
Fourth quarter	- 18-1	- 33-9	- 2-9	+ 30-3	+ 32-9	+ 16-9	+ 15-2
First quarter	- 10-6	- 14-9	- 8-9	+ 5-3	+ 14-6	+ 13-3	...
Second quarter	- 19-4	- 21-8	+ 3-3	+ 18-2	+ 17-8	+ 10-6	...
Year ending June 30	- 14-7	- 26-5	- 6-7	+ 12-1	+ 19-5	+ 12-6	...

DISTRIBUTION OF PROFITS

	Net Profits after payment of Debenture Interest	Ordinary Dividend	Preference Dividend	To Reserve, etc.
1935	22,471,189	11,586,410	51-6	5,549,416
Third quarter	33,561,979	18,529,274	55-2	6,384,374
Fourth quarter	75,731,976	44,481,431	58-7	14,457,695
1936	82,280,660	47,225,745	51-2	20,527,591
First quarter	28,974,570	14,647,169	50-5	5,728,751
Second quarter	42,134,767	22,557,928	53-5	7,390,205
Third quarter	239,121,973	128,912,273	53-9	48,104,242
Fourth quarter	239,121,973	128,912,273	53-9	48,104,242
Total 1936	239,121,973	128,912,273	53-9	48,104,242
Total 1935	203,246,989	111,720,344	54-9	46,278,011

PROFITS AND RESERVES

	No. of Companies	Total Ordinary and Preference Capital	Net Profits after Payment of Debenture Interest	Carried to Reserve, etc.
1935	345	286,270,471	22,471,189	5,549,416
Third quarter	485	377,470,062	33,561,979	8,648,331
Fourth quarter	569	757,045,526	75,731,976	16,792,850
1936	739	1,015,646,042	92,280,660	24,527,324
First quarter	382	311,349,009	28,974,570	8,598,650
Second quarter	496	395,408,899	42,134,767	12,186,634
Third quarter	2,186	2,479,449,476	239,121,973	62,105,458
Fourth quarter	2,116	2,398,362,356	203,246,989	45,248,634
Total 1936	2,116	2,398,362,356	203,246,989	45,248,634
Total 1935	2,116	2,398,362,356	203,246,989	45,248,634

AVERAGE RATES PAID

	On Debenture Capital				On Preference Capital				On Ordinary Capital			
	1933	1934	1935	1936	1933	1934	1935	1936	1933	1934	1935	1936
1st quarter	4-77	4-73	4-64	4-51	5-0	4-9	5-1	5-3	7-5	7-5	8-3	9-2
2nd "	4-97	4-75	4-75	4-58	4-9	5-2	5-7	5-6	5-0	5-7	6-7	7-3
3rd "	4-94	4-88	4-67	4-81	4-4	4-9	4-9	5-3	6-0	6-7	7-6	8-2
4th "	5-04	4-95	4-84	4-75	3-2	3-7	4-5	5-2	6-8	7-9	9-2	
Year	4-99	4-82	4-72	4-62	4-6	4-8	5-2	5-8	6-5	7-4	8-2	

In the next table we give a summary of the results recorded by various industrial groups in the last six months together with those of the last quarter:—

NET PROFITS (AFTER PAYMENT OF DEBENTURE INTEREST, ETC.)

Group	No. of Reports	Reports Published in Quarter ended December 31st			No. of Reports	Reports Published in Half-Year ended December 31st		
		1936	Compared with 1935	+ or —		1936	Compared with 1935	+ or —
Breweries	49	£ 6,753,069	+ 688,388	+ 11.3	72	13,897,366	+ 1,162,143	+ 9.1
Electric lighting and power	2	546,902	+ 90,681	+ 19.8	4	636,164	+ 114,794	+ 22.0
Financial land and investment	46	3,042,354	+ 655,393	+ 27.4	89	4,935,387	+ 715,212	+ 16.9
Gas	1	7,497	98	+ 1.3	3	114,011	9,111	+ 9.4
Hotels and res- taurants	9	498,919	+ 31,772	+ 6.7	13	525,791	+ 44,145	+ 9.2
Iron, coal and steel	33	3,449,771	+ 1,188,160	+ 52.5	67	8,485,976	+ 2,354,638	+ 38.4
Motor cycle and aviation	23	3,773,170	+ 933,753	+ 32.8	28	4,324,805	+ 1,076,570	+ 30.1
Oil	4	346,779	+ 172,887	+ 99.4	8	1,225,831	+ 372,729	+ 43.7
Rubber	98	746,127	+ 274,677	+ 30.6	172	1,508,586	+ 148,775	+ 10.9
Shipping	5	1,560,515	+ 200,895	+ 11.4	8	2,114,601	+ 112,644	+ 5.0
Shops and stores	11	916,606	+ 138,522	+ 17.4	22	3,035,987	+ 303,676	+ 11.0
Tea	12	72,192	+ 4,970	+ 7.8	45	707,747	+ 400,039	+ 136.0
Textiles	10	835,230	+ 36,913	+ 4.6	30	1,445,008	+ 151,117	+ 11.0
Tramway and Omnibus	6	211,752	+ 1,135	+ 0.5	7	66,898	—	58.834
Trusts	48	1,806,754	+ 85,885	+ 6.0	73	2,592,597	+ 125,057	+ 5.0
Waterworks	Nil	—	—	—	3	23,037	75	3.4
Building materials	13	1,330,235	+ 56,412	+ 4.4	25	2,062,623	+ 258,964	+ 14.3
Food, confection- ery and drink	23	3,267,087	+ 63,470	+ 1.9	37	4,490,400	+ 19,712	+ 0.5
Electrical equip- ment	4	482,476	+ 121,593	+ 33.7	7	640,453	+ 123,607	+ 23.9
Newspapers, print- ing, etc.	14	937,754	+ 182,057	+ 24.1	24	1,473,901	+ 217,975	+ 17.3
Tobacco	2	6,705,922	+ 33,761	+ 5.3	5	7,247,638	+ 330,802	+ 4.8
Warehouse and trading	9	541,101	+ 79,320	+ 17.8	10	588,032	+ 80,305	+ 15.9
Miscellaneous	76	4,602,605	+ 728,594	+ 18.1	131	9,101,332	+ 1,364,229	+ 17.6
Total	496	42,134,767	+ 5,569,420	+ 15.2	878	71,109,337	+ 9,184,656	+ 14.8

DIVIDEND ANNOUNCEMENTS

Rate % per Annum, except where marked % or Stated in Cash

Name of Company	* Interim † Final	Date of Pay- ment	Comparison with Last Year	Total	
				Latest Year	Previous Year
RAILWAYS					
Rohilkund and Kumaon	11%*		10%†	18	16
BANKS					
Clydesdale Bank				16	16
Commercial Bank of Australia	6%*	Feb. 5	5*		
Hongkong and Shanghai Banking	53 p.s.†		Same	53 p.s.	53 p.s.
Lloyds Bank "A"	12†		Same	12	12
Do. "B"	5†		Same	5	5
Midland Bank	16†	Feb. 1	Same	16	16
Munster and Leinster Bank	12†		Same		
National Provincial Bank	7½%†	Jan. 29	Same	15	15
Provincial Bank of Ireland	12†	Feb. 1	Same		
Royal Bank of Ireland	10†		Same	9	9
Union Discount Co.	(a) 12½†	Jan. 30	25†(b)	12½	12½
Williams Deacon's Bank ("A" & "B")	12½†		Same		
INSURANCE					
New Zealand Insurance	1† p.s.*	Feb. 19	Same		
TEA AND RUBBER					
Anglo-Dutch Plantations of Java	3%*	Feb. 4	2%*		
Bila (Sumatra) Rubber				4	2½
Gedong (Perak) Rubber				3	Nil
Glendon Rubber		Feb. 17		4	Nil
Jorehaut Tea	2%*	Jan. 29	2½%*		
Kawie (Java) Rubber	4%*	Jan. 25	Nil*		
Limbuguri Tea	2½%*	Jan. 28	Same		
Sedenak Rubber		Jan. 22		6	2½
Tapiing Rubber				4½	3
Takan Rubber				4	Nil
Tamang Rubber				5-83	3-33
MINING					
Aramayo Mines				2½	Nil
Electrolytic Zinc (Australia)					
(Prof. and Ord.)	6%*		4%*		
Kampong Lanjut Tin	1/6 p.s.*	Jan. 27			
Naraguta Tin Mines	5%*	Feb. 23	3½%*		
Nigel Van Ryn Reef	6½%*				
Southern Kinta Consolidated	5%*	Feb. 4			
OTHER COMPANIES					
Albion Greyhounds	17½%*	Jan. 20	10%*		
Assets Co.	4%*		Same	6½	6½
Boake (A) Roberts and Company	4½%*	Feb. 1	Same		
Cardinal Investment (Def.)	4½%*		4%†	7	6
Central Commercial Properties	5%*	Feb. 1	Same		
Davenport's C. B. and Brewery					
Holdings	6%†		Same	10	10
Debuture Corporation	6%†		Same	10	10
Distillers Company	7½%*	Feb. 1	Same		
Dublin Artizans' Dwellings	2½%†		Same	6½	6½
Dublin (South) City Market	2½%†		Same		
East Indian Coal	2½%†		5%†		
Freedlands	6%*	Jan. 30			
Governments Stock, etc., Invest-					
ment		Jan. 29		3	2½
Hall and Company	1- p.s.*				
Hall (J. and E.)				8½	6
Horn (John), Stockport				55	50
Leyland Motors				20	17½
Lockhart (Alfred)	5½%†		4½%†	8	
London Produce Clearing House	4/6 p.s.†	Feb. 10	Same	15	15
Do. Founders Shares		Feb. 10			
Lovesy (John) and Company		Jan. 29		56½ p.s.	56½ p.s.
Michael Nairn and Greenwich				5	3
Miller (A.) and Company				15	15
Omnium Investment				3	3
Parkers Burslem Brewery	3½%*	Jan. 28		2½	2
Pennmans (Com.)	75 cts. p.s.		Same		
Pratt (J.), Alfred and Co.	6%†		Same		
River Plate and General Invest-				8½	6
ment Trust (Deferred)	5%†	Feb. 1	Same	10	10
Scottish United Investors	3%†			5	4
Shop Investments	4%*	Jan. 23			
South of England Dairies				2½	3
Spa (Scarborough)				5	5
Standard Trust				4	3
Traction and General Investment	8%†	Jan. 29	7%†	12	11
Trinidad Sugar	5%*	Jan. 26	Nil†	7½	Nil
Turton (George), Platts and Co.	5%*		2½%*		
Weber (L. and J.), and Phillips	4½%†		3½%†	8½	7½
Westinghouse Brake, etc.				15	10
Woodworth (F. W.) and Company	(s) 45%†		70%†	(t) 75	100
Zambrene (8% Pref.)				8	

† Free of income tax. (a) Paid on a capital of £2,750,000. (b) Paid on a capital of £1,250,000. (c) Equal to 90 per cent. on old capital. (d) Equal to 120 per cent. on old capital.

CITY OF SAO PAULO SIX PER CENT. GOLD BONDS 1908.—Bank of London and South America, Ltd., have received the funds for payment of 2½ per cent. of coupon due January 1, 1937.

THE MODDERFONTEIN DEEP LEVELS LIMITED.—First liquidation distribution 9d. per share has been declared payable to shareholders registered December 31, 1936.

THE LONDON MERCHANT BANK LIMITED.—Owing to the continuance of adverse conditions and the debit balance on profit and loss account, no dividend will be paid on "A" shares either for half-year to December 31st or on account of arrears.

CITY OF SAN PAULO IMPROVEMENTS.—This company will pay, on January 19th, one-half of the interest for the half-year ended February 29, 1936, on the 7½ per cent. first debenture stock. This interest carries additional interest of 2½ per cent. per annum, so that the distribution will be at the rate of £1 18s. 4d. per cent.

AMALGAMATED ANTHRACITE COLLIERIES, LTD.—No dividend will be paid on 7 per cent. preference shares due February 1st.

ERLANGERS, LTD.—Ordinary dividend, 4 per cent. as before. Balance sheet shows deposits £3,784,789 against £2,481,949, and advances £2,426,574 compared with £1,781,075.

HONG-KONG AND SHANGHAI BANKING.—Final dividend, £3 per \$125 share, making 5 10s. for year as before. Writing off bank premises account, \$1,000,000. Carry-forward, about \$3,340,000.

L. & J. WEBER AND PHILLIPS. Final dividend, 4½ per cent., making 8½ per cent. for year against 7½ per cent.

LOVEYS, JOHN, AND COMPANY. Dividend, 5 per cent. for 1936, compared with 3 per cent. for 1935.

WEEKLY TRAFFIC RETURNS

RAILWAYS OF GREAT BRITAIN AND IRELAND

(b) Week ended Jan. 8, 1937. (c) Week ended Jan. 9, 1937.		Miles Open	Gross Receipts, week ended Jan. 10, 1937 (£'000)				
			Passen- ger, etc.	Merchan- dise, etc.	Coal and Coke	Total Goods	Total Receipts
Great	{ 1937 ...	3,746	160	183	115	298	458
Western	{ 1936 ...	3,746	157	176	122	298	455
(c) L. & N.	{ 1937 ...	6,332	247	308	238	546	793
Eastern	{ 1936 ...	6,336	246	317	272	589	835
L. M. &	{ 1937 ...	6,916½	366	448	281	729	1,095
Scottish	{ 1936 ...	6,923	362	458	314	772	1,134
Southern	{ 1937 ...	2,153	249	53	31	84	333
	{ 1936 ...	2,171	243	55	37	92	335
Total	{ 1937 ...	19,146½	1,022	992	665	1,657	2,679
	{ 1936 ...	19,177½	1,008	1,008	745	1,751	2,759
(b) Belfast	{ 1937 ...	80	1-8	...	...	0-4	2-2
& Co. Down	{ 1936 ...	80	2-0	...	...	0-5	2-5
(b) Great	{ 1937 ...	543	8-4	...	...	7-8	16-2
Northern	{ 1936 ...	543	8-3	...	...	9-5	17-8
(b) Great	{ 1937 ...	2,076	27-8	...	...	42-7	70-5
Southern	{ 1936 ...	2,124	28-1	...	...	47-2	75-3

COMPARISONS WITH CORRESPONDING PERIODS, 1935 and 1936 (000's omitted)

	Great Western	L.M.S.	L.N.E.R.	Southern
First half-year 1936, compared with first half-year, 1935:	£	£	£	£
Gross increase or decrease	+ 263	+ 937	+ 534	+ 85
Second half-year 1936, compared with second half-year, 1935:				
Gross increase or decrease	+ 491	+ 1,575	+ 751	+ 378
First half-year 1937, compared with first half-year, 1936:	+ 3	39	42	2
Weekly average first half 1937	...	...	...	...
Latest week 1937 compared with 1936	+ 3	39	42	2

LONDON TRANSPORT

	Week ending January 8, 1937	Aggregate 28 weeks to January 9, 1937
Compared with corresponding period of last year	£546,800	£15,701,200
Compared with corresponding period of last year	£546,800	£15,701,200
Compared with corresponding period of last year	£546,800	£15,701,200

* For an explanation of the manner in which the figures are made up, see *The Economist*, March 17, 1934, page 610.

OVERSEAS RAILWAY RECEIPTS

Name	Weeks	Ending	Percent Mileage	Gross Receipts for Week		Gross Aggregate Receipts	
				1936	+ or -	1936	+ or -
INDIAN							
Assam Bengal	38	1936 Dec. 20	1,330	Rs. 4,67,000	- 47,458	Rs. 1,24,78,878	+ 5,92,715
Barsi Lt. Ry.	37	10 292		1,35,100	- 17,300	10,77,300	+ 2,34,300
Bengal & N. Western ..	12	20 2,112		110,17,355	- 30,317	79,95,152	+ 5,23,017
Bengal-Nagpur	37	10 3,268		23,89,000	- 2,25,888	5,54,75,517	- 31,57,981
Bombay, Bar. & C.I.	40	31 3,072		142,65,000	+ 7,20,000	8,34,31,000	+ 36,65,000
Madras & S. Mahr.	38	20 3,229		124,12,000	+ 2,71,911	5,19,59,133	+ 10,82,998
Rohilk'd & Kumaon	12	20 546		11,86,000	+ 348	13,70,466	+ 66,483
South Indian	37	10 2,532		114,02,801	+ 66,496	3,70,59,557	+ 4,13,807
				† 11 days.	‡ 10 days.		
CANADIAN							
Canadian National	1	Jan. 7 2,3564		\$ 2,915,481	+ 331,163	\$ 1,24,78,878	+ 5,92,715
Canadian Pacific	1	Jan. 7 7,1223		2,243,000	+ 227,000	...	...
SOUTH AMERICAN							
Autofagasta (Chili and Bolivia)	2	Jan. 10 834		£ 14,160	- 4,020	£ 16,530	- 6,570
Argentine N.E.	28	9 753		£ 112,200	+ 23,000	£ 4,311,400	+ 518,400
B.A. and Pacific	28	9 2,880		£ 7,605	+ 1,753	£ 254,993	+ 32,055
B.A. Central	27	2 1,082		£ 162,000	+ 157,000	£ 7,439,300	+ 1,419,300
B.A. Gt. Southern	28	9 5,084		£ 100,620	+ 14,545	£ 2,221,444	+ 105,361
B.A. Western	28	9 1,930		£ 13,225,000	+ 979,000	£ 56,878,000	- 697,000
Central Argentine	28	9 3,700		£ 200,062	+ 68,100	£ 3,377,998	- 4,338
Central Uruguayana	27	2 273		£ 1,010,000	+ 163,000	£ 20,711,000	+ 848,000
C. Urug. (East Ext.)	27	2 311		£ 62,655	+ 12,890	£ 1,229,783	+ 103,613
C. Urug. (N. Ext.)	27	2 185		£ 158,617	+ 29,451	£ 3,943,951	+ 59,935
C. Urug. (W. Ext.)	27	2 211		£ 13,120	+ 2,518	£ 327,682	+ 6,823
Cordoba Central	28	9 1,218		£ 7941	+ 1,177	£ 26,194	+ 3,904
Entre Rios	28	9 810		£ 584,000	+ 180,000	£ 15,338,000	+ 1,189,000
G. Westn. of Brazil	2	9 1,082		£ 36,230	+ 11,320	£ 908,180	+ 78,580
Leopoldina	27	2 1,918		£ 1215,300	+ 69,800	£ 2,149,000	- 79,000
Leopoldina Termal.	27	2 1,918		£ 13,356	+ 4,807	£ 291,203	+ 3,700
Nitrate	52	Dec. 31 897		£ 1,689,000	+ 56,000	£ 2,149,000	- 79,000
Paraguay Central	28	Jan. 9 274		£ 2,620	+ 1,061	£ 26,198	+ 1,260
Salvador	27	2 100		£ 363,000	+ 7,000	£ 476,000	+ 15,000
San Paulo	1	1 1,531		£ 2,582,000	+ 388,000	£ 72,337,000	+ 9,381,000
United of Havana	28	9 1,353		£ 25,400	+ 1,500	£ 385,758	+ 3,862
				£ 220,000	+ 70,000	...	...
				£ 26,787	+ 1,385	...	...
				£ 16,385	+ 946	£ 443,299	+ 12,722

* Converted at average official rate during week ended Jan. 9, 18-12 pesos to the £.
† Free market rate. ‡ Receipts in Argentine pesos.
§ Converted at official rate. ¶ Converted at "controlled free" rate.
/ Converted at the "free" rate as a result of a decision of the High Court.

SHORTER COMPANY COMMENTS

(Continued from page 136)

THE UNION DISCOUNT COMPANY OF LONDON, LTD.—Final dividend at the rate of 7½ per cent. per annum for half-year, 1936, and a bonus of 2½ per cent. £15,000 to staff provident fund (as last year). £250,000 is transferred to reserve. Dividend and bonus for the half-year to December 31, 1936, is equivalent to rate for the corresponding half-year, 1935, but requires an additional £10,000.

WILLIAMS DEACON'S BANK, LTD.—Dividend for half-year ended December 31, 1936, is at rate of 12½ per cent. per annum (less income tax) upon "A" and "B" shares. The net profits for 1936 (including contributions), £293,636, against £278,536 for 1935. The full year's dividend absorbs £234,375. To bank premises accounts, £30,000. Balance carried forward, £102,045 against £72,784 brought in.

APPOINTMENTS AND PERSONAL

Sir Frederick Pascoe Rutter has been re-elected chairman and Mr Philip E. B. Fooks, deputy-chairman of the Law Union and Rock Insurance Company, Ltd.

L. F. Callingham, M.A., LL.M., has resigned the chairmanship of Henekeys, Ltd., but will continue as a director. Mr C. S. Callingham, M.C., has been elected chairman, and will continue as managing director.

Lloyds Bank Limited announce the approaching retirement of Mr R. M. Rowley Morris from the management of their Pall Mall Branch. Mr T. E. R. Harris will succeed him as joint manager.

Mr Ernest E. Bird has been re-elected chairman of Legal and General Assurance Society for 1937 and the Hon W. B. L. Barrington re-elected vice-chairman.

Mr Malcolm Guy Hill, assistant manager, has been appointed deputy-general manager of Scottish Union and National Insurance.

Mr D. O. Beaton has been appointed special representative Cruise Department, Canadian Pacific Railway Company, London, succeeding Mr Wm. H. Powell, resigned.

National Provincial Bank, Ltd., announce that after 43 years' service, Mr Fred Waller, a joint general manager of the bank, will retire on January 31, 1937.

MISCELLANEOUS

LEYLAND MOTORS, LTD.—Profit, year to September 30, 1936, £463,012, against £364,887. Dividend, 20 per cent., compared with 17½ per cent. To reserve, £150,000, against £100,000. Carry-forward increased from £49,380 to £51,531.

UNITED TOBACCO COMPANIES (SOUTH), LTD.—Net profit year to September 30, 1936, £1,040,287, against £813,279. Ordinary and deferred dividends,

COMMERCE AND TRADE

SURVEY OF COMMODITY MARKETS

LAST week's pause in the upward movement of the wholesale prices of primary products was followed by a further, and fairly general, advance during the past few days. Moreover, several important developments again focussed attention on the commodity markets.

On Wednesday evening there came the announcement that the price of petrol was to be increased by a halfpenny to 1s. 6½d. per gallon, from January 14th, after having remained unchanged since May 1, 1935. On the same day the companies participating in the international copper restriction scheme made public their decision to suspend restriction forthwith, subject to the resumption of curtailment under certain (but undisclosed) conditions. This decision was due to the failure of the successive quota increases in stemming the upward rush of prices. During the past week, for example,

the price of standard copper rose by more than £5 per ton. The implications of this move are discussed in a Note of the Week. Thirdly, the terms of the revised tin control agreement, which was ratified on January 5th, and is to remain in force for five years, were announced at the end of last week. But as the market had been in possession of an outline of the new agreement, given in a Note of the Week, its publication had little effect on prices. Actually, quotations for tin are slightly higher on the week. The prices of lead and spelter continued their hectic upward movement, and rubber, after erratic movements, due partly to labour difficulties in the United States' automobile industry, was also dearer. Among textile materials, wool prices were again higher, and cotton was marked up a little.

Foodstuffs provided no headlines this week, but cocoa, raw sugar, tea and wheat continued to rise in price. Raw sugar,

(Continued on page 152)

SUMMARY OF COMPANY PROFIT AND LOSS ACCOUNTS

Company	Year Ending	Balance from Last Account	Net Profit After Payment of Deben- ture Interest	Amount Available for Distri- bution	Appropriation					Corresponding Period Last Year	
					Dividend			Carried to Reserve, Deprecia- tion, etc.	Balance Forward	Net Profit	Divi- dend
					Prefce.	Ordinary					
					Amount	Amount	Rate				
Banks											
Alexanders Discount Co. ...	Dec. 31	£ 125,875	£ 164,550	£ 290,425	£ 12,000	£ 152,000	19%	£ ...	£ 126,425	£ 285,062	19%
Barclays Bank	Dec. 31	583,645	1,894,361	2,478,006	...	1,588,238	{ 10A 14B&C }	250,000	639,768	1,783,784	{ 10 A 14 B & C }
Martins Bank	Dec. 31	233,466	769,988	1,003,454	...	582,406	14	125,000	296,048	693,117	14
North of Scotland Bank	Dec. 31	81,512	218,428	299,940	...	139,202	16	70,000	90,738	218,451	16
Union Bank of Australia ...	Aug. 31	126,016	240,848	366,864	...	220,000	5½†	...	146,864	214,985	5†
Financial, Land, etc.											
Fanti Consolidated Invest.	Dec. 31	68,449	109,808	178,257	...	84,374	15½	...	93,883	64,175	12½
Molliers (Holdings)	Dec. 21	8,011	22,345	30,356	13,281	7,148	12½	...	9,927	19,896	11½
North Queensland Mortgage	Sept. 30	2,949	9,499	12,448	7,358	...	...	2,077	3,013	7,793	Nil
Motor, Cycle and Aviation											
De Havilland Aircraft	Sept. 30	12,570	132,185	144,755	...	53,333	10	75,476	15,946	115,257	10
Rubber											
Batu Kawan	Sept. 30	2,491	5,367	7,858	...	4,500	3½	1,784	1,574	3,383	2½
Escot	Sept. 30	3,024	5,777	8,801	...	4,763	4	2,000	2,038	4,688	2½
Majedie (Johore)	Sept. 30	1,967	1,585	3,552	...	1,463	3½	...	2,089	978	2½
Sedenak	Oct. 31	11,442	23,894	35,336	...	18,943	6	5,000	11,393	8,898	2½
Soember Ajoe	Sept. 30	1,612	2,666	4,278	...	2,421	3½	1,000	857	3,251	3½
Shipping											
Viking Tanker Company ...	July 31	...	2,634	2,634	1,717	...	...	617	300	(a)	(a)
Shops and Stores											
Timpson (William), Ltd. ...	Dec. 31	11,228	151,333	162,561	20,064	55,418	25	85,447	1,632	125,897	22½
Woolworth (F. W.) and Co.	Dec. 31	(c) 279,1663	4,576,314	7,367,977	228,750	3,431,250	75	200,000	3,507,977	4,185,969	(d) 100
Textiles											
Roberts (J. F. and H.)	Nov. 30	25,525	30,144	55,669	5,000	25,000	10	...	25,669	30,046	10
Trusts											
Cardinal Investment	Dec. 31	4,247	18,104	22,351	6,877	6,413	7	2,500	6,561	15,756	6
Charter Trust and Agency....	Nov. 30	8,156	21,325	29,481	20,312	...	...	...	9,169	26,275	Nil
Debenture Corporation.....	Dec. 31	65,901	131,504	197,405	38,577	77,154	10	15,000	66,674	126,778	10
Great Northern Investment	Nov. 30	37,434	69,342	106,776	34,688	23,125	5	5,000	43,963	66,969	3
Other Companies											
Associated Paper Mills	Sept. 30	508	46,564	47,072	11,997	12,825	9	20,714	1,536	30,711	7½
Garnett (P.) and Son	Sept. 30	145	16,424	16,569	...	15,000	30†	1,483	86	6,746	11½†
International Combustion....	Sept. 30	25,192	164,050	189,242	9,000	105,509	30	50,000	24,733	97,200	20
London Scottish Investment	Dec. 31	1,821	21,274	23,095	11,703	5,447	3½	3,500	2,445	18,380	2½
Michael Nairn & Greenwich	Dec. 31	64,638	281,740	346,378	...	280,007	15	...	66,371	252,088	15
Millar (A.) and Company	Oct. 31	6,816	4,598	11,414	2,335	2,325	3	...	6,764	4,702	3
Mills and Rockley	Oct. 31	14,430	53,053	67,483	...	{ 31,570 3,622 }	{ 11(s) (f) }	16,500	15,791	51,917	11(s)
Nathan (Joseph) and Co. ...	Sept. 30	67,815	85,166	152,981	67,000	...	...	20,000	65,981	74,433	Nil
United Tobacco (South) ...	Sept. 30	465,656	1,040,287	1,505,943	56,500	960,000	40(m)	...	489,443	813,279	30†(m)

(a) No comparable figure.

(c) Excluding capital bonus of 100 per cent., £3,750,000.

(d) Absorbed £2,906,250.

† Free of income tax.

(s) Paid on pref. ord. shares.

(t) Paid on a deferred capital of £10,000 less tax at 4s. 9d. in £.

Previous year dividend was £3,681.

(m) Free of South African income tax.

THE VENEZUELAN OIL CONCESSIONS, LTD.—Production for the week ended January 9, 1937, was: Bolivar District, 194,135 barrels; Maracaibo District, 2,943 barrels; 197,078 barrels. The strike continues, and the general situation is unchanged.

THE KERN RIVER OILFIELDS OF CALIFORNIA, LTD.—The total production during December amounted to 141,285 barrels, or approximately 20,183 tons.

THE BRITISH BURMAH PETROLEUM COMPANY, LTD.—A cablegram has been received from Burma reporting the production of crude oil by this company for the month of December, 1936, as 37,361 barrels.

TRINIDAD PETROLEUM DEVELOPMENT COMPANY, LTD.—Production for December, 1936, 125,066 barrels; deliveries for December, 1936, including purchased oil, 127,994 barrels; production for the week ended January 9, 1937, 26,744 barrels.

The Brookmire Forecaster for 1937

(Reprint of Last Year's—1936—Forecast)

1936—Progress to Accelerate

RECOVERY continues to be the keynote of the Brookmire Annual Forecast as another year begins. A review of 1935 is significant for 1936 chiefly because it reveals more conclusively a recovery pattern like those of the past which led to prosperity.

Confidence should continue to grow, in accordance with this pattern, thus replacing depression policies of retrenchment and liquidity with aggressive enterprise and forward planning.

Capital Expansion is thus initiated on a wide scale. Residential building in 1936 promises to experience a marked degree of revival, re-equipment of industry and transportation should gain further momentum, and plant construction should increase.

Business is expected to expand materially. Indicated gains are especially large in Construction and other Capital Goods industries. Many industries are likely to achieve new high records.

Election Influences usually do not alter the basic outlook when the economic tide rises strongly. While the Republican party is regaining some lost strength, present estimates indicate President Roosevelt's re-election. How Government policy (along with public sentiment) is likely to become more conservative, and Congress to become less unsettling, should the Bonus be paid, it would stimulate trade. Court decisions will probably be important in protecting constitutional rights, without necessitating serious readjustments.

Gold Bloc Devaluation, should it occur in 1936, as seems likely, would be a source of temporary unsettlement. But this may well be the development needed to induce world-wide co-operation with the United States in stabilizing currencies and reducing tariff barriers thereby enlarging international trade.

Financial Factors will play an increasing role in recovery. Refinancing should continue heavy, new financing is due to grow in volume, and mortgage money will probably flow freely into construction channels. Credit inflation is usually the ultimate result of plethoric money and all the billions of gold, large bank deposits, and unparalleled excess reserves possess enormous inflationary potentialities.

Commodity Prices are therefore likely to rise over a long period and ultimately reach much higher levels. In 1936, industrial materials should be stronger than agricultural products.

Bonds will probably remain at a high level for quite some time longer. Lower grades should be strengthened further by the improvement in earnings. Before the year is over, higher grades whose level is determined by rising interest rates may possibly ease slightly. Rising commodity prices will eventually become a depressing influence on bonds, but low money rates should remain a supporting influence.

Stocks should continue their main advance, but with increasing selectivity. However, after the marked rise in 1935, a reaction is logical to expect. It will probably come from higher levels, will likely occur in the first quarter of 1936, and may well be violent. Inflationary forces, plus prospects for increasing earnings, then point to resumption of the advance, carrying the Dow-Jones Industrial Average quite possibly to over 200 before the end of the year.

Acceleration of the Recovery is in prospect for 1936. The United States is likely to record the distinctly greater progress than the rest of the world. Existing Monetary Forces, added to the other potent Recovery Forces, foreshadow a marked Business Expansion and a much higher Price Level before this Cycle is completed.

Analyzes the Outlook for American Business and Investments

TO TAKE full advantage of developments as they occur, the investor must look, not to the past or even the present, but to the future. In the initial stages of recovery, improvement has been widespread and general; as the economic and business situation improves, other forces and factors complicate the outlook. Many questions face the investor in 1937... will the advance continue... along what specific lines... which industries are most favorably situated for investment... what about money and credit conditions? These are a few of the problems confronting him—problems far-reaching in their effects and important in making investment decisions.

How Brookmire Charted the Course of Business in 1936

Evidence of the notable accuracy of Brookmire forecasts in the past is seen in the reprint to the left. It is an exact reproduction of what Brookmire said for 1936. Read it carefully; in the light of what has actually happened since, it offers conclusive proof of the thoroughness and completeness with which pertinent factors are studied and analyzed by Brookmire. You will find the conclusions substantially borne out in practically every detail... further evidence of the soundness of Brookmire methods of analysis and recommendation.

The Past is History—What Will 1937 Bring?

In the 1937 Brookmire Forecaster the same Brookmire philosophy of investing, the same care in analyzing and evaluating underlying trends have been employed to present the outlook for the coming year. You can get the Brookmire Forecaster for 1937 with its definite, specific interpretation of the economic situation ahead—by sending us your name and address with \$1, or its equivalent. Accompanying the Forecaster are three other current Brookmire Bulletins which cover specific subjects in detail... including the Brookmire List of Approved Stocks... the situation on Trade Commodities... a projection of the trend of National Income... and a program of Industrial diversification for Investment Portfolios.

● Copies of the 1937 Brookmire Forecaster are now available. In making your request, please mention the *London Economist* and include \$1, or equivalent. To make sure of getting your copy at the earliest time possible—we suggest that you act promptly today.

BROOKMIRE
Corporation—Investment Counselors and
Administrative Economists—Founded 1904
551 Fifth Avenue, New York

Cable:
BROOKMIRE, NEW YORK

which closed the year practically at the same level as twelve months earlier, now seems to have been drawn into the whirlpool. The markets in meat and provisions were fairly quiet, quotations for eggs continuing their seasonal downward trend.

The concurrent rise of the prices of primary products in the United States shows that the movement is world-wide. Thus, Moody's index (December 31, 1931=100) rose to 209.6 on Wednesday against 207.1 a week earlier, 197.3 a month ago, and 168.6 on the same day last year.

COAL

SHEFFIELD.—Demand in most sections continues strong and quotations are firmer, both for industrial and domestic coal. The strike in South Yorkshire continues to affect supplies. The higher quota for January has given satisfaction, but output does not appear to have been sufficiently increased to offset the effects of the dispute. In consequence a certain amount of prompt export business could not be dealt with by shippers. There is a very heavy demand for furnace and foundry coke, while gas coke is almost unobtainable for domestic purposes, and nothing is being offered for shipping.

NEWCASTLE-ON-TYNE.—Inquiry for all classes of coal in this area is brisk. Prices are well maintained, for the chief concern of consumers is to obtain delivery. Northumberland steam coals are heavily booked, there being little surplus for prompt shipment. Good class screened coal is firm at 18s. 6d., with singles and doubles at 18s. 3d. per ton f.o.b. The position in Durham continues to improve, there being still a shortage of coking coal. Gas coal and bunkers are in steady demand. Patent oven coke remains firm under a brisk inland trade.

GLASGOW.—Although still affected by the influenza epidemic, the collieries are securing good outputs, which are being readily disposed of. The bulk of delivery is on contract account, only small quantities being available for new business. The home market is the principal outlet, industrial, utility and domestic needs being brisk; but the collieries are also well booked for some weeks ahead on export account. Shippers, however, complain that undue attention is being paid to inland business, where prices are more favourable. Nuts are notably firm all round, and navigation bunkers are also well sold ahead.

CARDIFF.—The improvement on the South Wales coal market is being well maintained. Shipments in the foreign and coastwise trades last week totalled 358,300 tons, compared with 308,222 tons in the corresponding week last year. As an unusually large quantity of spot and prompt tonnage is available, it is probable that this week's shipments will show a further increase. Prices are firm with a hardening tendency for all classes, and anthracite duff has reached the post-war record quotation of 11s. 6d. per ton. Coke is strong and patent fuel steady, while pitwood is firmer on an improved demand. The dock returns of the Great Western Railway Company for 1936 show that coal and coke shipments (foreign and coastwise) totalled 17.3 million tons, compared with 19.4 million tons in 1935, and patent fuel shipments 409,000 tons, against 590,000 tons.

IRON AND STEEL

LONDON.—The weekly report of the London Iron and Steel Exchange indicates that business has become less active since the new year, because works have been obliged to adopt a cautious policy owing to the crowded state of their order books. There has been no decline in demand, which appears inclined to expand, and the volume of export business on offer is beyond the industry's capacity.

Difficult conditions rule in the pig iron market and there seems little likelihood of the scarcity being relieved for some time to come. By a careful system of rationing, the works are endeavouring to meet the immediate requirements of consumers; but the latter are prepared in many cases to book larger quantities and further forward than producers consider prudent.

The situation in the semi-finished steel department is particularly difficult since no supplies of the qualities most in demand are available on the open market. Works have sold their output for several weeks to come and it appears difficult to obtain additional quantities from foreign sources.

The volume of business offered in finished steel is beyond the capacity of the works, although the latter are working at full pressure, and there seems little doubt that the current year's output will exceed that of 1936. Export business is difficult to arrange owing to the insatiable home demand, although a large inquiry has been received lately from most of the overseas markets.

SHEFFIELD.—The strength of the iron and steel market is fully maintained in all sections, with more business offering than can be accepted. The majority of sellers no longer promise early delivery. Pig iron makers are fully booked up for some months, and so heavy are deliveries under contract that the accumulation of any stocks at furnaces is out of the question. There is a shortage of foundry material and new business in basic pig iron is not easy to place. The addition of 7s. 6d. per ton in the price of this material has had no effect on demand. Forge requirements appear to be adequately met so far. Consumption of both East and West Coast hematite is heavy and supplies are distinctly short. Finished iron makers are experiencing more active conditions than for some time past. Common and marked bars are in good request, and crown bars are showing improvement. Continental competition is now hardly noticeable. The call for acid and basic steel billets continues to increase and in the case of basic iron, sellers are limiting their commitments. Wire rods, strip and stainless steel sheets business is at a high level. Structural steels are good. Iron and steel scrap prices are hardening. For heavy basic steel for melting 67s. 6d. per ton, delivered, is given as a seller's maximum.

Every available rolling mill in this area is fully employed. So insistent is the demand for all classes that steps are being taken still further to increase production.

MIDDLESBROUGH.—Buyers have no hesitation in paying the higher prices for pig iron announced before the end of 1936. Producers are well sold ahead, and, whilst demand continues to be exceptionally heavy, makers are doing their utmost to fulfil requirements. An additional blast furnace is expected to be started in this district next week, which may ease the stringency of the supply of foundry pig iron. There is very little iron available for prompt sale and control is exercised over deliveries in order to ensure that foundries receive supplies which will keep them covered. East Coast hematite is in strong demand by home consumers. Manufactured steel production is barely keeping pace with demand. Further orders could be placed for both semi-manufactured and finished steel, but makers are fully booked for deliveries within the near future.

The price of good Durham blast furnace coke is now 25s. 6d. per ton, delivered at the furnaces, whilst scrap is firmer and makers are now offering 62s. 6d. per ton, delivered at works.

GLASGOW.—A good start has been made at all the establishments in the West of Scotland. The amount of work on the books of Clyde shipbuilders far exceeds in tonnage the total launched in 1936. At several of the yards work on hand is sufficient to provide constant employment for well over twelve months. Marine engineering shops likewise are fully booked and are assured of regular employment for a long time to come. Steelmakers are working at capacity and are still finding it impossible to meet demand. The scarcity of supplies of practically every class is causing no little anxiety to the re-rolling industries, as supplies of Continental semis are not obtainable in quantities sufficient to meet requirements. Sheet makers are experiencing a greatly increased demand for both black and galvanised sheets and works in this district are unable to quote for early delivery. Prices all tend to advance.

CARDIFF.—A feature on the Swansea Metal Exchange on Tuesday was the more active demand for sheets, both for export and inland consumption. Tinplate works were well employed, and exports of tinplates last week totalled 8,887 tons compared with 4,199 tons the previous week, and 3,861 tons in the corresponding week last year. The steel furnaces continue to labour under the difficulty of an adequate supply of scrap, but they are operating at capacity. Prices for tinplates, galvanised sheets and steel bars are unaltered.

OTHER METALS

COPPER.—The past week was one of the most outstanding in the history of the industry. The cash price rose sharply and on Friday last exceeded £50 per ton for the first time since 1930. On Monday it jumped to £53 and on Wednesday to £54 5s., a gain of £5 7s. 6d. on the week. This outstanding rise, which was largely due to unusual speculative activity, induced the producers co-operating under the international scheme to remove all restrictions on production as from January 14. Arrangements have been made to resume control if necessary. The decision was quite in accordance with the policy of the scheme, which aims at stabilising copper prices at a reasonable level, in order to stimulate consumption. There is no reason to doubt that, in the long run, this week's action will have the desired effect. Its immediate effects should not, however, be over-estimated. Most producers are sold out for some time ahead, operators who have sold at much lower prices being now forced to cover; and available free supplies are largely held by firm speculators. For the time being, therefore, no sharp setback in the price of copper is to be expected.

In the United States the past week has also been an eventful one. In sympathy with London the U.S. domestic price was again raised, as from January 11th, from 12 cents to 12.50 cents per lb. Sales of copper in the United States amounted to 384,000 tons in the last quarter of 1936, compared with only 139,000 tons in the corresponding period of 1935. Here too, however, a great proportion of the sale has been speculative, so that the American position is no less artificial than that of London.

Sales on the London Metal Exchange: 7,750 tons on Monday, against 5,400 tons last week; 9,000 tons on Tuesday, against 2,600 tons last week; 6,750 tons on Wednesday, against 2,650 tons last week. Domestic spot was quoted at 12.80 cents per lb. in New York on Wednesday, against 11.67½ cents a week ago and 10.87½ cents a month ago. Wednesday's official closing price for standard cash in London was £54 5s. to £54 6s. 3d., compared with £48 17s. 6d. to £48 18s. 9d. a week ago. Stocks of refined copper in British official warehouses at the end of last week, at 45,216 tons, showed a decrease of 121 tons, while stocks of rough copper, at 1,107 tons, were 350 tons larger.

TIN.—Tin was the only metal which experienced a quiet week. Nevertheless, Wednesday's closing prices, at £231 per ton for cash and £231 15s. for forward tin, showed gains of £2 5s. and £2 2s. respectively. The American strikes and the publication of the text of the new tin scheme were the main reasons for the relative quietness of the market, which was particularly impressed by the high quotas granted to Siam, French Indo-China, and the Belgian Congo, and by the fact that Siam and French Indo-China have also been allotted minimum export quotas (60 per cent. of their standards); the Belgian Congo has also received preferential treatment in regard to arrears of quota transfers from one year to another.

Sales of tin on the London Metal Exchange: 325 tons on Monday, against 275 tons last week; 225 tons on Tuesday, against 375 tons last week; 275 tons on Wednesday, against 275 tons last week. The New York quotation on Wednesday was 50.95 cents per lb., against 51.00 cents a week ago and 52.87½ cents a month ago. Wednesday's official closing quotation in London for standard cash was £231 to £231 10s. per ton, compared with £228 15s. to £229 5s. a week ago. Stocks of tin in London and Liverpool at the end of last week totalled 1,145 tons, a decrease of 53 tons on the week.

LEAD AND SELLER.—Both markets were very strong and quotations reached new high levels. During the week ended last Wednesday, spelter attracted particular attention and the price advanced continuously from £18 8s. 9d. to £22 15s. per ton. Turnovers were extremely high, particularly on Tuesday, when no less than 7,500 tons of spelter changed hands on the London Metal Exchange. The strong demand has certainly been largely speculative, although some substantial orders came in from genuine consumers. By the sharp rise in the price of spelter this week the difference between lead and spelter prices has been reduced to less than £6—a margin which, however, is still too high in view of the expanding consumption of spelter. In the lead position no new feature is to be recorded, the rise in the price of the metal being mainly due to the generally bullish sentiment of the market.

Sales of lead on the London Metal Exchange: 3,250 tons on Monday, against 3,050 tons last week; 3,750 tons on Tuesday, against 3,000 tons last week; 2,500 tons on Wednesday, against 2,350 tons last week. The New York quotation on Wednesday was 6.00 cents per lb., against 6.00 cents a week ago and 5.50 cents a month ago. The official closing quotation in London for soft foreign for shipment during the current month was £28 11s. 3d. per ton, compared with £26 11s. 3d. a week ago.

Sales of spelter on the London Metal Exchange: 4,000 tons on Monday, against 2,550 tons last week; 7,500 tons on Tuesday, against 3,000 tons last week; 4,250 tons on Wednesday, against 2,750 tons last week. Wednesday's quotation in East St. Louis was 6.00 cents per lb., against 5.45 cents the week before and 5.35 cents a month earlier. Wednesday's official closing quotation in London for "good ordinary brands" for shipment during the current month was £22 15s. per ton, against £18 8s. 9d. last week.

OTHER NON-FERROUS METALS.—Among other non-ferrous metals, aluminium ingots and bars for home delivery were again quoted at £100 per ton, and rolling billets at £102 per ton. Nickel, for home and export, was maintained at £180 to £185 per ton. Quicksilver, on the spot, was quoted at £14 5s. per flask of 76 lbs., the same as last week. Chinese

antimony was quoted at £64 to £65 per ton ex warehouse, as against £62 to £63 per ton last week. Chinese wolfram for "January-February" shipment was quoted at 32s. 6d. to 33s. 6d. per unit, c.i.f., the same as last week. Refined platinum was steady at £9 15s. per ounce.

TEXTILES

COTTON.—Manchester.—The general tone of the market has continued healthier. An encouraging business has again been done. Cloth sales have been rather larger than turnover in yarns. Numerous producers have tended to strengthen their position. Raw cotton prices have been slightly dearer. A feature of the demand in the Liverpool market has been the active buying of South American qualities. Consumption in the United States at the present time is of record dimensions.

COTTON PRICES.

	1936-37				Corresponding Date	
	Dec. 22	Dec. 30	Jan. 6	Jan. 13	1935	1936
Raw Cotton—Mid. American per lb.	d. 6-93	7-04	d. 6-99	7-21	d. 7-08	d. 6-15
" Sakellaridis Fully Good Fair per lb.	10-12	10-14	10-06	10-34	9-00	9-54
" Egyptian per lb.	11½	11½	11½	11½	10½	10½
Yarns—32's twist per lb.	11½	11½	11½	11½	10½	10½
" 40's twist per lb.	17½	17	17	17½	16½	16½
" 60's twist (Egyptian) per lb.						
32-in. Printers, 116 yds., 16 by 16, 32's and 50's s. d.	19 4	19 4	19 4	19 6	18 3	17 6
36-in. Shirtings, 75 yds., 19 by 19, 32's and 40's s. d.	30 0	27 0	27 0	27 3	24 0	24 6
38-in. ditto, 38 yds., 18 by 16, 10 lb. s. d.	10 7½	10 7½	10 7½	10 8½	10 8	10 2
39-in. ditto, 37½ yds., 16 by 15, 8½ lb. s. d.	9 7½	9 7½	9 7½	9 8½	9 7	9 2

American yarn quotations have been very firm, the tendency of prices being against buyers. A healthy business has been done, especially in ring beams. Egyptian qualities have been purchased rather irregularly. More business has been about in export numbers for India and the Continent.

There has been an expansion in cloth demand. A development of importance has been the larger sales for India. The bulk of the buying has been in bleaching styles, owing to merchants wanting to place orders before the higher charges for bleaching come into operation, but there has been a considerable turnover in printed and dyed fabrics. Steady buying has again occurred for Java and Egypt, especially in white goods. An demand has been experienced for South America and West Africa. Heavy goods have been bought for the Dominions. Rather more activity has shown itself in home trade cloths.

JUTE.—Dundee.—Business in jute cloth and yarns continues satisfactory, and both spinners and manufacturers are able to withstand all factory, and both spinners and manufacturers are able to withstand all attempts on the part of buyers to depress prices. Raw jute prices are being maintained around recent limits, and sellers are showing some reserve. Imports of jute into Calcutta this season have been heavier than usual for the first six months, but this is due to the increased demand from the Indian mills, which, as a result of the increase in working hours,

will use approximately 1,500,000 bales more than last season. Other countries have also purchased more jute this season. The statistical position in the jute industry, both as regards raw jute and goods, is strong, and there seems to be little fear of any decline in prices. The Indian Mills are still able to dispose of their additional output of Hessians and sackings, due mainly to improvement in demand from the United States, but the Argentine and Australia have also increased their purchases. In addition to competition from low-priced Calcutta manufacturers, Dundee spinners and manufacturers have now to face an advance of 4½ per cent. in wages recently granted by the Jute Trade Board, which, however, will probably be paid by the consumer.

Daisee-2/3 is still quoted at £19 per ton for the full group, and £19 10s. for good single marks, with fours from £17 10s., Tossa 2/3 from £19 15s., and fours from £18 17s. 6d., January-February. Good First Marks are named at £22 5s. and good Lightnings at £20 17s. 6d., while Hearts have been sold at £19 5s., January-February.

Jute yarns are experiencing a quiet steady business. Hessian descriptions are difficult to sell at 2s. 2d. for common 8 lb. cops and 2s. 3d. for 8 lb. spools, but twist is in good demand at 3½d. for 3 ply 8 lb., while Rove is very firm at £21 paid for 48 lb. and £16 15s. for 200 lb. Fine yarns are quiet but firm, and carpet yarns have been largely sold at 3½d. to 3¾d. for 14 lb. warp. Inquiry for jute cloth is good, and manufacturers are still asking 2½d. lowest for 10 oz. 40 in. and 2¾d. for 8 oz. They are still quite busy with orders on hand, and indeed find it difficult to give delivery owing to the curtailment of production due to influenza. Linoleum Hessians are quiet, but firm, while heavy goods remain in steady request. Calcutta goods have recently advanced in price to 17s. 7d. for 10 oz. 40 in., January, and 17s. 5d., February-June, with 8 oz. at 13s. 10d.

GRAIN MARKETS

WHEAT.—The market has been quietly steady, business being less active than of late. Meanwhile, reports of conditions in the United States winter wheat belt remain satisfactory.

On Wednesday last, "May" futures were quoted in Chicago at 135 cents per bushel, against 131½ cents the week before and 134½ cents a month ago. Quotations in London, Wednesday: No. 1 Northern Manitoba, ex ship, 53s. per 496 lbs., against 52s. 6d. a week ago; No. 2 Northern Manitoba, ex ship, 52s., against 51s. 6d. a week ago. According to *The Corn Trade News*, total shipments of wheat and flour last week totalled 1,421,000 quarters, against 1,420,000 quarters in the previous week and 1,204,000 quarters in the corresponding week a year ago.

FLOUR.—The market remains steady. Wednesday's London quotations (excluding quota payments) were: Straight run, delivered Home Counties, 41s. per 280 lbs., against 41s. a week ago; delivered inner London, 40s. 6d., as compared with 40s. 6d. a week ago. Manitoba patents, ex store, 38s. 9d. to 40s. 3d., against 38s. 6d. to 40s. a week ago. Australian, ex store, 34s. to 34s. 3d., against 34s. to 34s. 3d. a week ago.

BARLEY.—Supplies of English barley for small and prices have advanced. Imported feeding descriptions have also risen in price. "May" futures were quoted at 88½ cents per bushel in Winnipeg on Wednesday, against 79½ cents a week ago. Quotations per 448 lbs. in London on Wednesday were: "English feed," at farm, 34s. to 35s. as against 33s. to 35s. a week ago; "English malting," at farm, 36s. to 50s., against 36s. to 50s. last week. Californian (new), ex ship, 51s. to 60s., against 51s. to 60s. last week; Chilean, brewing (new), ex ship, 44s. 9d. to 50s., against 42s. to 45s. a week ago.

Glyn, Mills & Co.

(ESTABLISHED 1753)

Registered with unlimited liability 1885

incorporating

CHILD & CO.

(Established before 1600)

HOLT & CO.

(Established 1809)

BANKERS

Army and Air Force Agents, Navy and Prize Agents.

One Hundred and Fifth Statement of Assets and Liabilities, 31st December, 1936.

One Hundred and ...				ASSETS.				Cr.
Dr.	LIABILITIES.	£	s.	d.		£	s.	d.
To Capital authorised and issued	...	1,060,000	0	0	By Coin. Bank Notes and Balance at Bank of England	...	5,938,383	13 11
To Reserve Fund	...	530,000	0	0	By Balances with, and Cheques in course of Collection on, other Banks in the United Kingdom	...	3,244,596	17 4
To Reduction of the Bank Premises Account	...	280,000	0	0	By Money at Call and at Short Notice	...	14,170,100	0 0
To Current Deposit and other Accounts (including provision for contingencies)	...	41,039,207	10	3	By Bills Discounted	...	662,360	2 11
To Acceptances and Engagements on account of Customers	...	3,203,904	16	11	By Investments:—			
					British Government Securities	£9,478,349	14	10
					Other Securities	...	924,868	1 11
					Subsidiary Companies	...	10,403,117	16 9
					By Advances to Customers and other Accounts	...	7,750,648	19 4
					By Liabilities of Customers for Acceptances and Engagements as per contra	...	3,203,904	16 11
					By Bank Premises (at cost, less amounts written off):—			
					Freehold	...	£620,000	0 0
					Leasehold	...	120,000	0 0
							740,000	0 0
							£46,113,112	7 2

£46,113,112 7 2

AUDITORS' CERTIFICATE AND REPORT.

We report that we have examined the above Balance Sheet with the Books of the Bank, and have obtained all the information and explanations we have required, and we are of opinion that such Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Bank's affairs according to the best of our information and the explanations given to us, and as shown by the Books.

KEMP, CHATTERIS, NICHOLS, SENDELL & CO.,

JACKSON PUXLEY & CO.,

12th January, 1937.

Chartered Accountants.

H. A. LAWRENCE,

E. GORE BROWNE,

FRANCIS GLYN,

12th January, 1937.

J. B. S. TURNER, Secretary.

Every description of British and Overseas Banking and Exchange Business transacted.

The Bank undertakes the office of Executor and Trustee.

67, LOMBARD STREET, LONDON, E.C.3.

CHILD & CO., 1 Fleet Street, London, E.C.4, and Marygold House, Carfax, Oxford.

HOLT & CO., Kirkland House, Whitehall, London, S.W.1.

larger area is expected. The quantity of linseed afloat for Europe has increased to 155,500 tons (including 27,100 tons from India). Demand for linseed oil is fair, and prices of raw oil remain steady at around £28 per ton, naked, for January-April delivery, ex Hull.

Cottonseed is in rather improved demand at the lower levels. Black Egyptian afloat to Hull has been sold at £9 7s. 6d., and for shipment at £9 5s., but less would be accepted now. Cotton oil is in only moderate request for export. Oilcakes are in very good demand, and are firm.

RUBBER.—After again touching 11d. a lb., the spot price reacted slightly, but closed on Wednesday showing a further net gain on the week. Nearby rubber remains somewhat scarce, and United Kingdom stocks continue their gradual decline. Operators are consequently wondering what action, if any, the International Committee will take at its meeting on January 26th. Meanwhile, the strike situation in the United States continues to cause some anxiety. The spot price in New York on Wednesday was 21½ cents per lb., compared with 21¼ cents per lb. a week ago and 20½ cents a month ago. Wednesday's official buyers' price

for standard ribbed smoked sheet on the spot in London was 10½d. per lb., as against 10½d. on the corresponding day last week. In forward positions, business has been done at 10½d. for "February" shipment, as against 10d. to 10½d. a week ago. Stocks in London and Liverpool at the end of last week totalled 76,501 tons, against 78,483 tons a week earlier. A year ago stocks amounted to 162,013 tons.

FURS.—The first silver fox auctions of the new year were held during the past week at Beaver House, Garlick Hill. The sale was well attended by British and Continental buyers—Paris being particularly well represented. Demand was good, and from 60 to 70 per cent. of the skins on offer were disposed of. Prices of high quality furs showed a gain of between 5 and 10 per cent., compared with end-December. Medium qualities were unchanged, while cheaper qualities were neglected and tended slightly easier. Meanwhile, interest in London is now concentrated on the general auctions, due to open at the end of the month. Since supplies of certain descriptions are rather scarce, and requirements are on the increase, the forthcoming sales are expected to be the best for several years.

WHOLESALE COMMODITY PRICES

UNITED KINGDOM: LONDON, January 13th

The prices in the following are revised with the assistance of an eminent firm in each department

CEREALS AND MEAT				POTATOES—				WOOL—			
GRAIN, ETC.—				English King Edward				English Southdown, greasy, per lb.			
Wheat—											
No. 2, N. Man. 496 lb.	52	0	0	per cwt.	9	0	9	6			
Eng. Gaz. av., per cwt.	9	9									
Barley, Eng. Gaz. av.	10	2	0								
Oats—											
Maize, La Plata, landed	25	9	0								
480 lb.											
Flour, Lou. stan. ex mill,	39	3	0								
280 lb.											
Rice, No. 2 Burma, per cwt.	9	6	0								
MEAT—				SPICES—				d.			
Beef, per 8 lbs.—				Pepper, per lb.—							
English long sides	3	8	4	Black Lampoon	0	3½					
Argentine chilled hinds	3	8	4	White Muntok	0	6					
Mutton, per 8 lbs.—				Cinnamon—1st sort, per lb.	0	8½					
English wethers	5	0	5	Cloves—Zanzibar, per lb.	0	½					
N.Z. frozen	3	4	4	Ginger—per cwt.—							
Lamb, per 8 lbs.—				African	60	0					
N.Z. frozen	4	6	5	Jamaica, ord. to good	57	6	85	0			
Pork, English, per 8 lbs.	5	8	6	Mace	2	0	2	8			
				Nutmegs, 65's.	0	11½					
OTHER FOODS				SUGAR—				s. d. s. d.			
BACON—				(Duty, 11/8 per cwt.)							
English	94	0	98	Centrifugals, 96° prpt.							
Irish	90	0	94	shipp., c.i.f. U.K./Cont.	6	1½					
Danish	94	0	90	B.W.I., crystallised	17	0	18	9			
Dutch	90	0	90	Java, white, c. & f. India							
HAMS—				Oct.-Dec.	Nominal.						
Canadian	90	0	90	Yellow Crystals	19	4½					
United States	90	0	93	Cubes	23	7½	24	1½			
BUTTER—				Crushed	21	10½					
Australian	96	0	97	Granulated	19	9	20	7½			
New Zealand	96	0	97	Home Grown	19	6	19	10½			
Danish	112	0	112	TEA—							
CHEESE—				Indian—per lb.—							
Canadian	70	0	72	Pekoe	1	0	1	2			
New Zealand	56	6	57	Broken Pekoe	1	0	1	4½			
English Cheddars	84	0	88	Orange Pekoe	1	0½	1	3			
Dutch	46	0	57	Broken Orange Pekoe	1	0	2	4½			
COCOA—				Ceylon—per lb.—							
(Duty, British grown,				Pekoe	1	0½	2	2			
11/8; foreign, 14/- cwt.)				Broken Pekoe	1	0½	1	7½			
Accra, f.f., per cwt.	58	0	58	Orange Pekoe	1	0½	2	0½			
Trinidad	65	0	70	Broken Orange	1	0½	2	4½			
Grenada	60	0	64	TOBACCO—							
COFFEE—				(Duty, 9/6-10/6½ per lb.)							
(Duty, British grown,				Empire growth, 7/5½							
11/8; foreign, 14/- cwt.)				8/3½ per lb.)							
Santos sup. c. & f. cwt.	50	0	62	Virginia leaf—							
Colombian, good	52	0	62	Common to fine	0	8	2	6			
Costa Rica, med. to good	56	0	78	Rhodesian leaf	0	8	1	10			
East Indian	56	0	72	Nyasaland leaf	0	7	1	4			
Kenya, medium	50	0	68	strips	0	9	1	6			
EGGS—				East Indian leaf,	0	5	1	4			
English	12	3	12	strips	0	6	1	6			
Danish	8	9	9	TEXTILES							
FRUIT—				COTTON—							
Valencia—Oranges—				Mid-American	per lb.	7	2				
Jaffa	7	0	12	Sakellaridis, f.g.f.	10	34					
Lemons, Malaga cases	8	6	13	Yarns, 32's twist	11½						
Sicilian "boxes	15	0	18	60's twist	17½						
Apples: Amer. (var.) brls.	22	0	27	FLAX—							
(var.) boxes	10	0	13	Libonian ZK	per ton	77	0				
Australian				Pernau HD	75	0	76	0			
ONIONS—				Slaneat Medium 1st sort	88	0	90	0			
Valencia, case	11	0	12	HEMP—							
Egyptian, bags				Italian P.C.	per ton	69	0				
Grapes, Almeria, barrels				Manilla, Jan.-Mar. "J2"	36	10					
Grapefruit, Jaffa	10	0	13	Sisal, African	26	0	29	0			
Amer.				JUTE—							
LARD—				Native 1st mks	per ton						
Irish finest bladders	72	0	80	c.i.f. H.A.R.B.							
U.S.	73	6	75	Jan.-Feb.	£18/17/6						
				Daisee 2/3 c.i.f. Dundee	£19/0/0						
				Jan.-Feb.							
				SILK—							
				Canton	s. d. s. d.						
				Tussah	6	0	8	6			
				Japan	3	6	4	6			
				Italian—raw, fr. Milan	9	0	10	0			
					8	0	9	6			

MINERALS				IRON AND STEEL			
COAL—				Pig, Cleveland No. 3, d/d.			
Welsh, best Ad'ty., ton	19	6		ton	81	0	
Durham, best Gals, f.o.b.				Bars, M'brough	210	0	
Tyne	17	0		Steel rails, heavy	170	0	
Sheffield, best house, at				Tin plates	per box	19	
Mis.	23	0	25	0			
METALS—				COPPER, Electrolytic, ton			
Copper, Electrolytic, ton	59	0	59	10	0		
Sheets (strong)	85	0	85	0	0		
Standard	51	5	54	6	3		
Lead, Eng. pig., per ton	30	10	30	10	0		
Soft foreign	28	8	28	11	3		
Spelter G.O.B.	22	15	22	16	3		
Tin—English ingots	231	10	232	0	0		
Standard cash	231	0	231	10	0		
MISCELLANEOUS				CHEMICALS—			
Acid, citric, per lb., less 5%	0	11	1	0			
Nitric	0	21	0	3½			
Oxalic, net	0	5	0	6			
Tartaric, English, less 5%	1	0					
Alcohol, Plain Ethyl	12	0					
Alum, lump	per ton	28	0	8	15		
Ammonia, carb.	ton	27	0	10	0		
Sulphate	per ton	7	2				
Arsenic, lump	per ton	35	0				
Bleaching powder, per ton		8	15	9	0		
Borax, gran.	per cwt.	13	0				
Do., powder		14	6				
Nitrate of soda	per cwt.	7	9				
Potash—Chlorate, net		9	9	0	4	4½	
Sulphate	per cwt.	9	9	10	0		
Soda bicarbonate	per cwt.	10	10	11	0		
Crystals	per cwt.	5	0	5	3		
Sulphate of Copper, per ton	18	10	18	15			
CEMENT, best Eng. Portland, d.d. site,							
London area, jute sacks, 4 cwt. to ton							
(charged and credited at 1/6d. each) or							
paper bags 20 to ton (free, non-return-							
able)	4-ton loads and upwards	39/-	per ton				
1 and up to 4-ton loads	41/-	per ton					
COPRA—							
S.D.Straits c.i.f. per ton	25	0	0				
DRUGS—				CANPHOR—			
Japan, refined	per lb.	2	3				
Ipecacuanha	per lb.	7	0				
HIDES—				Wet salted—Australian			
per lb.	0	5½	0	6½			
West Indian	per lb.	0	3½	0	4		

VEGETABLE OILS—				PETROLEUM PRODUCTS—			
Linseed, naked, p. ton net	27	15	0	Motor Spirit, No. 1,			
Barl Tanned Sole	38	10	0	London			1 5
Shoulders fm DS Hides	0	6½	0	Petroleum, Amer. rid.			0 9½
Do. Eng. or WS do.	0	10	1	brl. London, per gall.			
Bellies from DS do.	0	4½	0	Fuel oil, in bulk, for			
Do. Eng. or WS do.	0	5½	0	contracts, ex instal.			
Dressing Hides	1	4	1	Thames—			
Ro. Eng. Calf, 20/30 lb.	3	6	4	Furnace...per gall.	0	3½	
Aust. Bends	1	2	1	Diesel...per gall.	0	47	
ROSEIN—				RUBBER—			
American	per ton	25	10	0	29	10	0
TALLOW—				St. ribbed smoked sheet			
London town...	per cwt.	29	6				
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† These prices are for fuel oil for inland consumption—other than for use in Diesel-engined road vehicles—and do not include the Government tax.

UNITED STATES

New York quotations unless otherwise stated

	Jan. 15, 1936	Dec. 16, 1936	Jan. 6, 1937	Jan. 13, 1937		Jan. 15, 1936	Dec. 16, 1936	Jan. 6, 1937	Jan. 13, 1937
Wheat, No. 2, Winter, nearest future, Chicago, per bushel	99½(c)	134½(b)	131½(c)	135(c)	Sugar, Cuban Centrifugals, 96 deg., spot, per lb.	3-20	3-77	3-95	3-85
Maize, nearest future, Chicago, per bushel	60½(c)	107½(b)	105(c)	108½(c)	Cotton, middling, spot, per lb.	11-85	12-92	12-96	13-06
Oats, nearest future, Chicago, per bushel	27½(c)	51½(b)	52½(c)	54½(c)	Rubber, smoked sheet, spot, per lb.	14 7/8	20 1/8	21 7/8	21½
Rye, nearest future, Chicago, per bushel	54½(c)	112½(b)	112½(c)	113½(c)	Petroleum, Mid-continent crude 33 deg., to 33-90, at well, per barrel	104	104	104	104
Barley, nearest future, Chicago, per bushel	(a)	(a)	84(c)	87½(c)	Copper, "Electrolytic," Domestic, spot, per lb.	8-40	10-87½	11-67½	12-80
Coffee, Rio No. 7, cash, per lb.	8½	8½	8½	8½	Copper, "Electrolytic," Export prompt, per lb.	8-62½	11-10	11-90	13-02½
Santos No. 4, cash, per lb.	8½	11½	11½	11½	Spelter, East St. Louis, spot, per lb.	4-85	5-35	5-45	6-00
Cocoa, Accra, nearest future, per lb.	5	10-93	11-74	12-64	Lead, spot, per lb.	4-50	5-50	6-00	6-00
					Tin, "Strait," spot, per lb.	47-62½	52-87½	51-00	50-95

(a) Nominal.

(b) December futures.

(c) May futures.

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The Boom and the Budget

THE attention of Parliament, which met again on Tuesday, will be largely concentrated for the next four months on problems of finance. The mysteries of Estimates, of Financial Resolutions, of Supply and of Ways and Means are not of great interest to the general public. But the whole financial policy of the State, of which they form the component parts, is of vital concern to every citizen. This year its importance is enhanced; for in more than one respect we stand at or near a major turning-point. The long period of industrial recovery is at a stage of maturity, and careful thought is already wisely being devoted to the aftermath of its inevitable end. Moreover, we are on the verge of enormous expenditures on re-armament which will gravely affect, if they do not unbalance, the Budget. The economic trend of the whole nation and, in the narrower sphere, the fiscal policy of the Treasury, are both threatened with reversal.

In the substantial body of discussion on economic policy which has recently been appearing, surprising unanimity has been reached on the essential points of the policy which ought to be pursued. The economists who took part in the recent symposium in *The Economist* showed only minor differences of emphasis, and Mr KEYNES in his recent articles in *The Times* has taken the same general line. They are all opposed to a deliberate increase in rates of interest. But if there is to be no deliberate contraction of credit, there is equally to be no further expansion; the fires of the boom are not to be fed by additional supplies of money.

Unfortunately, the practical application of this formula of moderating further expansion without raising interest rates is not quite as simple as might be thought.

Thus, the leading article in our Banking Section this week demonstrates that if the banks are to provide the increasing volume of advances demanded by expanding trade and industry, they must either secure additional cash reserves or else sell something like £100 millions of their gilt-edged investments. The latter alternative would mean higher interest rates, since in present circumstances the sale of so large an amount of securities could hardly fail to lower prices and raise the level of interest rates in the gilt-edged market. But the other alternative, an increase in cash reserves, implies a further increase in deposits, which are the main part of the public's supply of money. Bank deposits are already much higher than they have ever been before, although the general level of prices is still lower than it was at the turning-point of the last cycle in 1929. If this expansion is not carefully restrained, the upward tendency of prices may easily get out of hand and lead us into all the extravagances of a boom.

This, of course, is the normal dilemma of every period of expansion, and it could doubtless be surmounted by a practical compromise if it were not for the injection of a further disturbing factor. This is the Defence Loan, which was foreshadowed in the last Budget speech and is now believed in many quarters to be imminent. The most frequently mentioned figure is £150 millions. If a loan of this size has to be digested by the gilt-edged market, which has already shown signs of sagging, there can be no question of any sale of investments by the banks. On the contrary, the banks will probably have to assist in absorbing the loan if the new issue market is not to be drained by the needs of defence. Instead of

the banks' investments falling by, say, £50 millions to provide funds for an increase in advances, they will have to be increased. Deposits will go up by the amount both of the increased advances and also of the increased investments. In plain language, part of the money raised by the Government for purposes of re-armament will have been "created" by the banking system. The manoeuvre will be of a definitely inflationary character.

The probable consequences of a Defence Loan have only to be analysed in this way for it to be apparent that the issue of such a loan at this juncture would run directly counter to sound financial policy. The point may be sharpened by a contrast with the Public Works Loan which was urged on the Chancellor of the Exchequer some three or four years ago. A loan at that time would not have been inflationary, for there were idle savings. It could then have been used for works which would have enriched the nation, not for armaments. Nevertheless, the self-same Government and the self-same Chancellor who refused, in the name of orthodox finance, to raise a loan three years ago, when it was economically sound and could have been usefully employed, are now proposing deliberately to intensify the oscillations of the trade cycle in order to raise money for the sterile purposes of war.

These arguments against a Defence Loan have not hitherto been given the weight they deserve. Not that the case for a Defence Loan is otherwise impregnable; on the contrary, we stated at the time of the last Budget our opinion that on every count the loan is indefensible. It is never sound policy to borrow for unremunerative expenditures so long as it is physically possible to raise

money by taxation. It is myopic thinking to believe that the future can be made to bear the burden of present re-armament; guns and cruisers cannot by any means be borrowed from the future, and a loan merely complicates the Budgetary problem of the future without relieving the real burden of the present. Moreover, if there is a risk of war (and the whole defence programme assumes that there is), is it wise to face it with a Budget already heavily unbalanced?

On these general grounds we believe that a Defence Loan should be condemned at any stage of the trade cycle. In the conditions of to-day the argument is very much stronger. Indeed, there are positive virtues in increased taxation at a time when methods of controlling the boom are being sought. Nothing could be better calculated to restrain the excesses of speculative activities than increased taxation of the swollen incomes derived from the boom. Moreover, the pace of the boom is itself the best disproof of the hackneyed complaint that we are already taxed so heavily as to impede enterprise. If we could bear our present level of taxes in 1932, we can bear more to-day.

MR CHAMBERLAIN has not yet committed himself to a Defence Loan this year. Last April he deliberately left over for future decision how much of the non-recurrent cost of re-armament should be met out of taxation. The assumption that the whole of this cost is to be met in 1937-38 by borrowing has been read into his words by enthusiasts in the cause of armed profligacy. We trust he will take an early opportunity of stating that his next Budget, like its five predecessors, will be balanced without borrowing.

Mr Eden Hopes On

IN his speech to the reassembled Commons on Tuesday, MR EDEN stepped down from the academic heights of his discourse on Democracy last week. Once again he had to justify the Government's foreign policy; once again he set out its objectives. With most of MR EDEN's words in the House all Englishmen—and, as the foreign Press shows, public opinion in all Europe's democracies—would agree. Particularly is this true of his outspoken appeal to the rulers of Germany to choose, and choose quickly, between deliberate isolation from the European family of nations and equally deliberate co-operation in it. Whatever rebuffs such appeals may encounter—and the latest has received yet another from the German controlled Press—MR EDEN is right in saying, and saying again, that we desire economic collaboration with Germany, provided Germany herself is prepared to collaborate with all her neighbours in the great task of European political appeasement. That door must always be kept open for Germany, however often she herself bangs it to.

There remains, however, a sorry contrast between the lofty and unimpeachable sentiments, said by MR EDEN last week to inspire the Government's foreign policy, and the limping of that policy along the prosaic plains of practice.

The Foreign Secretary gave welcome reassurances over the Spanish zone in Morocco, "so far as concerns the alleged landing or preparations for landing of German troops"; he was not so reassuring over penetration of the zone by German-Italian "experts." And on Spain proper his speech was one long note of virtual apology for the Government's policy. It almost appeared as if the Government had banned volunteers for service in Spain by accident, as the outcome of academic research into the legal position. All MR EDEN could say to commend this singular gesture was that thereby we

did not throw away a "useful international lever in advance." The country will find it very difficult to accept this judgment in the light of the failure of other Powers to follow our good example in the matter of munitions and in the use of our ships. The French Government have found a more excellent way. They have legislated *ad hoc* on the volunteers question. The Act will become effective when, and only when, similar action is taken by the other countries concerned to ensure non-intervention.

The note of complacency in the Foreign Secretary's speech is to be explained by the Government's belief that the danger of a General European war arising out of Spain is now more remote. True, there is some basis for their belief in the growing realisation in Germany and Italy of the probable alignment of forces against them if they were to plunge Europe into war. It is every day becoming clearer that the economic forces against them would quickly become overwhelming; and in an economic race to-day Germany and Italy are severely handicapped. But this does not mean that they will not push on in Spain as far as they dare. Nor does it justify Governmental complacency over the issue of the Spanish conflict. This struggle may vitally affect the balance of European forces, which may shift to the grave disadvantage of the democracies if His Majesty's Government is content to see GENERAL FRANCO's minions conquer the Spanish people.

Unfortunately, MR EDEN's words suggest that this prospect does not unduly alarm him; for he seeks to comfort us with the thought that whatever may happen now, sooner or later the Spaniards will turn the foreigners out. Of all possible outcomes, he said, that which will see some foreign Power or Powers able to "dominate Spain for a generation . . . is the most unlikely." This may be so, but it is not the long view that guides the Fascist

Powers. MR EDEN admonished the dictators to remember the 24 million Spanish people. "In the long run," he said, "intervention . . . is bad politics." In a generation's time it may be. But when we see German or Italian Fascists consolidating their military grip on Spain, digging themselves in economically, and pouring men into the country, we cannot close our eyes to the fact that their prestige is more and more deeply engaged in the Peninsula. This means that with every month it will become more difficult for them to disengage themselves, or to allow their protégé to accept defeat or even compromise. Whatever may happen in thirty years' time, the German and Italian dictators are aiding and abetting GENERAL FRANCO now. If he wins with their aid, certainly for the next five years at least Spain will be run under German organisation, German advisers, German experts. It is what will happen in the next five years that will shape Europe's destinies in thirty years' time.

Consider for one moment the position which pre-war Germany carved out for herself in Turkey, without participating in any Turkish civil war. Turkey was run by Germans; the army was organised and officered by Germans; and, in less than a decade, Turkey was dragged into the last war on Germany's side—to her disadvantage and our acute discomfiture. Can we doubt that, whatever we may think will happen in thirty years' time, France's strategic position in Europe will become damaged, perhaps beyond repair, if Germany or Italy, or a combination of both, becomes established in Spain during the next few months or years. Such a situation is already well within the bounds of possibility. It is a prospect which, for the reasons that we gave in this place last week, cannot be viewed by any responsible British Government without the gravest misgivings for our national and Imperial security.

On this central, vital theme MR EDEN made two declarations. They may mean much or little, according as the Government is or is not prepared to implement them by deeds. First, the Foreign Secretary, replying to SIGNOR MUSSOLINI's assertion last week that Italy could not tolerate a "Red cell" anywhere on the Spanish

Mediterranean coastline, declared that the recent Anglo-Italian Pact contained "no word, no line, no comma," giving any foreign Power "a right to intervene in Spain, whatever the complexion of the Government in any part of the country." In other words, she is not entitled to intervene, and certainly not to intervene militarily, to suppress a possible autonomous Catalonia. Secondly, MR EDEN announced that it was Britain's interest to see that "the political independence and the territorial integrity of Spain shall be preserved."

Now this latter declaration is presumably to be taken as the Government's "Hindenburg line," on which it is ready to stand and fight. It has been warmly welcomed as such among the Continental democracies; and has earned praise for our Government. But as to the former declaration, which denies that we have admitted the right of any foreign Power to ban any shade of Government anywhere in Spain, are we to assume that this is a mere negation? Or is the Government prepared to prevent, by all the means at its command, any interference with Spain's affairs? Is it prepared to prevent such penetration of Spain and Spanish territory as we have described?

To these questions the Government still vouchsafe no answer. The public is left to draw its own conclusions from the course of events. In doing so, a significant index of the value of the Government's declarations will be its impression on the dictators and their reactions. HERR HITLER has not yet spoken. SIGNOR MUSSOLINI, however, in reply to MR EDEN's defence of democracy last week, said what he thought of democracies at the weekend. They were effete, "done for," "built on shifting sand," while dictatorships were "firm as granite." The dictators have listened to the British democratic Government's brave words. They have also looked upon the deeds that follow. By now they have some cause to believe that democracy talks big and acts small while dictatorships talk big and act bigger. It is now high time the British Government disabused them of any such notion. But that can only be accomplished by deeds, not words.

The Great Cities of Britain—I

The Story of Birmingham

TO-DAY, whatever associations the City of Birmingham may recall to the newspaper man, the actress or the engineer on oilfields abroad, it suggests to the average Englishman someone or something industrial. This habitual association, in fact, has had its own influence on the growth of the city in a world where industry generally goes where industry is.

Modern Birmingham is to a considerable extent a product of the last thirty years, and a surprising quantity of it is post-war, as the chart overleaf suggests. Especially since 1920, an increasing population and rising standards of life have produced new houses as striking in their numbers as the new people, whose Welsh or Northern accents may be overheard in the tramcars. Between 1920 and 1934, 67,308 houses were erected, private or municipal. Municipal building was responsible (by March 31, 1936) for 42,301 houses, at a capital expenditure of over £21 millions.

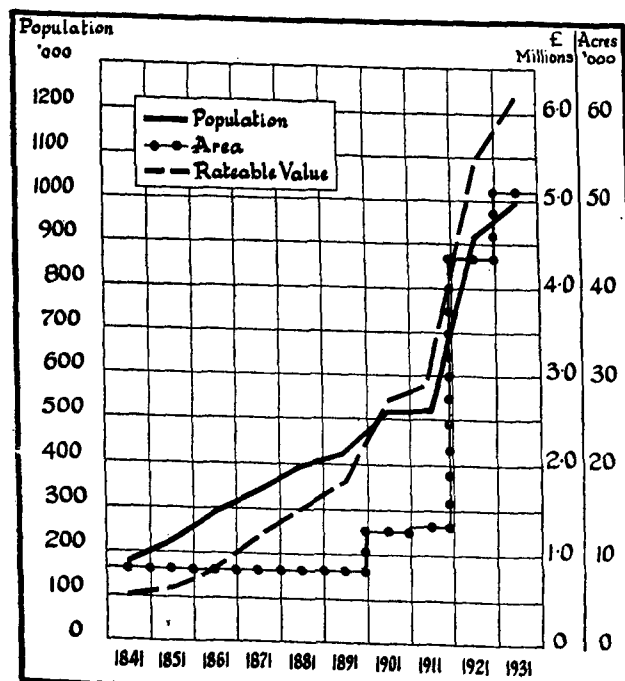
Many of the forces promoting Birmingham's present growth have been powerful over a long period. Materials are easily available; and the workers of the district are various and highly skilled. Further, enterprise is directed by a business community somewhat markedly habituated to the "change" of products, owing perhaps to a long and peculiar experience of the possibilities of metal. Birmingham is well placed for distribution in

Great Britain, including the growing industrial south. It has 3,000,000 consumers within thirty miles of the city centre. It operates an extreme range of industries, manufacturing composite products which require components and accessories. Thus, the city is a large market in itself. Like every other great industrial city, Birmingham takes in its own washing on a colossal scale. It was never as closely interested in overseas trade as some other areas of the country, and thus it escaped the post-war fate of the great exporting districts and gained by the tariff. Finally, its reputation for prosperity has brought further prosperity in the shape of new industries.

Out of Birmingham's original interest in metal, and its long pursuit of the many threads of joint demand and joint supply, has developed the city's present extraordinary range of industries. The older industries persist in the background—buttons, guns, edge tools, bedsteads, jewellery, steel pens—although they are usually much changed in technique and organisation. Hardware and hollow-ware still flourish, on a more standardised basis. The non-ferrous metal trades, after two centuries, regard themselves as merely on the fringe of knowledge of the properties of the materials with which they work. In particular, they produce a wide variety of alloys for the engineer. The engineers produce oil, gas and electric

engines. A characteristic Birmingham industry is the production of tubes, which may be adapted equally to a bedstead or a battleship's steam pipe. Birmingham also supplies the finest precision balances, huge lamps for lighthouses, and much else that need not be specified. But the transition from hardware to light engineering of the period 1880-1914 was the source of the largest of its present industries. These industries are so far from being new in the Midlands that already by 1914 the motor, tyre, cycle and electrical firms were among the leading Birmingham concerns. Their recent development has been very great. Birmingham is not a Detroit, but it carries some of the risks of a Detroit; a large number of its people now depend upon the motor industry in one form or another. The leading position in their respective trades of such works as the General Electric Company (at Witton), Cadbury and the big Birmingham breweries is well known. Birmingham has been fortunate in never having possessed a staple trade. We discuss the investment merits of the shares of some well-known enterprises in the Birmingham district on page 184 of this issue.

THE GROWTH OF BIRMINGHAM



The new elements introduced into the city's life by recent industrial growth will, doubtless, ultimately prove more far-reaching than the immediate prosperity they bring. The older Birmingham, by and large, was a city of small-scale works, little mechanical equipment and relatively low overheads. The small factory uses more machinery now than twenty, or ten, or even five years ago. The small manufacturer is still important. He is a force in the Chamber of Commerce. His products are examples of excellent workmanship, and the larger industries have frequently drawn on the managing ability and enterprise of the smaller units. But the big works are more truly representative of the newer Birmingham. They are constantly expanding, as Longbridge and Bournville daily show. They have considerable financial resources and highly specialised plant, employing sometimes from 7,000 to 12,000 persons, and their presence raises many interesting questions. Well-informed men have attributed Birmingham's past success, in part, to the existence of many medium-sized independent firms, who, in the face of changing demand, were able to swing over to new products. The same refuge is scarcely open to the big specialised plant. It may be that future difficulties on the marketing side

will tend to evoke increased resort to price and production agreements and to amalgamations. There are signs already that the tariff has stimulated the movement towards industrial combination. Nevertheless, Birmingham retains much of its faculty for painless transfer: a brass founder can still switch over to stainless steel, or a cinema become an enamelling shop, with an alacrity which would have pleased Ricardo.

In the last twelve months Birmingham's industrial life has been quickened in tempo, and even transfigured in many respects, by the imposition of direct or indirect rearmament contracts upon order books already filled by the general industrial recovery. Factories, both small and great, turning out the multifarious range of products for which the city is famous, are now partly engaged on armament work—in this shop 200 men will be turning components of shells, in that shop preparing parts of aeroplanes or tanks, or even gun-components. These two sources of demand have raised in an exceptionally acute form a series of problems which are presenting themselves in lesser degree in all the more prosperous areas of the country. Among them are shortages of labour, abolition of short-time, a great extension of overtime and the shift system, demands for higher wage-rates, delicate negotiations with jealous trade unions for a reduction of apprenticeship time, or for an expansion in the numbers of apprentices and trainees.

It is, however, not only employers who are faced with novel problems. The local authorities in their turn are, also, affected by the process of economic transformation. The "pulling power" of a big works in the matter, say, of municipal housing sites is obvious in Birmingham as elsewhere. But in its very Mecca (which is also the most conservative of English cities) municipal socialism is taking on new life, as it performs new duties. Birmingham's reputation for good government has in the past been based largely on the Corporation's trading undertakings in electricity, gas, tramways and water. But the present age demands what are called—rather unhappily—non-reproductive facilities: education, hospitals, maternity and child welfare centres, municipal buildings, parks, libraries and recreation grounds.

These events are the outward sign of a deep inward change. The "Birmingham tradition" during the last century, was based on the convictions and prejudices of the professional and manufacturing classes. They were black-coated, top-hatted, and service-going; they were proud, independent and understanding within their limits; at their best "as little likely to pick up a peerage as to drop an 'h'." The men and women of that period are still present to living memory; and their lives set the stamp upon a social tradition which embraced the artisan and the upper working class. But their tradition, tough as it was and is, is breaking down under the stress of a changed world.

Opinion in Birmingham, nevertheless, retains many native characteristics in the new age. It keeps uncommonly close, for example, to facts within its own experience. Birmingham is always inclined to say to a new theory: "Come to me again when you are a fact and I will begin to think about you." And this is no ill retort to many theories which never do return again, bringing their facts with them. But it is sometimes unhelpful in an age when theory and fact are less sharply differentiated than busy and confident men often suppose. Life in a great provincial city encourages a ready grasp of the everyday situations of practical life; it is a less favourable training-ground for the imagination whose exercise is essential to the solution of novel or complicated problems. How far is Birmingham aware of the benefits which will be harvested as the social tradition of the last century broadens and deepens, and as high culture, respect for ability, and public spirit are stripped of Time's old clothes?

Britain's Water Supplies

In a period of reviving industry we forget the measures for which we clamoured in depression. Similarly, during the last drought, public opinion was awakened to the problems of our water supply; to-day, with winter skies and full dykes, we ought not to forget the difficulties which still remain. The consumption of water per head in Britain is steadily increasing, with the wholly desirable raising of our standards of life; but, over a long period, rainfall remains constant. By what methods of conservation, distribution, administration and expenditure can these two facts best be reconciled?

Responsibility for the supply of water rests with a host of bodies, unequal in size and resources. Some 780 Local Authorities, 48 joint boards, and 173 companies, have statutory powers; while about 80 companies and over 1,000 private proprietors operate under no special Act. There is little uniformity of practice and scanty co-ordination.

Moreover, the administrative situation varies widely between urban and rural areas. In the cities, water undertakings are large, rateable value is high, and reservoirs are adequate for present needs. In rural areas there is a great number of separate undertakings; many places depend for their supply upon shallow wells; the administrative area is too small, and the cost falls upon too narrow a field. The consumption of water varies accordingly. Urban consumption is from 20 to 30 gallons per head per day, and rises in the 573 square miles of the Metropolitan Area to 36.5 gallons per head of the 8 millions of persons served. In rural areas, on the other hand, consumption falls as low as 15 to 20 gallons per head. These figures contrast unfavourably with the average daily consumption of 100 gallons per head in the United States of America. Other European countries also use more water per head than we do ourselves.

To these administrative discrepancies must be added the wide regional variations in British rainfall. The annual average varies from 100 inches in the Lake District, and 40 inches in the West, to 20 inches in the Eastern Counties. Nevertheless, the most marked feature of British rainfall is its unflinching constancy over a period of years—a fact which may serve as the basis of co-ordination and planning.

The authorities have for some time been alive to the need for further organisation. Particularly in times of drought, they have realised the administrative inadequacy and inefficiency of the unco-ordinated patchwork of supplying bodies. They have also appreciated, at such times, the sparsity of information about the water resources available. Measures for improvement have, therefore, been instituted from time to time.

In 1921 a Water Power Resources Committee was set up. A survey of inland water resources was attempted in 1924. In 1929 rural authorities were given increased borrowing facilities, and County Councils were empowered to make contributions to the cost of water services. A year later, the control of overground supplies of water was regularised by the Land Drainage Act, which set up Catchment Boards "to prevent flooding and to provide drainage." This was followed in 1934 by the latest and most drastic measure of reform. A further survey of inland supplies was inaugurated; an emergency grant of £1 million was authorised to assist relatively poor water authorities; and nine Regional Advisory Committees were set up "to increase and make permanent co-operation between water authorities in the use of sources and in distribution."

The major problems have thus been realised; but the steps which have been so far taken have been little more than palliatives. The provision of water supplies still rests in the last resort upon the initiative of local authorities, which may be small and poor, and of which there are too many to work properly together. The con-

sumption of water is still uneven over the whole country, and too low. The exact supply of water available is still unknown; and ignorance of underground supplies of water is supplemented by the uncontrolled and indiscriminate sinking of wells. Rural authorities are still deterred by the expensive capital cost of waterworks, despite the measures of 1929 and 1934. Too many are dependent upon unreliable shallow wells, liable to pollution. In these cases considerations of finance endanger the health of an important section of the population; the typhoid outbreaks of 1932 should serve as a warning.

Moreover, these problems are daily intensified by the shifting of population. This movement has taxed even the capacity of the Metropolitan Water Board, with its capital of £54 millions (March 31, 1936); and it has all but dislocated the supply of water in rural areas, which have recently become dormitories for large towns. It has been estimated that one residential dwelling, with garden and motor car, requires as much water as twelve cottages. And this "urban" demand comes in rural areas, where the population is scattered and the expense of the pipes system represents the principal cost of a permanent water supply.

Much, therefore, remains to be done. The problem is one of allocation and comprehensive control. The supply of water derived from rainfall is probably adequate for all likely needs; but full information must be available of the supplies from all sources. In particular, a comprehensive hydro-geographical survey is needed, with regular recording of underground water levels, and supervision of the sinking and use of wells.

It must also be made possible to distribute these supplies to satisfy all types of demand, uniformly and consistently. There ought to be a constantly satisfactory flow of piped water; and storage facilities should be as adequate in rural areas as in urban, to avert the ill consequences of shortage in times of prolonged drought. To these ends, administrative and financial reforms are necessary; the chaos of authorities must be ended; and the Treasury should be prepared, if necessary, to extend its system of financial guarantees to public utility borrowing for the supplying of water.

Some indication of the benefits of co-ordination on a large scale is given by the history of the Metropolitan Water Board. This Board came into existence in 1903, to serve London, in place of eight Metropolitan companies and two local authorities. It now serves some 20 per cent. of the entire population of Great Britain, and its development is illustrated by the following table:—

DEVELOPMENT OF METROPOLITAN WATER BOARD

	1904	1936
Capacity of storage reservoirs for unfiltered water (million gallons)	4,116	19,657
Capacity of reservoirs for filtered water (million gallons)	245	342
Area of filter beds	139	176
Number of primary filters	...	51
Number of mechanical filters	...	12
Horse power of pumps	32,177	56,640
Miles of water pipes	5,759	7,942

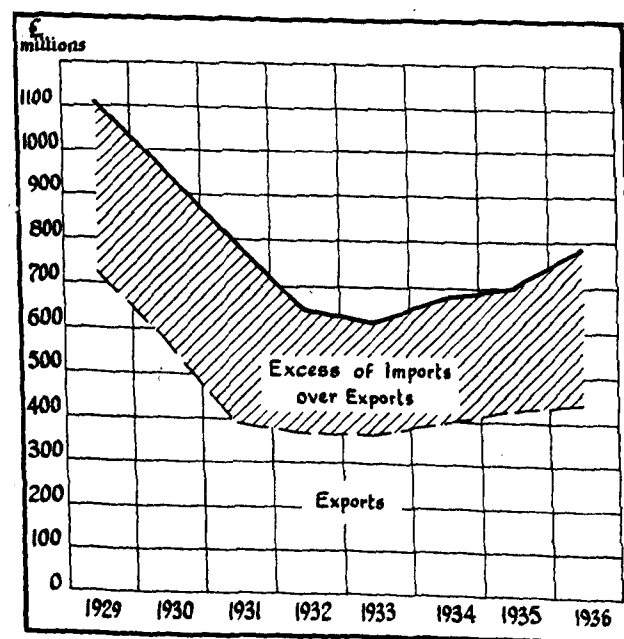
Some other British cities have approached the problem on broad lines, but much remains to be done in the rest of the country. Even in London, the question: "Water from Wales?" must almost certainly be asked again very soon. The elimination of waste, estimated at 25 per cent. per annum, is important; but far more urgent are the financial, administrative and technical reforms already outlined: the survey of sources; the co-ordination of authorities, over-riding local patriotism; the enlargement of areas of supply and responsibility; the spreading of the burden of cost; the elimination of pollution; the abandonment of technically unhealthy modes of supply, from suspect rivers and shallow wells; the storage of water against dry years; and the eradication of obstructive private interests. And the greatest of these desiderata is co-ordination. Resources and supply must be fully organised, in order that we may enjoy, with efficiency, economy, decency and good health, that great blessing of our climate—an adequate rainfall.

A Year of Rising Imports

THE recent trend of world production and international trade reveals the far-reaching repercussions on the world's trading relationships of changes in national economic policies. Some countries have sought self-sufficiency for strategic reasons; others have closed their gates to imports in an endeavour to solve the problem of domestic unemployment. Hence, while world industrial production (as measured by the German Institute for Business Research) has risen by 6 per cent. between 1929 and 1936, the volume of international trade last year, though it marked an increase of about 5 per cent. over 1935, was still about 14 per cent. below its pre-depression level. How has Britain's foreign trade fared in a year of rapid internal recovery?

The Board of Trade's figures (which we briefly summarised in a Note last week) show that domestic recovery, as always, has synchronised with a considerable expansion of imports, while the revival of exports has been distinctly sluggish. These tendencies are illustrated in the accompanying diagram, which shows the trend of the value of retained imports and of domestic exports since 1929. The excess of imports over exports, represented by the shaded area in the diagram, showed a substantial increase in 1936, when it was only £34 millions smaller than in 1929, despite the severe contraction in trade, and the imposition of a ramified system of tariffs and quotas in the meantime.

TREND OF RETAINED IMPORTS AND DOMESTIC EXPORTS
IMPORTS SHOWN BY THICK CONTINUOUS LINE

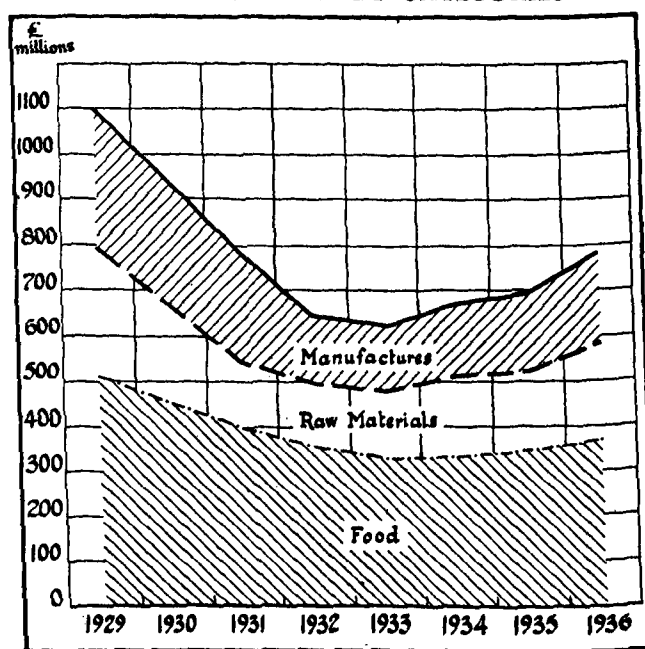


There are numerous explanations of the rapid rise in imports during 1936. The rising volume of industrial production absorbed increasing supplies of raw materials and semi-manufactured products. Moreover, home production of manufactures, such as certain kinds of machinery, required to be supplemented by purchases abroad, partly as a result of the exigencies of the armament programme. Finally, increasing national prosperity caused an increase in demand for foodstuffs and specialities in manufactures. Among manufactures, the increase in the value of imports was most marked in the case of certain products which are, in fact (though not in the Board of Trade returns), raw materials for industry—non-ferrous metals, machinery, oils, fats and resins, and iron and steel.

The effect of these changes is graphically set out in the next diagram and in a table on page 211. While the increase was by no means uniform, it embraced a large variety of products. A notable development was the

marked growth of purchases of metals and metal manufactures. Retained imports of iron ore and scrap rose from 4,984,000 tons in 1935 to 7,041,000 tons in 1936. And as domestic supplies of iron and steel could not keep pace with the growing home demand, imports of iron and steel advanced from 1,149,000 tons to 1,476,000 tons. Again, as the urgent need for certain types of machinery could not be satisfied by British manufacturers, purchases abroad rose from 69,000 tons to 101,000 tons. Some 20,000 tons of machine tools were purchased from abroad in 1936, compared with 8,000 tons in 1935 and 11,000 tons in 1929.

RETAINED IMPORTS BY CATEGORIES



How have Britain's exports been affected by domestic recovery and gradually improving world trade? Apart from the decline in coal shipments, due to the imposition of sanctions on Italy, two distinct and divergent tendencies were noticeable last year. First, there was a marked decline in the rate of increase of exports of certain commodities due to the inability of the industries manufacturing them to increase production sufficiently to meet the growing home and foreign demand. Exports of chemicals and non-ferrous metals and manufactures were actually lower last year than in 1935. The improvement in total sales abroad of iron and steel, implements and tools, electrical equipment and machinery was small, compared with that of the previous year. But other trades which were physically capable of satisfying an increased overseas demand benefited from the upward trend of international trade. Thus, manufacturers of cotton, wool and other textiles, and automobiles, substantially increased their foreign sales. Re-exports showed some improvement in 1936, partly as a result of the higher prices and of the greater world demand for primary products, some of which, like wool, are shipped to the United Kingdom before being distributed to other countries. A record of quantitative changes in the exports of important materials, and export values, appears on page 211.

What, briefly, are Britain's external trade prospects in 1937? The continuing rise in the prices of many important primary products is largely increasing the purchasing power of many overseas countries. World recovery may therefore be expected to make further headway this year. For Great Britain, however, there is at least one fly in the ointment. For, while British imports may be expected to continue their upward trend so long as internal business activity continues to expand, a number of our leading export trades, particularly the metal industries, may be physically unable to increase their foreign sales in proportion to the enlarged requirements of importing countries. On the other hand, a number of exporting industries, including the textile industry and coal-mining, should benefit substantially from the rising tide of international trade.

Bunkershölm Politics

By Our Correspondent in the Free City of Bunkershölm

A DRAMATIC series of events has caused extreme tension in the Free City. For centuries the inhabitants have been renowned for their love of violence. This instinct led them to give a warm welcome to the game of golf when it was introduced by a retired Scotsman not many years ago. Unfortunately, so rapid was the increase in players, and so furious their pursuit of the game, that the peaceful life of the City was rent by hatreds and rivalries. The situation was aggravated by the existence in Bunkershölm of numerous football, hockey and tennis clubs, whose members were treated by the golfers with egregious arrogance. In the consequent riots the golfers' steel-shafted weapons gave them an advantage.

Matters recently came to a head when the golfers took the decisive step of combining the Amateur Association, the Professionals' Union and the Caddies' Clump into a United Golfers' Front. It is rumoured that this step was facilitated by the use of lavish subsidies from a neighbouring Power, which in exchange received right of road across the Bunkershölm fairways. The formation of the Front at once gave the golfers a great superiority in numbers and organisation, enabling them to obtain command of the streets. They appeared everywhere clad in their uniform of "plus-fours" and leather jerkins, and soon fleshed their fangs by breaking up a meeting of Goalkeepers and Tennis Umpires, which had assembled in the Mariastrasse to make a joint protest. Two goalkeepers and three umpires were clubbed. The police did not dare to intervene.

The Front then issued a manifesto declaring its members to be above the law. Still more drastic action was taken next day. In view of the European situation, the Bunkershölm Senate had, shortly before, launched a recruiting campaign. To demonstrate its contempt of the Senate, the Front called a mass meeting and passed a resolution declaring the allegiance of its members to be due to the Golfers' Front, and to none other. It was at this meeting that Herr Sleisser, the Front Leader, delivered his famous "putters—not guns" speech. In this, he denounced the Senate's diversion of steel from golf clubs to armaments.

Usually well-informed observers predicted a setback for the Front when the municipal elections were held a fortnight ago. They reckoned, however, without the peculiar methods employed by the golfers. These dominated the polling booths with their brassies and exercised a virtual reign of terror. The Front also closed every course and nineteenth hole within its jurisdiction. It ordered all its members to vote at least twice, on pain of several strokes placed on their handicaps. By these questionable means the golfers obtained a majority. Though slender, it was sufficient for their purpose.

That purpose clearly emerged when the Golfers' Front began a systematic process of liquidating Opposition Parties. The Hockey Players were the first to go, on the ground that their clubs were a menace to public order. All their pitches were confiscated and converted into golf schools. A veritable tornado arose, in which there perished in rapid succession the Footballers, the Runners, the Rowing Club, the Fencers, and even the Darts Circle. Only the Tennis Federation remained standing.

The Tennis Federation was regarded as an arch-enemy by the Golfers' Front, which alleged that tennis-playing had a disastrous effect on golf and was therefore

a menace to every citizen of Bunkershölm. The Front was compelled, however, to proceed more cautiously against the Tennis Federation, since the latter had a very large and representative membership. It was even rumoured that the families of many prominent members of the Front were secret tennis addicts. Moreover, opinion among golfers was divided on the best policy to be adopted towards the Federation. More conservative elements favoured a compromise, while the radical wing clamoured for violence.

Matters remained in this uncertain state until yesterday, when the so-called "Excelsior incident" brought the crisis to a head. To commemorate its electoral victory the Front had caused a magnificent golf course to be constructed, the finest in Europe, which it named the Excelsior. The course was only completed last Tuesday, and a State opening had been fixed for yesterday morning, when, after the appropriate speeches, Herr Sleisser was to strike the baptismal ball. The uproar can be imagined, though not described, when it was discovered that during the preceding night the whole of the first tee, a superb piece of turf some twelve yards by seven, had been bodily removed, leaving a yawning chasm before the club-house.

The Commissars of the Golfers' Front met at once and issued a statement holding the Tennis Federation responsible. The Federation was accused of planning to incorporate the stolen property in a new tournament court. All its premises were immediately confiscated and its officers arrested. The latter are reported to have denied all knowledge of the crime and to have asked how it would have been possible for any of their members to penetrate the cordon of guards round the course. They are also reported to have aggravated their offence by saying that the missing turf would have been useless for tournament play. Death sentences are expected, though it is possible that some of the younger men will escape with long terms of penal servitude in a Caddies' Battalion. Rumour is current that Sir Samuel Hoare, as President of the English Lawn Tennis Association, has sent a cable to Herr Sleisser praying for clemency and offering to ban tennis in England until further notice. No reply has been vouchsafed.

Surprise has been expressed in uninformed quarters at the complete inability of the League Commissioner in the Free City to control the situation. The simple explanation is: he is no golfer. This, with his attendance at several tennis parties last summer, is quite enough to brand him in the eyes of the Golfers' Front, which has now passed from noisy obstruction to open defiance of the League. The latter is expressed by what is vulgarly termed "snook-cocking" parades. It is alleged that the Geneva organisation intends to replace the present High Commissioner by a Norwegian who is a scratch player. Such a step is likely only to exacerbate the tension; for if, as is possible, the new High Commissioner were challenged to a match by Herr Sleisser, and if, as is probable, the latter were defeated, there would be bloodshed in Bunkershölm.

Your Correspondent continues closely to observe the situation. This week he has had to burn all his white flannels; and he is now reading Padgham's *Advice to Beginners*. In view of exchange restrictions and the political situation in the Free City, he fears he will be compelled to receive a set of matched irons in part payment of his next month's salary.

Notes of the Week

More Steps to Freer Trade.—The recent speeches of the Prime Ministers of Holland and Sweden calling for freer trade have now been followed by further tentative moves in the same direction. This week both Mr Runciman and Sir Otto Niemeyer are visiting the United States. Sir Otto Niemeyer's visit is described as a private one, and he is actually travelling as a representative of the Council of Foreign Bondholders. Mr Runciman also remarked on arrival that he was on a holiday trip, though he proposed to pay a social call on President Roosevelt. It is not perhaps far-fetched to suppose, however, that over a purely social cup of tea the purely private conversation may spontaneously turn on such topics as Anglo-American trade, the Tripartite Monetary Agreement or even—in a hushed whisper—the war debts. Meanwhile, the French Government has appointed M. Georges Bonnet, whose economic and financial experience is great, to the French Embassy in Washington; and on Tuesday M. Bastid, the French Minister of Commerce, spoke to the Union of French Export Industries on the prospects of freeing trade. M. Bastid recalled the measures taken by the French Government to suppress import quotas at the time of the devaluation, and he specifically mentioned Mr Runciman's visit to the United States and Dr. Colijn's recent speech. Here are the strands of a movement which, as Sir Arthur Salter urged in *The Times* this week, might be concerted into a real attack by the democratic nations on the world's trade barriers. The formation of expanding low-tariff *blocs*, together with some modification of the most-favoured-nation clause, now seem the best methods of advance. And unquestionably the psychological moment has arrived.

The Livestock Bill.—The British Government's Livestock Bill, unfortunately, does not suggest that this country is in a mood to make real concessions in the cause of freer trade. Yet if Britain ought to make concessions anywhere, it is here. Beef is an important foodstuff that affects the cost of living, which is now rising. Beef is protected by a quota and not a tariff, so that protection could be sacrificed without loss of Budget revenue. The Government's Bill, however, is to crystallise the present "gentleman's agreement" quota by giving the Board of Trade compulsory powers to make restriction effective—both on foreign and Empire supplies. At the same time the Exchequer subsidy to the beef producers is to be raised to £5,000,000. The public can only comfort itself, on the prospect of this permanent dole, with the thought that, if the beef producers must be subsidised, it is best to do it at the expense of taxpayers as a whole rather than the relatively poor consumers of imported beef. Much less defensible is the levy on foreign beef imports, already voted by the House, which will reimburse the Treasury for part of the £5,000,000 subsidy to the home producer. Even the import levy, however, is a little better for the consumer than the remaining possible policy of forcing up prices by a quota alone. And as the Note on meat supplies on page 169 shows, beef supplies are being held at their present level rather than actually reduced by these devices; and prices have not yet risen greatly. The best part of the new Bill is that which provides for the reorganisation of marketing and slaughtering. Indeed, the Government can be warmly congratulated on placing in control an independent Commission and not the usual ring of producers. If this Commission uses its powers mainly to reduce costs and prices, it will do something to repair the reputation of the Government's agricultural policy.

The Dockyard Dismissals.—Public uneasiness over the recent dismissal of five men from Devonport and Sheerness Dockyards was on the whole increased rather than diminished by Sir Samuel Hoare's statement on

Tuesday. Sir Samuel stated that the men in question had been dismissed for "subversive activities," and not for their political opinions. Certain "highly-placed, responsible and experienced permanent officials," not restricted to the Admiralty, had investigated the case; but the men had not been informed of the charge against them, and they had not been heard in their own defence by the investigators. The Opposition were dissatisfied with this statement, and the Labour Party subsequently decided to put down a vote of censure. It is difficult for the public to form an opinion on the matter in the absence of further information. But many would like some assurance that the "subversive activities" mentioned by Sir Samuel Hoare consisted of definite attempts to interfere with the work of the dockyard and not merely the propagation of political opinions. More important still, there seems no reason why the men should not have been allowed to state their case—in secret of course—before a tribunal containing independent persons as well as Government servants. And might they not still be permitted to do so?

A New Left Front.—"United Front" appears to be the name which our extreme Left splinter parties assume when they want to emphasise the disunity existing between them and the Labour Party. The new alliance between the Socialist League, the Independent Labour Party and the Communist Party, approved by the Socialist League on Sunday in defiance of a Labour Party call for loyalty, accordingly describes itself as a United Front. The manifesto of the new Front calls for "unity in the struggle for immediate demands and the return of a Labour Government." Actually Sir Stafford Cripps only persuaded the Socialist League to adopt his policy by 56 votes to 38, with 23 abstentions. On the following day Professor H. J. Laski announced his adherence to the new body. It remains to be seen how many members of the Socialist League will resign, and how far the official Labour Party will go in taking disciplinary measures. If the members of the Socialist League are expelled from the Labour Party—as is almost certain—the Party will no doubt lose Sir Stafford Cripps' picturesque personality. But it will not lose much else; for the Socialist League has 3,000 members, and the Labour Party 420,000 individual and 2,000,000 affiliated members. Nor does the electoral record of the I.L.P. and the Communists suggest that the new Front has much future before it. In picturesque leaders it will, no doubt, be comparatively rich, with Sir Stafford Cripps, Mr Maxton and Mr Harry Pollitt. But in followers it seems likely to be poor.

Air Services for Britain.—The Committee under Brig.-General Sir Henry Maybury, appointed "to consider and report upon measures which might be adopted by His Majesty's Government or by local authorities for assisting in the promotion of civil aviation in the United Kingdom and their probable cost," presented its report (Cmd. 5351, 3s. 6d.) to the Air Minister on Wednesday. The report is a really valuable document; thorough, constructive and up to date. It considers that commercial air services inside this country have been restricted by four main factors: lack of adequately large aerodromes, lack of the necessary equipment for regular all-weather flying at such aerodromes as were used, the crucial problem of "access" to towns from aerodromes, which halves the average speed of every air journey between one centre and another in this country, and, lastly, the growing competition between existing air lines on the same journeys. To secure regular services the Committee propose the five-year experiment of a national air-junction between Manchester and Liverpool, from and to which all services would ply. This would cut

down operation mileage from 2,900 to 960 miles, and would involve only a slight delay in time. Thus, passengers from London to Bristol or Southampton would obtain frequent aircraft from London to Manchester and there connect with the equally frequent machines on the Bristol-Manchester arm of the star radiating from Manchester. In this way aircraft would serve six national districts and be kept loaded to an average degree of 68 per cent. Direct lines between cities connected through Manchester, or others, should only be maintained if traffic can cover costs. A single company, or a combination "working on the closest terms of co-operation," should be licensed to operate all services between the districts. The Committee does not recommend Government subsidies, except for carriage of mails; but they rightly recommend the Government to bear the costs of installation, maintenance and operation of wireless directional and night-flying apparatus, ultimately recoverable from registration fees. The capital cost is put at £320,000, and the extra annual cost at £200,000. Licences for other than the systematised routes should also be issued by one central licensing authority, but they need not be exclusive. The Committee observe that London will soon have seven aerodromes, approve the City Corporation's proposed purchase of the site near Ilford for a City aerodrome, and urge the need of a "standard" aerodrome north of London. They consider municipal authorities should bear all the cost of preparing their own aerodromes, since they will reap the benefit from them in traffic and fees. If these recommendations are soon carried out in broad outline, British civil aviation should be able to provide regular and safer air services.

Mr Roosevelt's Inauguration.—Nearly four years ago Mr Roosevelt's first inaugural address converted him in a few minutes from a hardly known and hardly trusted politician into a statesman of the first rank. Its boldness and decision, its promise of "Action, and action now!" ended the banking panic and started America off on that first sharp burst of rapid recovery. At his second inauguration on Wednesday of this week the state in which the American nation found itself provided little occasion for any similar drama. But the inaugural address was none the less as fine a piece of eloquence as could be desired. In form it showed Mr Roosevelt's gift for colourful, and yet colloquial, phraseology. In content it breathed the need for action almost as much as its predecessor. Those conservatives who have reconciled themselves to Mr Roosevelt's re-election by the belief that in his second term he would be as conservative as themselves, will find little in the address to strengthen their convictions; for it took no pains at all to be conciliatory. The President went out of his way to recall his much-criticised phrase of four years ago; he repeated the pledge "to drive from the

temple of our ancient faith those who had profaned it." Once more he challenged the "abuse of power by those who betray for profit the elementary decencies of life." There is clearly to be no pause in the campaign he has marked out for himself. He recognised the difficulty, in conditions of greater ease, of recapturing the original impetus. But he refused to be impeded by comfort, by opportunism or by timidity. Millions were still in want; millions still living "under conditions labelled indecent by a so-called polite society half a century ago." "I see one-third of the nation ill-housed, ill-clad and ill-nourished." But the picture was painted in hope, not in despair, for the nation would paint it out. "The test of our progress is not whether we add more to the abundance of those who have much; it is whether we provide enough for those who have too little."

Nor did the President avoid the problem of the means by which his ends are to be secured. Speaking in the presence of the Supreme Court, and recalling that 1937 is the 150th anniversary of the Constitution, he challenged by implication the whole interpretation of that document which is dear to many, if not most, Americans. The Constitution, he claimed, "did not make our democracy impotent"; it established "a strong Government with powers of united action." Democracy and freedom did not require the absence of power; they depended "upon lodging it with those whom the people can change or continue at stated intervals through an honest and free system of elections." The speech will serve as an inspiration far beyond the borders of the United States. The world can be grateful that it has at least one leader who speaks in accents of true Liberalism.

Strikes in America.—The American strike movement continues with full vigour. The shipping strike on the Pacific Coast has been in force since last October, although representatives of strikers and shipowners have at last agreed to confer. The struggle in the automobile industry, directed against General Motors, started in December. Stay-in strikes at strategic points have cut off the supply of essential parts, and of the 175,000 employees, the great majority are now out of work. Last week, negotiations, started by the Governor of Michigan, led to the announcement of a truce. Stay-in strikers were to be withdrawn, the company was not to try to reopen factories, or use strike breakers, and negotiations were to be opened between the company and the union. But before further progress had been made, the company declared its intention of negotiating also with non-union labour. Thus, it rejected, in the labour view, the first and fundamental union demand—the right of monopoly bargaining. The truce has been called off, and the fight continues to a finish, with violence growing on both sides.

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Although there has been some rioting at Flint, the conduct of the strike is generally in pleasant contrast to that of past large-scale labour disputes, which were more like civil wars. There are several reasons for this, the greatest being the fundamental change in public opinion, which is less inclined than ever before to tolerate industrial Bourbonism. Another factor has been the triumphant re-election of Mr Roosevelt, despite the efforts of Big Business to defeat him. At what point, and to what purpose the President will intervene, no one knows. After his inaugural address, it can hardly be doubted that his general sympathies are with the unions.

Signor Mussolini and Mr Attlee.—The momentous problem how to settle accounts between Democracy, Fascism and Communism was discussed last Sunday in a speech at Paris by Mr Attlee, and in an interview with Signor Mussolini published on the same day in the Nazi Party organ, the *Völkischer Beobachter*. Signor Mussolini made his own expectations clear. He looks forward to a Europe gone Fascist; and the reason for his optimism is his conviction that "the democracies are done for." As he sees them, "they are to-day, consciously or unconsciously, nothing more than centres of infection, carriers of bacilli, and handymen for Bolshevism." He evidently calculates that, on this account, the anti-Communist elements in democratic countries will find themselves compelled to turn Fascist and to throw themselves into the arms of the two Fascist Powers. This is the surprising interpretation which Signor Mussolini placed, in the interview, upon the new Anglo-Italian Mediterranean Pact. "It only strengthens the Berlin-Rome axis"; and "it is a logical extension of our efforts to secure the peace of Europe." The *status quo* which the Anglo-Italian agreement guarantees excludes, in his reading of the pact, the establishment of a Communist State in Spain or in any part of Spain. In other words, it leaves Italy and Germany still free to ensure Franco's victory and to prevent even a Catalan autonomous democratic State.

In Paris, Mr Attlee was more soberly engaged, not in boosting Democracy, but in pointing out the weaknesses which Democracy must overcome if it is not to be overwhelmed, with all its merits which the world can so ill afford to lose. Mr Attlee made three points: first, the democratic Powers must make material contributions to States less economically favoured, not by surrenders of territory, but by enlarging opportunities for trading in the vast commercial preserves of the world which they control. Secondly, they must preach tolerance. Thirdly, they must be as resolute and active as Fascism and Communism. "If we fear to take the necessary steps to save Democracy, Democracy will go down." This is surely the heart of the matter.

Germany's Kiel Canal.—Herr Hitler has scraped past the winter solstice on the strength of his denunciation of the inland waterways clauses of the Versailles Treaty on November 14th last. He has just taken a second bite at the same cherry in the hope that it may do instead of butter until the vernal equinox. He has issued a new regulation to govern the passage of foreign warships through the Kiel Canal. The Versailles Treaty provides that the Canal itself—though not the territorial waters at each end—shall be kept free and open to vessels of commerce and war of all nations at peace with Germany, on equal terms. The new German regulation lays down that warships and naval craft of foreign Powers may pass through the Canal only with authorisation, which must be obtained in good time beforehand through diplomatic channels. Under the much-maligned Versailles regime foreign Governments did not abandon the traditional diplomatic courtesies in applying for permission to send their warships through the Kiel Canal; and if the German Government were now to refuse permission, or only to grant it at the price of the

payment of prohibitively heavy differential dues, the foreign warships concerned could always take the alternative route between Denmark and Sweden, provided by Nature. So much for the use of the Canal in peace time. As for its use in war, the Treaty itself never stipulated that it should be open to the warships of countries at war with Germany—and indeed the Kiel Canal would be the last place in the world in which a Power at war with Germany would wish to hazard any warship it valued! The Versailles Treaty left Germany in possession of the whole of the territorial waters through which the Canal passes; and, ever since, warships have had to secure permission to pass into and through these waters. In a future war against a coalition between Russia and the Western Powers, Germany would be able, as she was able in 1914-18, to prevent her adversaries from communicating with one another *via* the Baltic. But, as the last war showed, this advantage would be important without being decisive.

Spain and Europe.—This week the rebel forces in Spain under the "radio General" Queipo de Llano have advanced from their base at Algeciras along the coast towards Málaga, while the militia in the latter city have occupied positions in the Sierra foothills flanking the communications along the coast. At Madrid, General Franco's attack on the Escorial road in the north-west has failed again; and in the south-east the Government forces have advanced to positions dominating the Getafe aerodrome. The road and railway from the capital to Valencia have been thus relieved of pressure; but Madrid itself is short of food and petrol supplies. The general situation has thus become even more one of stalemate. In Asturias, Navarre, and Catalonia, operations are at a standstill. The international front has also been less active this week. The London Non-intervention Committee on Monday resumed discussion of the Italo-German proposal of January 12th, to consider the imposition of an embargo on movements or disposal of any Spanish Government's gold deposited outside Spain. It is reported that the Chairman, the Earl of Plymouth, favoured examination of the proposal by the experts' sub-committee, but that the French, Czech, Russian and Swedish representatives objected to such action on the ground that it would be tantamount to intervention, of a particularly one-sided kind, in a matter touching the property of a Government friendly to all the Powers on the Committee save only the three Fascist States. Discussion of the Fascist proposal, surprisingly supported by Lord Plymouth, was therefore adjourned once more.

Anglo-Irish Discussions.—Much speculation was aroused by the talks in London between Mr Malcolm MacDonald and Mr de Valera at the end of last week. That the interview was more than formal was initially suggested by its duration; the Dominions Secretary, however, has since stated in the House of Commons that it was less than formal. His statement, incidentally, tended to correct the previous inspired denial that the conversations did not touch on constitutional or political relations between Great Britain and Ireland. The Government of the United Kingdom, he said, were ready to take any opportunity of reaching a satisfactory settlement of outstanding questions between the two countries. Mr de Valera has already declared his view that the partition of Ireland is the only such question of any importance remaining. At least a new economic and financial settlement now seems likely. The pact of last year (which was itself an enlargement of a previous compromise) freed a large section of the trade in Irish livestock and British coal and other manufactures from prohibitive duties. It is now to be extended for another year. To this pact is attributed the rise in our imports from the Free State from £12,500,000 in the first nine months of 1933 to £14,600,000 in the same period of 1936. and in our

exports to the Free State from £13,800,000 to £15,400,000 in the same interval. But there is still plenty of scope for the expansion of mutual trade by an agreed relaxation of the British duties that were imposed—with surprising financial success—in order to collect the defaulted land annuities, and a corresponding relaxation of the retaliatory duties in the Free State. The Government's fiscal loss would be made up in indirect ways, and would, in any case, be overborne by the political advantage it would bring.

Opinion in the Free State.—The attitude of responsible opinion in the Irish Free State towards a lasting Anglo-Irish settlement deserves serious consideration. Our Dublin correspondent summarises that opinion under four heads. First, the economic and political points of difference can be, and should be, separated; the economic dispute is capable of compromise and should be settled immediately, but the political one bristles with difficulties, and caution counsels delay. Secondly, the only person who can settle any of the disputes is Mr de Valera, since the Irish Opposition will endorse his settlement, whereas he will smash any settlement made by anybody else. Thirdly, the political problem is not now concerned with the status of the Irish Free State, since the "external association" solution has apparently been swallowed by Great Britain. Fourthly, the chief difficulties in the way of a settlement are the position of Northern Ireland, the naval bases at Queenstown, Berehaven and Lough Swilly. Now it cannot be sufficiently emphasised that no permanent peace between England and Ireland is possible while the *de jure* position of Northern Ireland remains unchanged. The major problem is thus the finding of a formula that will put the *de jure* position right in Mr de Valera's opinion, while leaving the *de facto* position unchanged. On the question of the naval bases some compromise is possible, and, as a matter of fact, many recent actions of the Free State Government (e.g. oil refineries at Dublin and the Shannon air base) are generally believed to be part of scheme of defence of the British Isles in war. This, however, would not be publicly admitted. All these matters are so difficult, especially that of Ulster, that it is hard to believe that they formed the subject of the de Valera-MacDonald talks. The problems pressing for a more immediate solution are the economic dispute and the Free State plans about the Coronation. The general feeling in Dublin on these matters is that the economic dispute should be settled without further delay, and that the Free State should play some part in the Coronation. A settlement of the wider issues would also be very popular; but it is realised that the Ulster difficulty is for the time being an insuperable obstacle and that more might be lost than gained by reopening issues which are temporarily insoluble.

Canada and the Commonwealth.—Piece by piece the story of the Dominion's part in the Abdication crisis is being fitted together. In the Canadian House of Commons, Mr Woodsworth, the Socialist leader, protested against the alleged unconstitutionality and secrecy of the Dominion Cabinet's behaviour. Mr Mackenzie King, moving a Bill to ratify Canada's assent to the Declaration of Abdication Act, thereupon revealed that he had directly advised his Majesty against the projected marriage with Mrs Simpson. On December 8th—the date of Mr Baldwin's last audience at Fort Belvedere—he had communicated with King Edward, through the Governor-General, expressing his Government's view that "the recognition by your Majesty of what, as King, is owing by you to the Throne and to your Majesty's subjects in all parts of the British Commonwealth should, regardless of whatever the personal sacrifice might be, be permitted to outweigh all other considerations." This, of course, must be regarded as an appeal, not as formal advice. Mr Bennett cordially supported the Prime Minister, but an important criticism came from Mr Cahan, who—taking the directly

opposite line to Mr Woodsworth's—deplored the insistence on formal Parliamentary sanction for executive decisions required under the Statute of Westminster.

Mr King was not yet able to give details of the Anglo-Canadian trade agreement, which was reported to have been reached in principle at the end of last week. It is understood in Ottawa, however, that in return for the continued guarantee of preferences and freedom of entry for the principal Canadian products in the United Kingdom market, Canada will lower her tariff on textiles (particularly woollens) and other United Kingdom exports. Still another Canadian announcement of Commonwealth importance has been Mr Dunning's Budget estimates for 1937-38. Ordinary expenditures, at \$410,465,000, are up some \$16,500,000, the greater part of which is accounted for by increases in the defence votes. The latter now total \$34,000,000, and approach the level of this year's defence appropriation in Australia. The air force is to be greatly expanded, and efforts will be made to have both 'planes and engines constructed in Canada. In these respects Canada is following the expressed policy of Australia and South Africa.

Elections in India.—This week the first provincial elections under the new Constitution began in India; they will not, however, be completed for another month. Interest and activity are reported to be intense throughout India, especially in the Congress party, which has hopes of winning in Madras, the Central Provinces, Bombay, and possibly one of the smaller provinces. The elections will be a test, not only of the new provincial constitutions and the new franchise, but also of the Communal Award of 1932. Great importance attaches, therefore, to the pact made between two prominent leaders of the Moslem and Hindu communities, respectively, in Bengal, Sir Halim Ghuznavi and the Maharajah of Burdwan. Its main points are that, although the present communal award in Bengal should stand, it should be subject to revision in ten years' time unless modified earlier by agreement; that the provincial Cabinet should always contain equal numbers of Hindus and Moslems; and that the public services should be recruited from the two communities in equal proportions, special terms being guaranteed for the smaller minorities—Europeans, Anglo-Indians and Christians. The Bengal Moslems are in a majority, which under the communal award is assured to them in the provincial legislature, as against the Hindus, but not as against all non-Moslem elements combined; and there appear to be dangers of deadlock if the party and ministerial forma-

FOREIGN TRADE

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tions follow purely communal lines. This gives special value to the Ghuznavi-Burdwan pact, which is said to be influentially supported in the two communities. In Bengal and elsewhere much may depend on the attitude of the representatives of the depressed classes, who may even—if they can find their Parnells—play the part of an Irish party holding the balance between two larger camps. Mr Gandhi's efforts to commit candidates for the legislatures to one side or the other in the campaign against untouchability reflect the tactical position in which the depressed classes find themselves.

Arabs and the Mandate.—The Royal Commission on Palestine took its last evidence this week, and is sailing for England at the week-end. Our fear that the Arab leaders' statement of their case might be extreme rather than persuasive seems, unfortunately, to have been borne out. Their grievances against the Mandate's administration have been almost swallowed up by their denunciation of the Mandate itself—which the Commission, under its terms of reference, cannot call in question. The Arabs have taken their stand unwaveringly on their claim for self-government for Palestine, which they assert was promised them by Great Britain during the war; otherwise (so they declared in evidence) they would have preferred to remain under Turkish rule. Auni Bey Abdul Hadi told the Commission that the Arabs had always been ready for a compromise with the Jews, and that, while stoutly opposed to any recognition of Zionism, they were prepared to sit down with the Jews and recognise their rights as a minority in the country. The realities of the problem of Arab economic inferiority were exposed by such pieces of evidence as Fuad Effendi's Saba's attack on the protective tariff, which furthered Jewish industry at the expense of the poor Arab agriculturist, and his demand for an income tax. The conflict in Palestine is grave enough without its being reinforced by clashes of fiscal interest comparable with the income-tax controversy in Kenya or the tariff controversy in Western Australia.

Losses in the Film Industry.—We find it hard to believe, as headlines in the popular Press during recent weeks have suggested, that joint-stock banks, insurance companies and groups of Lloyd's underwriters have abandoned their traditional caution and lost "millions," in the past year or two, in their dealings with film production companies. So far as is known, the banks have advanced no money for this kind of business except against a Lloyd's guarantee. The underwriters accepting these lines have limited their policies to amounts which, under the terms of contracts between the producer and a recognised distributor, will be paid when the film is delivered. Losses, however, there have undoubtedly been. How have they arisen? The explanation is to be found in the highly complex character of the film business. Every picture is necessarily so different from the last that costing is well-nigh impossible. If the budget for any picture is exceeded, the entire financial basis is upset. The distributor's guarantee is not operative until the picture is completed and delivered. Additional finance therefore becomes necessary for a picture whose intrinsic value has not increased. There are extreme cases reported where a picture budgeted to cost £80,000 has not left the studio until over £130,000 has been spent. Some of the difference has been provided by the immediate associates of the producing company; but in certain instances the underwriters have been compelled

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to help the picture to completion. In many of these, money has undoubtedly been lost; but the underwriters' representatives have now gained sufficient experience to enable them in future to impose such conditions at the outset as will reduce risks of this kind to a minimum.

Another difficulty has been the failure of the distributor to realise the gross return on the picture, on which the producer based his venture in the first instance. Sometimes this has been due to the failure of the picture to appeal to the public. At other times, however, the blame has been put on the distributor, who may have merged the returns on a specified picture with those of a number of others in which the owners of the first picture are not financially interested. This again, appears to be a matter which will be ultimately adjusted by modification in the terms of future distribution contracts. It seems reasonable to assume that, in the long run, pictures will be made and completed at such a cost, and distributed on such terms, as will provide for all interested parties a reasonable participation in the resulting profits. We cannot believe that Mr Maxwell and Mr Ostrer have spoken the last word when they say that British pictures cannot be made at a profit. They, as owners of large circuits of prosperous theatres, are at liberty to credit any price they please to any particular pictures they are exploiting. Similarly, we should not be surprised to learn that large insurance interests, who are said to have lost part of their considerable investment in the film business in the last two years, have found compensatory returns in other directions.

Recovery in Coal.—The British coal industry is gradually making headway against the depression. Despite a further decline in exports and shipments for the use of steamers, production continued to expand last year owing to a marked improvement in home demand. As output rose by 5.6 million tons, while shipments fell by 4.8 million tons, home consumption has increased by more than 10 million tons between 1935 and 1936:—

BRITISH PRODUCTION AND EXPORTS OF COAL
(In millions of tons)

	Output of Coal	Exports	Shipments for the use of Steamers
1929	257.9	60.3	16.4
1933	207.1	39.1	13.5
1935	222.9	38.7	12.5
1936	228.5	34.5	11.9

Actually, home consumption of coal in 1936 was slightly above the pre-depression level and may be expected to show a further increase during the current year. There are signs, moreover, that the downward trend of exports has at last been arrested; for world demand for coal is increasing. Exports in December, for example, showed an improvement over those of the corresponding month in 1935, mainly as a result of heavier French purchases. The improvement in coal-mining, however, cannot be measured in terms of output alone; for owing to the increased efficiency attained by mechanisation, the current level of profits in the industry is considerably higher than in 1929.

Redundant Cotton Spindles.—The Spindles Board set up under the Cotton Spinning Industry Act, 1936, has published the results of its recent census of spindles. The total number of cotton-spinning spindles in Great Britain on September 14, 1936, was 40,501,414, of which 29,459,379 were mule spindles and 11,042,035 ring spindles. Yarns spun from American and Egyptian type cotton represented about 75 per cent. and 25 per cent., respectively, of total output. During the six months ended September 14, 1936, the spinning industry was operating at about 77 per cent. of capacity. The average number of hours worked per spindle was 883. A mill working full time during the six months would

have run approximately 1,152 hours, after allowing for holidays. During the half-year, 6.2 million mule equivalent spindles were completely idle. The total unused capacity of the industry during the six months, on the basis of mule equivalent spindles, was: completely closed mills, 4,000,000; completely stopped spindles in running mills, 2,200,000; and spindle hours unused on running spindles, 4,200,000, making a total of 10,400,000 spindles, or 23 per cent. of the total. It is pointed out that in 1934 the Colwyn Committee estimated that early in that year the industry contained 13,500,000 mule equivalent spindles more than were needed for full-time working.

During the last two and a half years, the unused capacity of the industry has been reduced by about 3,000,000 mule equivalent spindles. During the same period the number of spindles has fallen by about 6,000,000. It is known that a few mills have been bought by the Spindles Board, but owing to the improvement in business fewer spindles will now be offered at current prices, and the Board will probably have to pay more if they are to continue the process of elimination of redundant spindles.

London's Meat Supplies.—The Central Markets at Smithfield are the largest meat market in the world. They cover an area of about ten acres and handle produce to the value of over £35 millions annually. Though Smithfield serves a growing population, the volume of produce sold in the Central Markets last year was 1.6 per cent. smaller than in 1935. Supplies compare as follows:—

VOLUME OF SUPPLIES (in Tons)

	1935	1936
Beef and veal	248,269	248,738
Mutton and lamb	142,846	134,927
Pork and bacon	50,273	50,088
Poultry and game	23,312	23,169
Miscellaneous	12,077	12,320
Total	476,777	469,242

A sharp drop in sales of mutton and lamb was the most notable feature of the year. The percentage of supplies produced within the Empire fell from 58.1 to 57.8 in 1936, mainly owing to smaller Dominions entries.

SOURCES OF SUPPLIES (in Tons)

	1935	1936
British and Irish	133,498	132,794
Dominions	143,515	138,260
Foreign	199,764	198,188

Prices, as usual, fluctuated considerably. The price of beef, on the whole, showed little change from the 1935 average, but frozen mutton was generally dearer, and English mutton recovered after declining during 1935.

End of the Wheat Subsidy?—The steady advance of wheat prices has given rise to the rumour that the Wheat Commission will shortly suspend the "quota payments" on flour. Although the Commission has refused to authorise a statement, it is evident that action cannot be long delayed. The Wheat Act set up an ingenious system whereby the British wheat growers were guaranteed a standard price of 10s. a cwt.; provided that if total home production of millable wheat exceeded 27 million cwt. in any year the subsidy would be proportionately reduced. The funds required to make up the difference between the market price and the standard price are provided by a levy paid by the flour millers and importers. The "Gazette" average price of British wheat has risen this week to 9s. 11d. a cwt., and it is thus clear that the wheat subsidy must shortly disappear altogether. Hence the flour levy—which has been as high as 4s. 6d. per 280-lb. sack, and is now 1s.

per sack—must disappear also. Its early removal is the more likely since the Wheat Commission is reported to have a balance of over £1,000,000 in the "wheat fund" at the Bank of England. The price of flour is a direct determinant of the price of bread; and it is thus highly satisfactory that this subsidy, above all others, should automatically disappear with the passing of the circumstances which called it into being.

International Tube Agreement.—Representatives of the tube makers of eight countries, including Great Britain, succeeded, last week, after prolonged negotiations, in concluding a gentleman's agreement on minimum export sales prices. After nearly two years of cut-throat competition, the new understanding has won the support even of the German tube producers, who are enjoying manifold direct and indirect subsidies, and are not prepared to sacrifice their immense gains on the export markets. It is doubtful, however, whether a price agreement will be sufficient completely to stop competition. The former cartel, which came to an end in March, 1935, provided for co-operation within a far wider range than the present pact. And there are many forms of competition besides price cutting. The British tube industry, largely represented by Stewarts and Lloyds, has long been prepared for a renewal of international co-operation. Its organisation postulates a large home and export turnover, and though home demand has greatly increased, the company is still exporting not much less than one-half of its total output. Since the erection of the Corby plant, however, production costs have been considerably reduced; and British participation in the cartel is consequently in a much stronger tactical position than before.

Devaluation and Tourist Traffic.—The foreign tourist traffic, which is of such great economic importance to the Alpine countries, has been markedly affected this winter by the various devaluations of three months ago. Though detailed figures are not yet available, it is certain that the winter sports season as a whole has been good. France has benefited somewhat from an increase in transit traffic, and Switzerland has gained substantially at the expense of Austria. Swiss prices had already been cut in the deflation period; and the further reduction implied in devaluation consequently attracted to Switzerland many of the English tourists who had gone to Austria in the previous two years, when the schilling was depreciated and the Swiss franc still at par. At the same time, the devaluation of the Czech crown has diminished the number of Czechs going to Austria; and the German-Austrian agreement of last July has not yet been followed—owing to exchange difficulties—by any marked increase in the number of Germans going to Austria. Though Austria still remains popular with English tourists, therefore, there can be no doubt that the Austrian resorts must suffer from the loss of the currency advantage which they held in the last two years. One may hope that this loss will soon be made up by the steady growth, now apparent, in the traffic as a whole.

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World Industrial Production.—During the past year industrial activity continued to expand in most countries of the world. Indeed, the volume of industrial production in 1936 in the world as a whole actually exceeded the pre-depression level by about 6 per cent. But, as the world's population has increased during the past seven years, industrial production per head in 1936, as estimated by the German Institute for Business Research, was still somewhat smaller than in 1929. The following figures show the economic progress of the world since 1913:—

WORLD'S POPULATION AND INDUSTRIAL PRODUCTION (1913=100)			
	Population (a)	Industrial Production	Production per head
1929	109	147	135
1936	118	156	132
(a) Estimates.			

But while industrial production in the world as a whole has made considerable headway since the depression, recovery has been very uneven, and a number of countries have so far gained little ground. Thus, the volume of industrial production in Holland, France, Poland, Belgium, Czechoslovakia, Austria, the United States and Canada was still well below the pre-depression level during the past year. Countries whose industrial output in 1936 was more than 30 per cent. above the level of 1929 include, in order of progress, Japan, South Africa, Sweden, Greece, Finland, Hungary, and Roumania. Industrial production has shown an increase up to 30 per cent. between 1929 and 1936 in Denmark, Estonia, British India, Australia, the United Kingdom, Norway, Chile and Germany. In view of the rise in the prices of primary products and the devaluation of the gold *bloc*, progress in 1937 may be less uneven.

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International Balances of Payments.—Not the least valuable of the economic publications issued by the League of Nations is the annual volume on Balances of Payments. The issue referring to 1935 has now appeared.* The main body of the volume is taken up with summaries of the official estimates of the Balances of Payments of no fewer than 28 countries, many of whom have been stimulated to make these estimates by the enterprise of the League's Secretariat. The most interesting part of the volume, however, is the Introductory Chapter, in which all the estimates are reduced to the common (though mythical) basis of the "old gold dollar." The chapter contains also a number of comments on the general trends of international financial transactions. Figures are given, for example, of the net balances on current account of the three great creditor countries, Great Britain, the United States and France. The resulting totals are shown below:—

(Millions of "old gold dollars")				
	Net balance on account of goods	Net receipts from interest and dividends	Net receipts from other services	Total
1927	- 1,593	+ 1,823	+ 890	+ 1,120
1928	- 1,258	+ 1,867	+ 896	+ 1,505
1929	- 1,931	+ 1,967	+ 833	+ 869
1930	- 2,008	+ 1,859	+ 719	+ 570
1931	- 2,343	+ 1,432	+ 415	- 496
1932	- 1,294	+ 959	+ 9	- 326
1933	- 1,107	+ 907	+ 292	+ 92
1934	- 895	+ 843	+ 304	+ 252
1935	- 951	+ 916	+ 211	+ 176

The figures deserve close examination, for they are typical of the attempt made this year, by the compilers of the work, to illustrate changes in the relations between creditor and debtor countries during the last few years, stripped of the confusing effects of purely capital movements of funds, inspired by political or financial fears.

* * *

The usefulness of the figures, however, is limited in many ways. First, they are expressed in a currency which no longer has any existence; and the mere arithmetical fact of conversion from real currencies to a

* "Balances of Payments, 1935." Allen and Unwin. 6s.

mythical one, of much higher supposed value, automatically reduces the size of the figures. Secondly, since they refer to three countries only, changes may be due to accidental events in these countries rather than to the working of any principle applicable to creditor countries in general. Nevertheless, the figures do show the broad outlines of the changes that have taken place: the sudden disappearance of the creditor countries' lendable balances and their slow reconstruction after the crisis. It is possible that the 1936 figures, however, will reveal a much smaller positive balance. International trade, as it is at present developing, leaves little margin for international lending. And the vogue of bilateral treaties will impose still further restrictions on freedom of action.

* * *

The Cost of Poverty.—The first volume of the Local Government Financial Statistics for 1934-35* contains particulars of the financial transactions of poor law authorities in England and Wales during the year ended March 31, 1935. The returns show that the total expenditure on poor relief in 1934-35 was £42,507,265 against £40,155,020 in 1933-34. Expenditure on institutional relief rose from £19,472,167 to £19,682,572, and on domiciliary relief by 11.6 per cent. to £20,710,028; the actual expenditure on out-relief in money or kind was £18,706,837, an increase of £2,017,362, compared with 1933-34. Some £38,953,016 was found out of the general funds of the Councils, and was therefore derived in an unascertainable proportion from rates and the block grant established by the Local Government Act of 1929; this sum was equivalent to a rate of 2s. 10½d. in the £1 over the whole country. The returns relate to the fifth year during which relief has been administered by the Councils of Counties and County Boroughs, and an interesting table is included to compare the expenditure of 1934-35 with that of the Guardians in 1929-30. Striking features of this comparison are a decline of approximately £4.5 millions in the cost of institutional relief, due in part to the increased efficiency of the new regime, and an increase of over £6 millions in the cost of out-relief, largely to persons ordinarily engaged in some regular occupation. The figures necessarily do not reflect the measure of recovery attained between March 31, 1935, and the time of their publication; but, whatever virtues may be claimed for the new administrative regime, the statement of expenditure does emphasise the great burden laid upon the country by poverty and destitution. The statistics are a challenge; only by the restoration of trade, the revival of industry, and the improvement of health, housing and nutrition, can the burden be lifted.

* * *

Consumption of Fertilisers.—The following table, published by the British Sulphate of Ammonia Federation, shows world production and consumption of nitrogen in recent periods:—

WORLD PRODUCTION AND CONSUMPTION OF NITROGEN (In thousands of metric tons)				
Production:—				
	1929-30	1931-32	1935-36	
Sulphate of ammonia	867	824	995	
Cyanamide	264	134	270	
Nitrate of lime	131	79	156	
Other forms of nitrogen	478	378	765	
Chilean nitrate	464	170	192	
Total	2,204	1,585	2,378	
Total consumption	1,951	1,555	2,400	
Agricultural consumption	1,750	1,412	2,068	

Apart from the marked increase in the production of nitrogen, there is a striking decline in Chilean nitrate. But owing to the existence of an international agreement, prices have been well maintained. The increase in consumption was most marked in Germany, the United States, Japan, Italy, the U.S.S.R., France and Egypt.

* "Local Government, Financial Statistics, 1934-35, Part I. Poor Relief." Ministry of Health. His Majesty's Stationery Office. 6d. net.

Overseas Correspondence

From Our Special Correspondents

United States

The Strike in the Motor Industry

NEW YORK, January 12.—The stoppage in the motor industry has spread, because more plants have been unable to obtain materials, owing to the stay-in strikes. These are copied from the French strikes of last summer, except that the actual strikers are but a small fraction of the workers. The General Motors Corporation comprises some 65 plants, exclusive of unaffiliated concerns supplying special accessories. These plants are mainly concentrated near Detroit, but the rest are scattered.

Only a minority of the employees is organised; and these are divided among company unions, American Federation of Labour unions and Committee for Industrial Organisation unions. The C.I.O. unions number about 15 per cent. of the workers, with perhaps 10 per cent. more, supporting or sympathetic. The A.F.L. unions are opposed to the strike but are numerically smaller than the C.I.O. unions. The effectiveness of the strike depends upon the ability of the C.I.O. unions to create "bottle-necks" within the Corporation, and upon the shortage of materials created by such strikes as that in the glass industry. So far, the stoppages have been limited to the plants of the General Motors Corporation; but the shortage of glass and accessories is expected to lead to the closing-down of other plants.

A Balanced Budget in 1938

The Budget Message anticipated only a small increase in the public debt in the current fiscal year (ending June 30, 1937); and a balanced Budget in the fiscal year 1938. As relief expenditure for the fiscal year 1938 is omitted from the estimates, this forecast is provisional.

EXPENDITURE OF THE FEDERAL GOVERNMENT (\$000,000)

	Actual				Estimated		
	1932	1933	1934	1935	1936	1937	1938
Regular Oper. Exp.	3,271	2,918	2,426	2,736	4,794	3,804	3,201
Public works	440	428	552	704	869	1,147	908
Relief	...	351	1,853	2,361	2,342	1,875	13
Loans, etc.*	...	...	63	222	466	468	482
Social security	...	...	...	...	28	400	836
Debt retirements	413	462	360	574	403	405	402
Grand Total†	5,154	5,143	6,752	6,854	8,803	8,481	6,158‡

* Includes Agricultural Adjustment programme.

† Includes minor expenditures not itemised.

‡ Exclusive of relief, etc., provisionally put at \$1,500 millions.

The actual revenue in the fiscal year 1936 was \$4,116 millions, against an expenditure of \$8,803 millions, giving a deficit of \$4,687 millions, which included \$1,673 millions for the Veterans' Bonus. For 1937, revenue is put at \$5,828 millions, giving a deficit of \$2,653 millions, including \$563 millions for the Bonus. Supplementary appropriations are, however, expected before the end of the current fiscal year. For 1938, revenue is estimated at \$7,264 millions, and expenditure, exclusive of relief, at \$6,158 millions. This estimate anticipates an extraordinary increase in revenue.

REVENUE

	Actual	Est.	Est.
	1936	1937	1938
Income tax	\$	\$	\$
Miscellaneous	1,427	2,373	3,365
Social security tax, etc.	2,005	2,275	2,508
Customs	...	541	774
Total*	387	447	463
	4,110	5,796	7,264

* Includes minor itemised elements.

The most striking figures are the rapid increase estimated in the yield of the Social Security taxes, and the optimistic forecast of the income tax. This estimate is based upon the extension of recovery, and an increase in the revenue produced by the Undistributed Profits Tax, enacted a year ago.

The Distribution of Excess Reserves

In early December, most people in financial circles expected an increase of 50 per cent. in the reserve requirements for member banks. The January *Federal Reserve Bulletin* shows the geographical distribution of excess reserves in the first half of November, 1936:—

EXCESS RESERVES OF MEMBER BANKS					
	All Member Banks	New York	Chicago	Reserve City	Country Banks
Rates of excess to required reserves:—					
Less than 16½ per cent.	1,445	14	4	110	1,317
16½ per cent. to 33½ per cent.	1,171	8	1	71	1,091
33½ per cent. and more	3,772	15	12	155	3,590
Total Member Banks	6,388	37	17	336	5,998

The distribution of excess reserves is thus far from uniform. Banks holding 33½ per cent. of excess reserves could meet an increase of 50 per cent. in base requirements without adjustment; but only about half the banks fall into this category. Banks with 16½ per cent. could meet an increase of 25 per cent. without adjustment; but about a quarter of the banks would have to adjust their position to meet an increase. Therefore, it is now believed that, if reserve requirements are increased, it will be by not more than 25 per cent. It is, however, questionable if any quantitative and effective credit control is to be looked for in the near future.

The Progress of Recovery

Production reached a new level in November:—

BUSINESS INDICES (1923-5 = 100, adjusted for seasonal)				
	Nov., 1935	Oct., 1936	Nov., 1936*	Nov., 1936*
Industrial production (total)	96	109	114	114
Manufactures	97	110	114	114
Minerals	92	104	110	110
Construction contracts (total)	60	57	58	58
Residential	26	43	40	40
All other	88	69	72	72
Factory employment	88.0	94.3	95.8	95.8
Factory pay rolls	75.5	88.8	90.1	90.1
Freight car loadings	66	73	80	80
Department store sales	82	90	93	93

* Preliminary.

Total production has thus risen about 20 per cent. since November, 1935. Factory employment has increased by



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about 10 per cent., and pay rolls have risen as much as production and more than employment. Non-residential building contracts have declined owing to the fall in government contracts, which were exceptionally heavy a year ago. Residential building contracts have increased by 50 per cent. since November, 1935.

In May, 1935, when N.R.A. was ended, the production index was 85, the index of factory employment was 81.2, and of factory pay-rolls 68.5. Since that time, production has risen 34 per cent., factory employment 18 per cent. and factory pay-rolls about 31.5 per cent. It would be difficult to argue that it was the abolition of N.R.A. that caused this improvement, as N.R.A. had become virtually extinct before the Court decision; but the figures suggest that the ending of N.R.A. was in no visible way prejudicial to the workers in general. Instances can be found in which individual concerns have reduced wages and lengthened hours oppressively in the past two years, but this has been exceptional. The motor industry, for instance, has preserved the 40-hour week, and has an hourly wage-scale equal to or higher than in 1929. The work is better distributed over the year (because of the change in the seasonal introduction of new models) than before the depression. In the particular Corporation directly affected by the strike, labour conditions are fully equal to the average of the industry.

Higher Prices in the Shops

The rise in the price of primary commodities is being translated into higher consumer prices. It is not unusual for shops to announce that, when present stocks are exhausted, higher price schedules will be posted. For example, the price of cheap suits for men will be raised by about 10 per cent.; and a similar increase is expected in the price of various articles of individual and household use.

France

Business Revival and Political Calm

PARIS, January 21.—The political situation is very calm. After so many promises and so many disappointments, public opinion is welcoming the first signs of a revival of business. The political crisis, which was forecast for this month, is not likely to occur before Easter at the earliest, because the opponents of the Cabinet are powerless in face of the rising economic trend. There are, however, some members of the Opposition who place their hopes in the Treasury's difficulties; they are encouraged by the fact that the latest return of the Bank of France showed a new increase of the "New Advances to the state" by 1,350 million francs to 6,750 millions. But it is generally believed that, in case of need, the Treasury will find the necessary help abroad.

These Treasury difficulties have prevented the rising tide of confidence on the Stock Exchange from affecting the price of the "Rentes" to any great extent. The deposits of the great Parisian banks have, however, risen during November.

(Fr. '000,000 omitted)			
	Nov. 30, 1935	Oct. 31, 1936	Nov. 30, 1936
Crédit Lyonnais	10,614	10,425	10,614
Société Générale	9,155	8,645	8,867
Comptoir National d'Escompte ...	6,964	7,076	7,024
Crédit Industriel et Commercial...	1,355	1,401	1,507
Totals.....	28,088	27,547	28,012

Deposits have risen by 3,200 millions since the end of August, when they were lower than they had been for many years; the highest recent figure was 35,000 millions in the pre-depression years.

It will be noticed, however, that the total of 28,000 millions, which represents nearly 70 per cent. of the total resources of the French money market, does not afford the Government such large possibilities of action as the City of London, where the last total deposits of the

clearing banks was almost £2,300 millions. The smallness of the deposits of the French banks is partly the result of the development of the savings banks, which have accumulated (through a policy of high interest; 3½ per cent. at sight) a capital of 100,000 million francs.

Recovery in Foreign Trade

Total foreign trade in December was valued at 4,650 million francs; imports were 3,013 millions and exports 1,637 millions. Imports increased by 306 millions compared with November, while exports fell by 83 millions. The import surplus is thus 1,376 millions, against 987 millions in November, and 677 millions in December, 1935. Compared with December, 1935, imports increased by 1,045 millions, and exports by 346 millions. The import surplus is explained by the needs of industrial recovery, and by the rise in foreign prices.

The value of total foreign trade in 1936 was 40,852 millions of francs, against 36,470 millions in 1935.

(Fr. '000 omitted)			
	1935	1936	
Imports—			
Foodstuffs	6,263,664	7,795,300	+ 1,531,636
Raw materials	11,179,986	13,773,473	+ 2,593,487
Manufactured goods	3,530,315	3,829,271	+ 298,956
Total	20,973,965	25,398,044	+ 4,424,079
Exports—			
Foodstuffs	2,473,590	2,469,277	— 4,313
Raw materials	4,255,708	4,439,907	+ 184,199
Manufactured goods	8,766,442	8,544,441	— 222,001
Total	15,495,740	15,453,625	— 42,115

The year 1936 marks the first recovery in the total value of French foreign trade after 7 years of decline. The figures in volume are as follows:—

('000 tons omitted)			
	1935	1936	
Imports—			
Foodstuffs	5,496	6,225	
Raw materials	37,561	40,049	
Manufactured goods	1,564	1,675	
Total	44,621	47,949	
Exports—			
Foodstuffs	1,823	1,284	
Raw materials	24,629	25,220	
Manufactured goods	2,865	2,447	
Total	29,317	28,951	

The export figure for the year 1936 was lower than for 1935, but exports were rising at the end of 1936.

Budget Revenue Rising

Fiscal receipts in December were 3,689 millions:

(Fr. '000,000 omitted)			
	December, 1936	December, 1935	Rise or Fall compared with
Direct taxes	792	—	7
Indirect taxes	2,322	—	223
Other	22	—	5

Indirect taxes show a surplus of 156 millions over the estimates, compared with a deficit of 10 millions in November and 140 millions in October. Compared with 1935, receipts they show an increase of 223 millions in December, against one of 123 millions in November, and a decrease of 57 millions in October. This recovery is the result of the rise in prices and the revival of business. The yield of the turnover-tax was 549 millions in December, or 74 millions more than in December, 1935. Fiscal receipts for 1935, as a whole, were 27,000 millions, or 512 millions less than the estimates, and 603 millions more than the receipts of 1935.

20 per cent. Increase in Railway Receipts

The Government has accepted a Bill instituting the 40-hour week on the railways. This measure is intended to increase the staff of the railways by 60,000, and to diminish unemployment correspondingly. This measure will cost the railways more than 1,100 millions. Railway receipts for the fifty-second week of 1936 were 206,163,000 francs, against 170,735,000 francs for the same week of 1935, an increase of 20.75 per cent. The

increase was 19.51 per cent. in passenger traffic and 21.31 per cent. in goods traffic. For the whole year, the figures are:—

(Fr. '000,000 omitted)			
	1935	1936	Per cent.
Passengers	7,128	7,207	+1.10
Goods.....	2,683	2,674	—0.34

There was thus an increase in passenger traffic and a slight decline in goods traffic, compared with 1935.

Germany

The Fall in Unemployment

BERLIN, January 19.—The turnover of retail trade in 1936 was some 10 per cent. higher than that of 1935.

The Unemployment Insurance Board reports for 1936 a decline of 41.6 per cent. in the number of unemployed manual workers; and a fall of 35.9 per cent. in the number of unemployed non-manual workers. The greatest fall, one of 59.4 per cent., occurred in the iron, steel, and metal trades. The average time worked daily in all industrial occupations, which fell between October, 1929, and October, 1932, by 8.5 per cent., has since risen by 8 per cent. The average working day in October, 1936, was 7.68 hours. Most of the increase in working hours took place in 1933 and 1934. For technical reasons, employers chose to lengthen working hours before taking on more hands. Wage rates (as distinct from earnings) did not vary for any class of worker last year. No wage rates differ by more than 0.3 per cent. from the rates of 1933, but they average 16.5 per cent. below those of 1928. The highest wages for men are in building, brewing and bookbinding, and the lowest in textiles.

Pig-iron output in December was 1,258,300 tons; in 1936, output was 15,303,100 tons, against 12,841,900 tons in 1935, and 3,932,400 tons in 1932. The Friedrich Krupp A.G., Essen, has resumed dividend payments, at a rate of 4 per cent., for the business year 1935-36. Gross profit was Rm. 65 millions, against Rm. 48 millions in 1934-35; net profit was Rm. 14.4 millions, against Rm. 9.7 millions. The new net profit is 9 per cent. on the share capital of Rm. 160 millions. The dividend absorbs only Rm. 6.4 millions, and Rm. 4 millions goes to a special reserve for the execution of projects in the Four-Year Plan. The Vereinigte Stahlwerke A.G. (Steel Trust) announces the increase of its dividend from 3½ to 4½ per cent.

Boom in Shipbuilding

The last quarter of 1936 brought the German shipbuilding industry a great increase of orders. At the end of the year, orders had been placed for 248 ships of 978,945 gross tons, against 157 ships of 531,700 tons at the end of 1935. Some 150 ships of about 400,000 tons were for German firms, and some 550,000 tons were for foreign firms. The much lower total for German firms is due to the fact that orders definitely booked, but on which work has not begun, are not included. The capacity of German yards is limited, and it appears that work for foreign firms is being given priority. For the moment, it is not proposed to establish new yards, but according to the Reich Ministry of Communications, 265,000 tons per annum must be built for Germany in the next ten years. Because of the high subventions paid to foreign shipping, and the low costs of construction in the countries which have devalued their currencies, Germany's commercial fleet cannot, it is suggested, be renovated without the financial help of the Government. Emphasis is laid on the need for newer vessels. In a total of some 3,700,000 tons, 68 per cent. are more than ten years old. The vessels planned are mostly freight ships for traffic to the West Coast of South America, East Asia, and Australia.

The Prussian loan of Rm. 200 millions brought in subscriptions totalling Rm. 234 millions. The cash subscribers will therefore be rationed to 65 per cent. The

total Reich debt on November 30th is returned at Rm. 15,245 millions, against Rm. 14,010 millions in November, 1935. The foreign debt decreased from Rm. 1,704 millions to Rm. 1,458 millions, taking into account the new gold-bloc devaluations. Against an increase of nearly 2,000 millions in the home long-term or middle-term debt, the home short-term debt has declined by nearly Rm. 300 millions. The total of tax-credit certificates in circulation or on deposit with the Reichsbank as security, decreased from Rm. 1,299 millions to Rm. 871 millions. Rm. 3,500 millions were involved in the conversion of municipal debts, which was virtually completed last October; the result has been to reduce the interest charges by nearly Rm. 70 millions a year.

The Growth in "Credit Indebtedness"

An official return has been published on "The Credit Indebtedness of the German Economy"; it is presented as a reply to the foreign charge that the creation of work, re-armament, and public investment, have caused excessive credit expansion. The official definition of "credit indebtedness" covers the liabilities of agriculture, trade, industry, and public corporations, to banks and insurance companies, and liabilities under bond issues; but it does not cover debts between business undertakings or the share capital of companies. The return therefore embraces bonds (including foreign), mortgages, short-term credits (including bills, treasury bills, and advances on goods), and various other credits, including token coins in circulation. The total of these is shown to have changed little of late years, and relatively little compared with the total before the war, when the credit structure was itself different. The sum of public long-term debts was then much higher. The total of indebtedness was, at the end of 1913, 114,446 millions; in 1928, 84,896 millions; in 1932, 96,118 millions; and in 1935, 101,219 millions. Since 1928, public and private business have undergone great vicissitudes. The relative stability of indebtedness proves, it is implied, that such vicissitudes need have no great influence on the movement of credit.

The Campaign against Foreign Securities

Foreign securities have been depressed by the expectation that new restrictions on their sale and purchase would be imposed. This rumour mainly concerned those foreign and colonial stocks and bonds which, under the decrees of November, had to be handed over to foreign exchange banks. The market for Reichsmark bonds was, however, strong. Since January 1st, it has been possible to buy shares with blocked marks (including "emigrant" and "credit" blocked marks), only if the buyer had previously sold other shares. Blocked credits dating from before January 1st, new blocked credits, and credits arising from the sale of bonds, may not be used for the purchase of shares. These credits tend to flow to the market for home bonds. A new

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official journal which is devoted exclusively to the Four-Year Plan makes it clear that, while concerns expanding their production will be allowed to raise capital by issuing bonds, they will be first expected to provide as much as possible of the needed capital out of their own savings; and the authorities will themselves determine whether this condition has been fulfilled. In general, the utterances of this official publication are "autarkic." "Self-sufficiency" is regarded as an end in itself.

Sweden

A Prosperity Budget

STOCKHOLM, January 16.—Political opponents of M. Wigforss, the Finance Minister, have sometimes pretended that his success in managing Sweden's State finances was to a large extent due to luck. To this M. Wigforss, who has a keen sense of humour, once replied that luck has long been considered an honourable quality in a statesman. The Budget proposals, which the Government has now submitted to the Riksdag, give proof not only of luck, but also of wise use of the blessings which economic expansion has conferred upon the country.

The new Budget shows on the revenue side an estimated rise in current revenues from taxation. Customs, the old-age pension fund and other revenue items have risen from Kr. 884.9 millions to Kr. 977 millions. This has enabled the Government to propose a Budget balanced at Kr. 1,291.5 millions, compared with Kr. 1,237.7 millions for the current Budget year. In spite of this increase in revenue, the Government has not found it advisable to lower taxes, partly on the ground that a reduction of taxes might give the present boom a dangerously accelerated turn.

Current expenditure is placed at Kr. 1,080.5 millions, compared with Kr. 967.3 millions for the present financial year. Of the surplus the Ministry of Social Welfare is to take Kr. 56.4 millions, mostly on account of the old-age pension reform voted by the Riksdag in 1936. The Ministry of Education is allotted an increase of Kr. 31 millions, the Ministry of Communications Kr. 11 millions and the Ministry of Finance Kr. 10 millions. The Budget of the Ministry of Defence remains unchanged at Kr. 170 millions. Most of these increases belong to the category of "automatic" increases in accordance with laws voted in 1936. Profiting by an available surplus, the Government has proposed to allocate Kr. 11 millions for wiping out losses from certain operations during the crises of 1922 and 1932, when certain bank claims had to be taken over by the State (Kreditkassa of 1922).

Egypt

Conference on the Capitulations

ALEXANDRIA, January 12.—With the exchange of the instruments of ratification of the Anglo-Egyptian Treaty of Friendship and Alliance, and with the transformation of the British Residency into an Embassy, Egypt has made another stride towards the attainment of full independence. Attention is now centring on the capitulations, the other important question still remaining in abeyance. A conference is to be held at Montreux next April; but this time negotiations will assume an international character, as about a dozen Powers will be represented besides Great Britain. An idea of the interests at stake may be derived from the following estimate, which was given on an official occasion by the President of the Alexandrian British Chamber of Commerce, at the outset of the world depression:—

The share in Egypt's wealth held by Europeans is out of all proportion to their numbers. The market

value on December 31, 1929, of public loans, stocks and shares quoted on this Stock Exchange totalled nearly £200,000,000 and it is no exaggeration to say that 90 per cent. of the amount is held by foreigners in and out of Egypt. In addition to this it is not unreasonable to suppose that an equally large amount is invested by them in their private business, in companies the shares of which are not quoted locally, and in land and house property in the large towns. On the other hand, we know that the area of agricultural land owned by Egyptians is just under 5 million foddans (acres) the value of which must be in the region of £600,000,000.

Heavy Defence Expenditure

The Government is now concentrating on financing the building of strategical roads and barracks as foreseen in the treaty, but it is apprehended that after the arrival of the British military mission the nation will be asked to shoulder further heavy expenditure for the expansion and modernisation of the Army. It is with this possibility in view that the Cabinet have launched a public subscription for national defence, which is meeting with great response. Apart from independent donations, the campaign is taking the form of a relinquishment of one month's salary by officials. Even the labour unions are participating.

In developing the taxation system, the Government may not rest content with introducing the stamp duty and the professional tax, but may resort to further temporary impositions, according to a recent hint by the Minister of Finance. A special account for the expenses incurred in carrying out the treaty will be created. This, in the words of the Minister, has been decided in order to avoid causing anxiety and shaking confidence in Egypt's finances. Meanwhile, however, the draft law on the stamp duty has come in for some serious criticism in business circles. It is maintained that, despite the moderate rates proposed, successive manipulations of cotton from field to wharf may result in the accumulation of an important total of taxes which would in the end injure the grower.

Progress of Economic Recovery

On the whole 1936 has been a year of steady and moderate progress. Total bank clearings in Alexandria and Cairo amount to £123,540,421, against £119,900,126 in 1935. The turnover in the futures Cotton Exchange was almost exactly the same as in 1935, namely 27½ million kantars. Notes in circulation reached £22,850,312 on November 30, 1936, against £24,602,522 twelve months earlier and £20,435,521 on November 30, 1934. The latter figures provide an important pointer, as financing in Egypt is done largely by notes rather than by bank credit. The correlation between notes in circulation and business conditions is therefore closer than in most other countries. The food and cost-of-living indices have also moved very narrowly (112 and 129 in November, 1936, as against 117 and 132 one year earlier); but there are indications of late that an advance is coming. Wages among black-coated employees are not improving, but manual workers are obtaining increases in some trades.

Agriculture presents a mixed picture. Although Egypt has produced the largest cotton crop on record and exports are lagging behind last season's figures, values are about 14 per cent. higher than a year ago and show no signs of weakness. Prices of rice are now on their way to recovery, but the wheat situation is not so good. The prohibitive tariffs set up during the crisis gradually led to over-production, and prices are about 25 per cent. lower than a year ago. The Cabinet has been roused to action, and Government-guaranteed bank loans on the new crop will be increased by 18 per cent. per unit. If the situation does not improve, an export bonus may be paid; but the continued advance in international prices may render this unnecessary.

The Stock Exchange has overcome by now its former apprehensions over the new political developments in Egypt, and the trend is upward. State funds, however, are not participating in the rise.

Canada

Trade Negotiations with Britain

OTTAWA, January 8.—During the eighteenth Federal Parliament of Canada, which reassembles for its second session on January 14th, the King Ministry proposes to secure authority for the replacement of the existing Railway Commission by a new Transportation Commission, which will seek to co-ordinate transportation in the Dominion. The Ministry will pass legislation to establish a Trans-Canada air service under the management of a semi-public corporation, in which the two railway systems will probably be given an interest.

If the revision of the Anglo-Canadian fiscal agreement is completed in time for the inclusion in the forthcoming Budget of the resulting changes in the Canadian tariff schedules, it should produce the most important debate of the session. But an element in the King Cabinet remains reluctant to concede the British demand for guaranteed margins of preference on certain important commodities over a period of years. It is being rumoured that, within the next few years, the Roosevelt Administration will be willing to consider another deal for the extension of the Canadian-American trade agreement. Since certain Ministers set more store by this pact, of which they can claim parentage, than by the Anglo-Canadian agreement, which was fathered by the Conservatives, they are averse to tying their hands by guaranteeing to Britain preferential margins which would make it difficult to give certain further concessions to the United States. The delay in the completion of the revision is arousing unfavourable comment in the Press. It is argued that discussions of international trade should not be influenced by considerations of party, and that to refuse the conditions asked for by Britain would be calculated to do serious damage to the fabric of Imperial Preference.

Ontario's Cancelled Power Contracts

The power contracts between the Hydro-electric Commission of Ontario and certain Quebec companies, which were arbitrarily cancelled by the Hepburn Ministry some time ago, have been brought to the forefront again by the Toronto *Globe-Mail*, which is the fruit of a merger under completely new ownership of the Liberal *Globe* and the Conservative *Mail and Empire*. This paper, which has been giving general support to the Hepburn Ministry, has vigorously attacked the cancellation policy as unfair to investors and damaging to the credit of the Province, and demanded its reversal by the opening of negotiations for new contracts with the power companies on an equitable basis. In reply Mr Hepburn accused the *Globe-Mail* of trying to refasten the yoke of the Quebec power ring upon the necks of the power consumers of Ontario, from which he had struck it off, and declared that the motive of a multi-millionaire mining magnate in buying two important papers and merging them was now clear. But in a later statement he intimated that he was ready to discuss the contracts with the power companies provided their representatives came as men of business, and not brandishing clubs as on former occasions. Critics of the Hepburn Government, however, advance the theory that, as the "Hydro" Commission, owing to increased industrial demand, urgently needs additional power supplies which it can only at present get from Quebec, the attack of the *Globe-Mail* is merely a smoke-screen to cover the retreat of Mr Hepburn. They recall that Mr I. W. Killam, of Montreal, who owned the *Mail and Empire* and sold it to its new proprietor, is heavily interested in at least one of the power companies affected, and hint darkly at some underground bargain in the sale of the paper, which deprived the Conservative Party of its chief organ in Ontario, and thereby benefited Mr Hepburn.

The *Globe-Mail*, however, is persisting with its campaign for the reversal of the Hepburn Ministry's policy. Mr Hepburn has summoned the Provincial Legislature of Ontario to meet on January 19th, which is

several weeks earlier than usual. He proposes to introduce legislation without delay, as the result of the emergency which has arisen. This legislation will be designed to safeguard the sovereign rights of the Province. It is being suggested that he wishes to forestall an adverse decision of the Privy Council on an appeal from a decision of the Ontario Court of Appeal, which declared invalid the cancellation of the power contracts. However, as the Commission needs more power, which it can only get at present from Quebec, the suspicion prevails that some sort of new bargain is being discussed behind the scenes.

Business Conditions Improving

Business remains remarkably buoyant for midwinter; and merchants everywhere, except in the drought-stricken districts of the West, are very satisfied with their Christmas and New Year trade, which was the largest for several years. The economic index of the Bureau of Statistics has been rising as follows:—

Week ended	Car Loadings	Wholesale Prices	Bank Clearings	Economic Index
January 4, 1936	68.1	72.8	94.4	100.1
December 19, 1936....	79.9	79.7	93.1	113.9
December 26, 1936....	84.6	80.2	101.5	116.6
January 2, 1937	81.4	80.8	96.9	115.2

The latest employment bulletin of the Bureau of Statistics shows that the seasonal contraction of employment at the beginning of December was smaller than in recent years.

General Rise in Prices

There is a general advance in commodity prices; and the rise in copper, lead and zinc prices is increasing the earnings of numerous mines. The wholesale price index of the Bureau, which stood at 80.8 for the week ended January 2nd, was exactly 10 points above the figure for January 4, 1936. The price index for farm products has risen 80 per cent. from the low point of December, 1932, and is now, for the first time for nearly seven years, above the level of the corresponding index for manufactured goods. Most underlying factors seem favourable to



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continued progress towards recovery; but strikes are in progress in several Canadian plants, mostly in sympathy with strikes in affiliated plants in the United States.

Stimulated by strong export buying, the prices of wheat and other grains have continued to move sharply upward; and visible stocks of Canadian grain were on December 18th reduced to 115½ million bushels, as compared with 265 million bushels on the same date in 1935. Base metal prices have also risen, and in the week ended December 11th the price of iron actually made a greater advance than in the whole of the preceding three years. Preliminary estimates published by the Department of Mines forecast a record year in the mineral production of Canada. The greatest contributor to the increase is gold, the output of which is up by 15 per cent.

The net earnings of the C.P.R. for November, at \$3,528,651, showed an increase of \$83,243, and for the first eleven months of the year were \$19,769,303, a gain of \$677,793. Earnings of the C.P.R. in November, at \$2,383,271, were up \$54,116; and net revenue for the eleven months are up \$135,471.

Dissensions in Alberta

Mr Aberhart, the Social Credit Premier of Alberta, recently established what was styled a "planning committee" to work out a scheme of Social Credit for Alberta. It consisted of Dr Cross, Minister of Health, Mr Fallow, Minister of Public Works, Mr Maynard, Minister without Portfolio, and Mr Ansley, a member of the Legislature; and apparently it called to its councils a Mr John Hargrave, said to be known in England as the founder of the "Green Shirt" movement. Mr Aberhart's planning committee, with Mr Hargrave's co-operation, devised an ambitious plan based on three principles: (1) price discounts, (2) circulating debt-free money, and (3) social dividends.

Word from Edmonton that the Aberhart Ministry was giving careful consideration to this plan was immediately followed by the announcement that Mr C. C. Ross, the Minister of Lands and Mines, who was a mining expert and rated the most competent administrator in the Cabinet, had resigned. Mr Aberhart immediately replaced him by Mr Nathan E. Tanner, who combines the avocation of school-teacher with ecclesiastical activities as a bishop of the church of the Mormon colony in Southern Alberta, and is said to be a stern zealot in the Social Credit faith.

A Constitutional Crisis?

Meanwhile both Mr Aberhart and Mr Hargrave have issued statements containing assurances that the Alberta Government had no intention of precipitating a constitutional clash with the Dominion about its right to issue negotiable currency—which right has been reserved by the British North America Act to the Dominion. Reports from Edmonton, however, indicate that there has been a sharp struggle in the Aberhart Cabinet between the Radicals and the Moderates, of whom Mr Ross was the leader. At any rate, bankers and business men regard Mr Ross's withdrawal with dismay. So it can be taken for granted that they will apply the strongest possible pressure upon the King Government to persuade him to forbid the issue of the proposed scrip on the ground that it is a form of currency. Such action could scarcely fail to provoke a major constitutional crisis.

There are signs, however, of distinct restlessness and disillusion among the voters of Alberta. A Peoples' League, which has been formed with the avowed objective of compassing the doom of the Aberhart Ministry, is rapidly gathering recruits. But the adjacent Provinces of Saskatchewan and Manitoba are said to be strongly infected by the idea that the installation of a Social Credit Party in power might be a good move, not so much from any faith in the efficacy of Social Credit, but from a belief that a Social Credit Government would pass the same sort of drastic legislation for the curtailment of debt burdens as the Aberhart Ministry has done. The rise in the price of wheat and other primary commodities, however, is likely before long to moderate the spread of extremist doctrines in the Prairie Provinces.

Letters to the Editor

Monetary Policy

TO THE EDITOR OF THE ECONOMIST

SIR,—In your interesting "Notes of the Week," in your issue of January 16th, on Mr Keynes's recent articles, you sum up various proposals with which I fully agree, with the exception of the last, i.e. "the maintenance of the rate of interest at or near its present level."

This is surely beyond the power of any government. It is true that by a policy of continually issuing paper money which is inconvertible, the rate of interest might be artificially kept low, but surely this would lead to a serious rise in the cost of living. There are evidences of this already in many directions. Under a sound state of finance the rate of interest is surely governed by the proportion which the supply of loanable capital bears to fixed or funded capital. That is still very large in the world, and likely to remain so for a considerable time.

Your journal was one of the first to suggest the Tripartite Monetary Agreement between France, the United States of America and this country as a step towards general stabilisation. To interfere artificially with the rate of interest would be to act contrary to the spirit and declared policy of the Agreement.

I am, Sir, etc.

D. M. MASON,

Chairman, Executive Committee, Sound Currency Association.

Imports and the Special Areas

TO THE EDITOR OF THE ECONOMIST

SIR,—It is surprising that, according to the letter in your columns from Mr J. W. Banfield, M.P., competition from Empire countries is encouraged at the expense of employment in Britain.

Imports, including, I note, leather goods, carpets and rubber footwear from Eastern Empire countries, where wage rates are absurdly low, and where conditions of labour are not strictly safeguarded as they are here, obviously create unnecessary problems for British manufacturers, and inevitably threaten the security and standards of British workers.

We cannot allow such anomalies to continue. The solution is, surely, to raise the standards of pay and conditions of workers in Empire countries, so that they bear some reasonable relation to those obtained here. Until that time, goods from low-wage countries should be subject to a duty which would protect the standard of living and production in Britain.

Indeed, the present position, if allowed to go on, can only lead to difficulties and antagonisms between the Empire countries. To avoid that, we must do as Mr Banfield suggests—review the whole question of Empire import competition. Why not call an Empire import conference?—Yours truly,

T. F. HOWARD.

London, W.C.1.

"Raising the Standard of Living"

TO THE EDITOR OF THE ECONOMIST

SIR,—Commander Stephen King Hall's letter on the above subject raises a very interesting problem. He says that an increase in national income can only be obtained by more work and more efficiency. Increased efficiency in production means a greater output per man, but with our present standards of efficiency and with a large number of unemployed workers production is so great that restrictive measures have to be applied to industry in order to maintain a profitable price level; so what would be the result of more men working more efficiently?

I think Commander King Hall falls into the common error of confusing wealth and money. Work rightly directed will increase the nation's wealth, but it does not increase the supply of money. It is quite easy to prove this. I produce wealth in my garden but no new money comes into existence with it.

Jersey

Yours truly,
T. L. MAWSON.

Books and Publications

The Forlorn Years

IN the recent history of international affairs, 1933, 1934 and 1935 are the forlorn years—those of lost opportunities, of fruitless recrimination, of totalitarian frowardness and democratic timidity. Dr Arnold Toynbee having arrived at the task of chronicling the world story of 1935—it extends from 1933 to 1936 for various subjects—is compelled for this purpose to publish two separate volumes for his annual Survey of International Affairs.* Moreover, a third volume is yet to appear.

The first handles the inflammable material heaped up by a resurgent military Germany; traces the decline and fall of the Disarmament Conference; gives a valuable section on the history of the East European Pact Negotiations; tells the detailed story of the Franco-Italian Agreement of January two years ago; and analyses German-Polish problems. Mr G. E. Hubbard contributes an able survey of Far Eastern relations, especially those caused by internal developments in China and Japan, and the sharpening of the tension between Japan and Russia over North China and Mongolia. And Mr H. V. Hodson cleverly and patiently carries on his task of unravelling the world's economic tangle, following the threads of raw material supplies and of major currency problems. His section is notable for the extremely comprehensive, yet deft, treatment of the principal restrictive marketing schemes for basic commodities. Dr Toynbee himself covers the European political canvas. The sections which stand out above the high level of his annual achieve-

*"Survey of International Affairs, 1935." Vol. I (General) and II (Abyssinia). 18s. net. each: "Documents on International Affairs, 1935." 15s. net. Oxford University Press. London: Humphrey Milford.

ments are those devoted to the so-called Eastern Locarno and to the Franco-Italian Agreement of January, 1935.

Dr Toynbee shows, in the first, the way in which the Nazi Government steadfastly opposed the conclusion of a general mutual assistance pact embracing Russia, the Baltic States, Poland, Germany and Czechoslovakia; how Poland was forced to rally to the German viewpoint; and how the actions of the British Government (a creditable spot in a gloomy chronicle of British diplomacy) forced Germany to accord to other Powers the undeniable right to conclude mutual assistance pacts among themselves if they had concluded bilateral non-aggression pacts with Germany. The valuable addendum on page 252 of the 1935 *Documents*† volume contains much—but by no means all, or the most interesting—of the matter in the British Government's Blue Book on the negotiations for an Eastern Pact (Cmd. 5143). Without exaggeration, we would say that it is impossible fully to understand the European political problems and tension to-day if these sections of the two books are ignored. Nothing as adequate to that purpose has yet appeared.

Dr Toynbee's account of the Mussolini-Laval agreement is characteristically informed, detailed and penetrating. He also traces the connections between the Tunis situation, Abyssinia, and the French and Italian preoccupations over Germany and Central Europe in illuminating detail.

His other sections, e.g. those on disarmament, negotiations with Germany, Danzig and Poland, etc., have more of the chronicle in their make-up, enlivened by the author's style. His second volume, however, is very different. It is the self-contained story of the Ethiopian tragedy—a *débâcle* for the League and the two great democracies, England and France—that should have

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collaborated in its leadership, but merely hamstrung it and each other, Dr Toynbee rightly adjudges this failure as of ecumenical importance; as the end of an epoch. His account is impartial—it is almost presumption to use that word of his work—and dispassionate; but, for all that, it is a terrible indictment of M. Laval's double-faced diplomacy, and of the British Government's timidity towards, not Italy, but the French. This indictment Dr Toynbee leaves at the feet of Clio. How he has been able to produce two such volumes of so high a standard in twelve months, almost defies comprehension. But here they are; and editors, journalists, students, and—let it be said—politicians should be grateful to him.

The volume of *Documents* for 1935, as usual, is comprehensive; a valuable companion to the two volumes of the *Survey*. The Stresa Conference and the Laval-Mussolini conversations, together with their repercussions in other countries, are fully documented.

Shorter Notices

"Ebb and Flow in Trade Unionism." By Leo Wolman. (New York) National Bureau of Economic Research. (London) Macmillan and Company, Ltd. 254 pages. 7s. 6d.

"L'Evolution du Syndicalisme aux Etats-Unis de Washington a Roosevelt." Par Robert Marjolin. (Paris) Felix Alcan. 256 pages. 25 francs.

American Trade Union organisation is the vital issue at stake in the present motor strikes, and these two books provide an invaluable basis for an understanding of its problems. M. Marjolin's work is a short but brilliant summary of American Trade Union history from the earliest times up to 1935. The main currents of change are clearly distinguished and properly set in their economic and social background. For those who require a general summary rather than a detailed treatise, M. Marjolin's book can be strongly recommended.

Dr Wolman's book is a sequel to his "Growth of American Trade Unionism, 1880-1923," and well maintains the high standard set by his previous writings. The analysis is mainly statistical, and there is a particularly valuable appendix giving detailed figures of trade union membership in all branches of industry and trade for the years 1900 to 1934. The effects of long-term technical changes, of cyclical variations in economic activity, and of political intervention on the part of the Federal Government, are fully discussed with reference to the actual figures of membership, and reasons are suggested for the strength and weakness of trade union organisation in various industries. Reference is also made to the influence of changes in the location of industry on membership, though this is not analysed in detail.

Dr Wolman discusses briefly the present dispute between the American Federation of Labour and Mr John Lewis's Committee for Industrial Organisation, and inclines to the view that the breach between the two is a serious split in the labour movement. His discussion is admirably impartial, but an examination of his figures suggests that the best hope for an expansion in trade union membership lies in the organisation on an industrial basis of the workers in the mass production industries. If Mr Lewis succeeds in this task, the membership of the C.I.O. may soon overtake and even exceed that of the A.F. of L.

"British Policy Towards Morocco in the Age of Palmerston 1830-65." By F. R. Flournoy. P. S. King & Son. 287 pages. 10s. 6d.

Recent events have again focussed the world's attention on Morocco, and lend a special interest to this book, the work of an American author, dealing with England's Morocco policy in the middle decades of the last century. The Morocco question really dates from 1830, the year of the French capture of Algiers; during the next thirty-five years, the "Age of Palmerston," the London Foreign Office was very much concerned with North Africa, and Dr Flournoy has found no lack of diplomatic material for his study. He deals with a period before the appearance of Germany on the Moroccan scene, but his account of it only serves to throw into relief both the persistence in later times of the original British attitude to the country, and the extent of the change which took place when Britain became the promoter, instead of the opponent, of French expansion there.

British policy in Palmerston's time was inspired by two motives, one economic and the other strategic. The economic

aim was to open up Morocco as a market for trade and to obtain tolerable conditions of business and residence for British traders—no easy task in view of the chronic disorder, anti-European sentiments and general "backwardness" of the Moorish realm. The strategic aim was to prevent any European Power from making territorial conquests in Africa in the neighbourhood of the Straits of Gibraltar, and with this end in view to "keep Morocco at peace with Europe," so as to afford no pretext for invasions. The two aims were not altogether harmonious, for whereas England shared a common interest with other European Powers in her effort to open Morocco to international commerce, her resolve to keep them at arm's length from Gibraltar involved her in a series of conflicts with the two other states in closest contact with Morocco, namely, Spain and France. Both nations were inclined to encroach on the integrity of Morocco, but it was French expansion that was regarded in the 'forties as really dangerous to British interests, and Sir Robert Peel feared that "unless the British held very decisive language to France, and were prepared to act upon it, with regard to Tunis and Morocco, they or so much of them as suited the purposes of France would follow the fate of Algiers."

The "very decisive language" which was actually used helped to bring England near to war with France in 1844, but it attained its end, and the independence of Morocco was preserved until the close of the nineteenth century. To-day "very decisive language" is again being used about Morocco, but it is addressed to a state which plays no part in the pages of Dr Flournoy's history.

"Aussenhandel und Wahrungsschutz." By Richard Riedl. Vienna: Oesterreichischer Wirtschaftsverlag. 88 pages. No price stated.

Dr Riedl, a former Austrian Cabinet Minister, here outlines a plan to abolish import quotas, and lower tariffs, within a group of what Anglo-Saxons have come to call "low-tariff" nations. After attacking the economic absurdities of the purely bilateral trading system, Dr Riedl proposes two accompanying international instruments by which the desired end is to be achieved; a new form of trade treaty, and a new form of financial agreement accompanying it. The new trade treaty and financial agreement have as their object, not the avoidance of import surpluses, but the "carrying" of such surpluses (export surpluses of one or two exporting countries will probably arise) by co-operation between the relevant countries' central banks and Government departments. Such co-operation would enable import surpluses to be financed by the relevant countries' central banks acting together, over a period long enough to enable the country with the initial import surplus to clear off its commercial debt to the other country in the form of increased visible or invisible exports to it.

Dr Riedl observes that a central bank need not fear inflationary effects if it finances an export surplus sold to a second country, for the period during which the second country cannot pay the amount of its import surplus. In this, despite the experience of Czechoslovakia in recent years when her export balances' proceeds were blocked abroad, Dr Riedl tends to underestimate the problems which would arise in countries like Bulgaria, where the temporary financing of unpaid exports would probably have immediate effects on the national price-structure. But his small book is timely and interesting; and his insistence on the need to make some such beginnings of a return to multilateral trade is cogently argued.

Books Received

Meetings, Uniforms and Public Order. Jordan and Sons, Ltd. 6d. net.

Jay Cooke, Private Banker. By Henrietta M. Larson. Harvard University Press. 512 pages. 21s. net.

A Constitutional History of British Guiana. By Sir Cecil Clementi. Macmillan. 546 pages. 20s. net.

A Bibliography of Finance. Edited by Mitsuzo Masui. The International Finance Seminar in the Kobe University of Commerce. 1,614 pages. No price stated.

The Practising Accountant and Secretary. Vol. 1, No. 1. 6d. weekly.

This new publication contains an article by Mr F. R. M. de Paula on the form of company accounts, and other features of interest to the accountancy and secretarial professions.

The Bank and Insurance Shares Year Book, 1937. (London) Trust of Insurance Shares, Ltd., 30 Cornhill. 626 pages. 5s. net.

The New Life Movement. Information Bulletin published by the Council of International Affairs, Nanking. 10 ce

MONEY AND BANKING

British Banking Trends

THE leading British banks have now issued their accounts for 1936—and their balance sheets are summarised on page 212. There are naturally certain divergences between the accounts of the different banks, but three major developments are common to them all. The first is the increase in cash during the past year. The second is the expansion in their earning assets, and consequently in their deposits. The third, and most notable, development is the year's increase in their advances.

Before discussing the significance of these changes we may recall some of the technical considerations which affect the volume of bank deposits. These deposits certainly do not grow of their own accord. The true sequence of events begins with official policy, leading directly to a growth in bank cash, which initially may affect some banks more than others. The more fortunate banks see their cash ratios increase, and so are able to discount more bills, buy more securities and lend more money. The acquisition of these new assets automatically causes an increase in the total of bank deposits, but not necessarily in those of the bank which is buying the bills or securities; or making the loans. There is simultaneously a certain redistribution of the new bank cash, so that ultimately all the banks are able to add to their earning assets, and so to their own and each other's deposits. Thus, while an individual banker may not be able to see why his own deposits are increasing, in reality it is due to the activities of himself and his competitors, stimulated by an expansion in the aggregate supply of bank cash.

The recent upward trend of bank advances is, undoubtedly, a phenomenon of the highest significance. During the early days of "reflation" of bank cash and deposits, there was little or no new demand for loans, and the banks were consequently enabled—or compelled—to make heavy purchases of securities. By so doing they hastened the decline in the long-term rate of interest in 1932-34. Now that bank advances are increasing rapidly, must the banks necessarily become sellers of securities? And if their sales happened to coincide, say, with the flotation of a re-armament loan what would happen to the long-term rate of interest?

To answer these questions we may begin by drawing attention to the following table, based on the November averages. The December figures are distorted by seasonal changes:—

	Deposits	Cash	Call and Short Loans	Discounts	Investments	Advances
November—						
1929 { Amount	1,789	190	144	233	249	990
Ratio to deposits {	100%	10.6%	8.1%	13.0%	13.9%	55.3%
1932 { Amount	1,898	194	116	391	425	785
Ratio to deposits {	100%	10.2%	6.1%	20.6%	22.4%	41.4%
1933 { Amount	1,928	216	99	217	569	737
Ratio to deposits {	100%	11.2%	5.1%	11.3%	29.5%	38.2%
1935 { Amount	2,039	214	147	293	620	774
Ratio to deposits {	100%	10.5%	7.2%	14.4%	30.4%	38.0%
1936 { Amount	2,210	225	172	322	626	863
Ratio to deposits {	100%	10.2%	7.8%	14.6%	28.4%	39.0%
Alternative forecasts*—						
(a) { Amount	2,210	225	160	300	525	1,000
Ratio to deposits {	100%	10.2%	7.2%	13.6%	23.5%	45.2%
(b) { Amount	2,400	240	160	300	700	1,000
Ratio to deposits {	100%	10%	6.7%	12.5%	29.2%	41.7%

* For explanation see text below.

The table shows that the rapid increase in advances

began only a year ago. In spite of a continued expansion in cash and deposits, the banks during 1935 added very little to their investments. The table also shows that the combined percentage of investments and advances has remained fairly constant at between 65 and 70 per cent., though there has been since 1929 a turnover from advances to investments. It is also clear that, to restore the 1929 advance ratio of 55 per cent., the investment ratio would have to drop to 14 per cent. This would force the banks to realise some £300 millions of securities. There is no need to stress the effect realisations of this magnitude would have on the gilt-edged market.

This argument, however, involves a major fallacy, namely, that there is some compelling reason for the restoration of the 1929 advance ratio. But in that year, when bank advances amounted to £990 millions, there was a much higher commodity price-level, and industry, being more loosely integrated, was less able to provide within itself its necessary liquid resources. The 1929 advance total also contained a certain mass of frozen loans. Contrasting that year with 1937, it is arguable that perhaps some £1,000 millions of bank loans would provide the country with all the banking credit it would be likely to need to-day.

We have therefore taken this as our premise, and have prepared two hypothetical aggregate bank balance sheets of the future, which are shown at the foot of our table. The first leaves cash and deposits as they are to-day, assigns £460 millions to call and short loans and discounts, and places advances at £1,000 millions. Simple addition shows that this would reduce investments by £101 millions. The alternative forecast assumes a £15 millions increase in bank cash, a cash ratio of exactly 10 per cent., and therefore a £190 millions increase in deposits. This would permit of both an increase in advances to £1,000 millions and a rise of £74 millions in investments.

Judged by recent standards, this increase of £15 millions in bank cash is moderate. It could be brought about in many ways. The Bank of England could buy bills or securities from the joint-stock banks, and could simultaneously reinforce its Reserve by seeking and obtaining authority to raise the fiduciary note issue. The Exchange Equalisation Account could sell gold to the Bank of England and then buy Treasury bills from the joint-stock banks. There is thus no mechanical difficulty in the way of an expansion in bank cash sufficient to meet the growing demand for bank credit and to prevent any consequent break in the gilt-edged market.

The crux of the problem, however, depends on broader considerations. If it be true that we are committed to the maintenance of active trade and cheap money (both long- and short-term) and also to the financing of re-armament mainly out of borrowing, then what the bank accounts really teach us is that we have no escape from a further expansion of bank cash. Some of the consequences of this conclusion and its relations to national policy are touched upon in a leading article (see page 157). All we need say here is that a broad survey of our economic position in relation to the upward swing of the trade cycle lends more than their usual importance to the bank balance sheets of December 31, 1936. To the banks themselves, the increase in their resources and the growing demand for loans are certainly profitable. The public, however, ought to view these trends from a wider angle. The banking position remains sound, but the authorities should adapt their policy to a situation from which an inflationary movement involving an undesirable rise of prices might easily emerge.

Financial Notes

Bank Advances Analysed.—Both Mr Orme at Martins Bank meeting and Mr Fisher at Barclays Bank meeting alluded to the year's expansion in bank advances, and Mr Orme pointed out that Martins Bank advances now stood at 44 per cent. of deposits. Mr Fisher, who was taking the chair at his bank's general meeting for the first time, repeated and extended the analysis of bank loans given by his predecessor last year. He first gave the following broad division:—

Loans to—	PERCENTAGE OF TOTAL LOANS	
	End October, 1935	End November 1936
Productive industry	32.7	31.8
Professional and private ..	35.7	34.0
Farmers	7.9	7.1
Builders, etc.	7.5	8.8
Financial companies	4.9	7.5
Merchants, etc.	2.6	3.5

According to Mr Fisher, the heavy industries are still able to finance their increased activity without additional resort to the banks. The improvement in the financial position of agriculture explains the slight drop in loans to farmers. The increase in loans to merchants and wholesalers in raw materials and unmanufactured foods reflects the year's rise in commodity prices, while it is not surprising to see an increase in loans to builders. The big expansion in loans to financial companies, including insurance companies, trust companies and foreign banks, was accompanied by a parallel increase from 598 to 1,028 in the number of such borrowers.

F Loans to Private Borrowers.—Mr Fisher proceeded to give a most interesting analysis of Barclays Bank's loans to professional and private individuals. An abbreviation of his statistics is given below:—

Loans for—	PROFESSIONAL AND PRIVATE LOANS			
	Amount (£'000)	Per cent. of Total Advances	Number of Customers	Average Loan per head
Land and/or house purchase	17,408	10.1	16,682	1,043
Investment in securities	9,625	5.6	5,867	1,640
Loans to—				
Architects, estate agents, etc.	2,296	1.3	2,627	872
Business directors, managers and employees...	8,536	4.9	22,151	386
Doctors, etc.	2,523	1.5	4,724	535
Lawyers	2,042	1.2	2,186	932
People of private means, etc.	11,503	6.7	44,482	259
Others	4,729	2.7	20,290	233
Total	58,663	34.0	117,917	498

We ourselves have added the final column, in which we have deduced the size of the average loan to each customer. The aggregate amount lent for the purchase of land and/or houses is very striking, for in combination with direct loans to builders, it represents practically one-fifth of the bank's total advances. The banks are thus intimately concerned with the maintenance of building activity, if only because the interest on these loans represents an important source of income. Mr Fisher has explained that bank loans to buyers of houses represent temporary accommodation, pending the arrangement by the borrower of a long-term mortgage elsewhere; but even so the total bank loans of this character are commensurate in their aggregate with those of the leading building societies. Advances to finance investment in securities presumably represent loans to professional operators, for no doubt part of the money borrowed by the various classes of professional workers was used by them to pay for stocks and shares. The average "professional" loan ranges from £146 per head for schoolmasters and £212 per head for officers and clergymen to £872 for estate agents and architects and £932 for barristers and solicitors. This is a most useful analysis, and we should like to see a standard form adopted by all the banks and issued periodically.

A London Banking Change.—It was announced this week that the five directors of Grace Brothers and Company, Limited, an old-established firm of private bankers, had resigned. A statement was subsequently issued to the effect that the firm had decided not to continue its banking business, and that the plan under consideration contemplated a return of capital to the shareholders. The American house of W. R. Grace and Company will, it is believed, establish a London agency in the place of Grace Brothers and Company. The London house sprang from the activities of four brothers, who established themselves in London, New York and San Francisco last century, and that explains the link with the United States. At one time they had substantial South American interests, but during recent years Grace Brothers and Company have been engaged in normal private banking business. On June 30th last they had capital and reserves of £1,015,000, acceptances of £298,000 and deposits of £471,000. Except for standstill commitments of £197,000, offset by a contingency reserve of £60,000, the firm's position was very liquid. It is understood that a new balance sheet, dated December 31st last, will shortly be issued. The firm will continue to meet its acceptances as they fall due, and the market understands that it is ready to take up its bills at once if the holders so desire. So far there has been no such desire. The position of its standstill engagements has not yet been defined. No details are yet forthcoming of the reasons behind this change, but a director of the American house has alluded to certain divergences of policy. The City will regret the disappearance of one of its oldest houses, but there is not the smallest fear of any disturbance to the market, nor any suggestion of underlying weaknesses.

December Clearing Bank Averages.—The December returns of the ten English clearing banks reveal some interesting changes compared with November. In spite of the heavy Christmas currency withdrawals, cash averaged £11 millions more in December, partly because bankers' deposits were relatively low early in November and partly because of the banks' accumulation of cash during the last week of December. There was a further increase in deposits to a new high record, while the expansion in cheques in course of collection, etc., reflects the Christmas spending:—

	(In £ millions)					
	Dec., 1935	Nov., 1936	Dec., 1936	Oct., 1936	Nov., 1936	Dec., 1936
Capital and reserves	125.7	125.8	125.9	131.8	131.8	131.9
Acceptances, etc.	100.5	99.2	101.8	102.9	106.6	108.8
Deposits (including undivided profits, etc.)...	2,054.2	2,171.3	2,199.4	2,243.3	2,249.0	2,276.9
Total liabilities	2,280.4	2,396.3	2,427.1	2,478.0	2,487.4	2,517.6
Cash	217.2	221.8	232.7	223.6	229.6	240.6
Cheques, balances and items in transit	65.8	62.1	72.7	60.4	64.2	75.2
Money at call	154.4	165.5	180.7	158.9	174.3	189.3
Discounts	320.4	320.4	313.9	349.2	327.1	320.7
Investments	589.2	610.8	615.0	640.0	640.2	644.4
Loans and advances	764.0	848.0	842.8	872.9	875.3	869.0
Investments in affiliated banks	25.2	25.2	24.9	25.2	25.2	24.9
Cover for acceptances, premises, etc.	144.2	142.5	144.9	147.8	151.5	153.5
Total assets	2,280.4	2,396.3	2,427.1	2,478.0	2,487.4	2,517.6

(a) Excludes District Bank.

(b) Includes District Bank.

The decrease in bank advances is solely due to the repayment of the French sterling credit of £40 millions, which began late in November and continued during subsequent weeks. As this repayment was governed by French gold sales to the Exchange Equalisation Account, a secondary consequence was an expansion in tender issues of Treasury bills. For this reason the December contraction in the banks' discounts was more than offset by an increase in their call and short loans; for although the banks were reluctant to take up new bills immediately before Christmas and the New Year, more bills were being issued, and these had to be taken up by the market. There was a slight increase in the banks' investments.

"Shillings and Pence."—The appeal to customers to tell their bankers to pay over to the King George V National Memorial Fund the amount of the odd shillings and pence in their accounts on the night of January 20, 1937, has rightly evoked a widespread response, and full credit is due to those who had this ingenious idea of collecting a large volume of funds. Nor is there any need for us to stress the merits of the object of this appeal. We are here concerned with a comparatively minor aspect, which, however, ought not to be allowed to pass unnoticed. The transfer of this money has involved bank staffs all over the country in a vast amount of additional clerical work, simply to look up the balance, debit or credit, of each customer and then to debit the account with the odd shillings and pence. This work was considerably heavier than it would have been if the appeal had been for an even number of pounds. The banks and their staffs have given their work ungrudgingly in recognition of the fact that contributions to the Fund can be in labour as well as in cash, and they are the last to suggest that they should receive special recognition. Yet we are sure that the general public do not realise the magnitude of this extra burden thrust upon the banks, and we are equally certain that the public would like to express their thanks. The Lord Mayor in fact has already done so, but we are confident that the suggestion needs only to be made, for a further tribute to be paid by an even more exalted quarter to the banks and their staffs, who alone made possible the success of this scheme.

The Union Discount Company.—The accounts of this company are now available, and so we can complete our survey of the 1936 results of the leading discount houses. Unlike Alexanders and the National, whose accounts we discussed last week, the Union has been able to reduce its outside liabilities in the form of loans and deposits, while at the same time both its discounts and its securities are practically unchanged. This is the main explanation of the increase of £10 millions in its profits. All this is due to the changes in the Union's capital structure, due to the issue last February of 50,000 new shares at a premium of £7 10s. and the subsequent capitalisation of £1,375,000 from reserves for the purpose of making the £5 shares fully paid. Allowing for the transfer to reserve of £250,000 from the current year's profits, the net result is an increase of £750,000 in paid-up capital and reserves—that is in the Union's internal resources:—

	December 31,		
	1934	1935	1936
Liabilities:	£ mill.	£ mill.	£ mill.
Capital	1.2	1.2	2.7
Reserve fund	1.8	1.8	1.0
Loans, deposits, etc.	52.2	59.2	57.3
Rediscounts	4.2	6.6	8.2
Rebate	0.3	0.3	0.3
Assets:			
Cash	1.4	1.5	1.5
Investments	14.2	16.2	16.1
Loans	1.6	3.8	1.4
Discounts	43.0	47.8	50.4
	£'000	£'000	£'000
Gross profits	308	310	320
Expenses	77	76	76
Net profit	231	234	244
To reserve fund	Nil	Nil	15
To pension funds	15	15	15
To dividends	194	194	204
Change in undistributed profits	+22	+25	-225

Owing to the increase in capital, the dividend required another £10,000, but both the final half-year's dividend and the cash bonus were reduced by half, to allow for the writing-up of the shares from £2 10s. to £5 paid. At the end of 1936 discounts equalled 73.5 per cent. and securities 28.1 per cent. of net resources, compared with percentages of 71.3 and 27.4 at the end of last year.

The Foreign Exchanges.—There has been some activity on the Continent, but the London market remains quiet. The New York rate was \$4.90½. Some interest is taken in the continued outflow of gold to New York, which last week alone amounted to £5.6 millions.

It is thought that American interests are prepared to bid for gold in the London bullion market with the tacit assent of the British and American authorities, who may not be unmindful of the impending repayment of the balance of the United Kingdom 5½ per cent. dollar bonds. It was announced on Thursday that the Egyptian Government intend to sell in the London market £10 millions of their gold reserves. The French franc remains pegged at Frs. 105.15, but there are rumours that the French authorities may drop the peg to the lower statutory limit of 43 milligrammes of gold to the franc. At the prevailing London-New York exchange, this would raise the pound to Frs. 112. The French Treasury is known to be in need of funds, and the exchange position is also weak. Dutch guilders are strong at Fl. 8.90, and the forward rate is not at par to a fractional premium. The Dutch Exchange Fund has had to sell another £5.5 millions of gold to the Netherlands Bank, in order to replenish its stock of guilders. The yen is inclined to be weak, in spite of the new Japanese exchange restrictions.

The Money Market.—Apart from a moderate afternoon demand for loans and some calling on Wednesday and Thursday, conditions have been very easy. The banks have not been eager buyers of bills, but there were some purchases of March and early-April Treasuries at ½ per cent. Since December 19th aggregate issue of Treasury bills by tender has been reduced from £617 to £575 millions as the result of the heavy seasonal influx of revenue. Last week's tender was only £30 millions, against £50 millions in early December, and this latest tender was almost entirely missed by the market. The tender rate was only 10s. 6.33d. per cent.

	Dec. 31, 1936	Jan. 7, 1937	Jan. 14, 1937	Jan. 21, 1937
	%	%	%	%
Bank rate	2	2	2	2
Clearing banks' deposit rate	½	½	½	½
Short loan rate:—				
Clearing banks	1½-1½	1½-1*	1½-1*	1½-1*
Others	1	½	½	½
Discount rates:—				
Treasury bills	1½	1½	1½	1½
Three months' bank bills	1½-1	1½	1½	1½-1

* Loans against Treasury bills and other approved bills and British Government securities within six months of maturity; 1 per cent. Treasury Bonds and other gilt-edged stocks within six months of maturity; and other collateral respectively.

There were rumours in the market on Thursday of another impending Treasury operation, but it was impossible to obtain any substantiation.

The Bank Return.—A further £4.5 millions of the Christmas notes have returned to the banks, and the circulation is now nearly restored to its mid-November level of £445 millions. The Reserve is now £63.6 millions, against £64.6 millions in the middle of November, so that the five-million net expansion in the credit base, due to the Bank's gold purchase in December, is beginning to reveal itself.

	BANK OF ENGLAND				
	Jan. 22, 1936	Dec. 30, 1936	Jan. 6, 1937	Jan. 13, 1937	Jan. 20, 1937
	£ mill.	£ mill.	£ mill.	£ mill.	£ mill.
Issue Department:—					
Gold	200.2	313.7	313.7	313.7	313.7
Note circulation	394.9	467.4	462.7	455.0	450.5
Banking Department:—					
Reserve	66.0	46.8	51.4	59.0	63.6
Public deposits	13.1	12.1	13.5	12.4	13.6
Bankers' deposits	118.9	150.6	110.2	106.7	100.3
Other deposits	36.4	39.2	38.4	38.3	37.6
Government securities	86.7	134.5	93.3	83.2	74.9
Discounts and advances	19.3	17.5	14.4	12.5	8.9
Other securities	14.5	21.2	21.1	20.8	22.1
Proportion	39.1%	23.1%	31.7%	37.4%	42.0%

There were further reductions this week in Government securities and discounts and advances, so that in spite of the week's return of notes from circulation, bankers' deposits have fallen by £6.4 millions. They are still higher than during the latter part of last year.

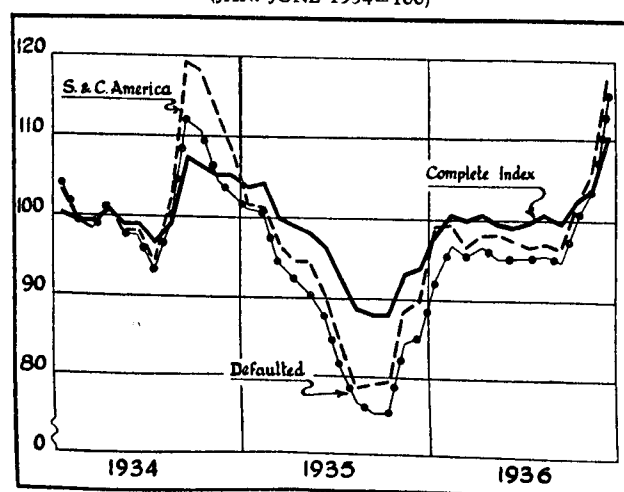
THE STOCK EXCHANGE

Commodity Bonds Reviewed

THE London Stock Exchange, ready as ever to invent portmanteau names, now dubs South American loans "commodity bonds." Though most bonds are dependent, directly or indirectly, on commodity prices, South Americans are traditionally and particularly sensitive. Many were in default before industrial depression descended on Great Britain, and until last September their progress towards recovery was limping. Since then, however, a major rise in commodity prices has gathered headway. The recovery of Argentina and Brazil has riveted the market's attention; and fully serviced bonds have shared a robust advance with issues in partial or total default.

The extent of the advance may be gauged from the accompanying chart, which compares the total "Municipal and General" index of 113 bonds with two of the component series of the index—namely, South (and Central) American and defaulted issues. Since the end of September, while the total index has advanced by 10½ per cent., the South American and defaulted indices have advanced by 22 per cent and 21½ per cent. respectively. Since September, 1935, the two series have advanced by 48 per cent. and 53 per cent. respectively. There has thus been a noteworthy correlation between the movements

"MUNICIPAL AND GENERAL" INDEX OF BOND MOVEMENTS.
(JAN.-JUNE 1934=100)



of defaulted bonds in general and South American bonds. This correlation is inevitable, for, with the exception of Argentine Government issues, not a handful of South American bonds qualify for full investment status. Even Argentina, favoured with political stability and rewarded for her good faith by a 3½ per cent. conversion operation last year, is ultimately one of Nature's beneficiaries, and Nature is a wayward patroness. Argentina thus has reason to congratulate herself on achieving a 4 per cent. credit ranking both in London and New York. A yield basis comparable with that of a stable British industrial is all too rare in the foreign market.

There are two Argentine issues, however, to which the institutional investor might well give fuller attention. The "B" (5½ per cent.) Certificates of the United Kingdom and Argentine Convention Trust are backed, at present, by 71.4 per cent. of 3 per cent. Conversion Loan, and the balance is covered ten times by Argentine Government securities. In 1941, this issue will be fully covered by Conversion Loan, and in 1951 it should be finally redeemed. A redemption yield of £4 2s. 6d. per cent. certainly appears generous for a security which is within four years of achieving gilt-edged status as to

capital and within nine years of full gilt-edged security for interest. The "C" Certificates of the Trust, again, are partially a gilt-edged "risk," for by 1953 they should be covered, £ for £, by 3 per cent. Conversion Loan, together with an additional 22.4 per cent. in Argentine 4 per cent. bonds. Taking final redemption at 120, the "C" Certificates, now standing at 93, offer a potential yield of approximately £4 10s. per cent.

It is true that a sixteen-year view is relatively long, even for the investor interested in so settled a community as Argentina. It would be wholly inapplicable, at the present time, to the case of Brazil. Recently, considerable market attention has been given to Brazilian bonds, particularly on foreign account. Some buyers appear to have been attracted by the increased debt service due after March 31st under the 1934 Debt Scheme. But Brazil's recovery, so far, has been a rather patchwork affair. Shipments of Brazilian coffee during the first ten months of 1936 were the lowest in volume for any normal year of the last decade, but the rise in prices has broadly maintained their value. As this rise has been of the order of 75 per cent., the Brazilian producer has even been able to make some profit after delivering his 30 per cent. "sacrifice quota." But the authorities have now apparently decided to peg the price, rather than to stimulate competition from poor quality coffee in other countries, or to jeopardise a producers' agreement.

Brazil's continued dependence upon a single commodity—despite her increased production of cotton and fruit—still limits her recovery possibilities. Her exchange position is improving, but the market may have been inclined to read too much into the President's intervention to secure a balanced budget. In view of the enforced reduction of the debt service, the fiscal position might well be stronger. Finally, a Brazilian Presidential election is to be held this year. If its counterpart in the United States was a potent market factor, how much more disturbing an influence may be exercised by an election in a quasi-authoritarian State, where rivalries between South and Central may have been driven underground, but have not been extinguished. On present indications, it would seem premature to expect any considerably increased offer from the Government when the 1934 Debt Scheme is reviewed, between now and September. The 1931 Funding and San Paulo 7 per cent. Coffee Realisation issues have some attractions for the speculative investor on their 7 per cent. redemption yield basis. But it is not impossible that they will be quoted at lower prices later on.

Both in Brazil and in Chile, the extent to which the British bondholder is likely to share in the fruits of recovery must depend partly upon the force with which his representatives insist upon his right to equitable treatment. The present working of the Chilean debt settlement aptly illustrates the force of this contention. The fact that Chile's Budget is balanced affords but scant consolation to the bondholder, whose interest is now restricted to an extra-budgetary moiety in the Government's income from nitrate and copper. The remainder of that income is devoted to redemption—in other words, to the purchase by the Government of its bonds at "knock-out" prices. The increase in the service from 9s. 6d. to 12s. 1.2d. per cent., announced last week, cannot be regarded with any great satisfaction. Nitrate revenues are still relatively depressed, and it is fortunate for the bondholder that a further increase in the copper tax is probable during 1937.

On any estimate of transfer possibilities, however, current market valuations of Chilean bonds appear anomalous. The 4½ per cent. and the 6 per cent issues receive 12s. 1.2d. per cent. equally. Yet the latter stand

fully three points higher (around 25½) than the former, though they would almost certainly take second place, as junior issues, if any increase were made in sinking fund provisions. Chile's trade statistics, again, give an optimistic impression of her free exchange resources, since a large proportion of her trade is conducted under compensation agreements. The market, altogether, seems to have gone far enough, for the time being, in discounting Chile's recovery possibilities, and her ability and willingness to pay larger sums in current interest.

We may, finally, consider the prospect of Peruvian securities. The Republic's recent record is mainly one of good intentions unfulfilled. In the 1936 Budget, resumed debt payments were proposed "within Peru's economic capacity." The subsequent rise in cotton and sugar prices has undoubtedly improved this capacity. Yet, with the exception of half coupons on the 7½ per cent. Guano Loan, standing at 54½, the interest service is in complete default. Consequently, Peruvian Corporation 6 per cent. debentures would appear much more interesting to the speculative investor, at 71, cum £19 arrears. Last year's gross traffic increase amounted to £185,461 (or 24 per cent.) and the stock thus profits directly from the Republic's recovery. Although subject to moratorium until the end of 1937 (or 1938 if extended), it represents an enforceable railway security in the last resort, and may still be preferred, under existing conditions, to the direct obligations of the Peruvian Government.

The broad conclusion suggested by this survey is that the rise in prices of "commodity bonds" has already largely discounted the effects of the rise in commodity prices. Of the ability of the issuing Governments to pay more to their bondholders there are clear signs, but their willingness is, perhaps, more open to doubt. The investor cannot, by thought-taking, increase the measure or pace of economic recovery; but his representatives can, and should, ensure that in the important negotiations which will be carried on during forthcoming months, his just claims will be urged by every legitimate means. If justice is to prevail, her elbow needs all the power that peaceful but determined suasion can afford.

Investment and Company Notes

Gilt-Edged Indisposition.—The gilt-edged market has not wholly escaped the prevailing epidemic. Long-dated British Government stocks were noticeably indisposed at the beginning of the week, and a few bears from other markets were emboldened to try the effect of a little speculative selling. Mr Keynes, for once, was their involuntary helper, for the market felt that he somewhat overstated his case last week. No one was convinced that the Treasury could maintain low interest rates by market manipulation alone. And Mr Keynes's omission of any direct recommendation of a broadening of the credit basis was regarded, rightly or wrongly, as an indication of his own reluctance to commit himself to such a policy at a time of rising prices, active trade and an unbalanced Budget. Broadly, the market feels that, if there were no Treasury "control," no "planned economics," and no Mr Keynes, the old-fashioned signs would now all be pointing to a rising tendency in interest rates. As things are, the consensus of opinion in the more responsible professional quarters is that some rise has now become inevitable; but it may be slow, and it will certainly not carry rates back anywhere near the level of eight years ago. For the immediate future, the question of a re-armament loan is the cynosure of speculative discussion.



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With its broad aspects we deal in a leading article on an earlier page. If last week's small issue of Treasury-guaranteed London Electric Debenture Stock was designed by the authorities to test the level of the waters round Mount Ararat, the experiment has not been wholly encouraging, for the dove has returned bearing a discount.

* * *

Wall Street and Inauguration Day.—The strength demonstrated by Wall Street during this week must be attributed to a general belief in the inherent buoyancy of prices and to some covering by "shorts," for specific news was no more than reasonably encouraging. The truce announced in the motor dispute proved to be short-lived, and was soon replaced by mutual recriminations, and by a renewal of hostilities. The strategic position of the Lewis Union is strengthened by the settlement of the Pittsburgh plate glass strike, which will allow supplies to flow to General Motors' competitors, and so isolate the major dispute. But Wall Street, determined to see the best side of everything, took encouragement from the increased activity of steel mills, which have taken the opportunity provided by a falling automobile demand to satisfy orders from other customers. News of the TVA negotiations with the utilities suggested an impending breakdown, on the rumoured determination of the President to refuse to compromise the full extent of his power programme. And his inaugural address was hardly in the mild Conservative tradition which had been forecast as the keynote for the next four years. Yet the market found consolation in the absence of specific threats against the moneychangers and speculators. An increase in car-loadings, and the announced \$60 millions expansion programme of United States Steel, found the market in the right mood. And so prices have advanced and turnover has increased, to Wall Street's satisfaction.

* * *

Building Society Trends.—Will 1937 see some slackening of residential building construction and

finance? Sir Harold Bellman recently addressed himself to this problem and concluded that any falling off of house construction and—by implication—building society business is bound to be gradual and not perceptible. No change of tendency is to be found in building society reports so far available. Significant changes in the tempo of progress or in the character of advances may be better studied when the results of the larger societies for 1936 are shortly published. Recent indications show no diminution of business. These accounts include the National and Woolwich Equitable, (which were discussed on page 592 of *The Economist* of December 19th), while the Leicester Permanent report shows an increase of £2,833,000 in mortgage assets during 1936 to £13,200,000. Further progress has also been reported by the two large Burnley Societies—Borough Building Society and Burnley Building Society. In view of the fall in the value of dwelling-house plans approved during 1936, their reports are very satisfactory. These figures are not a direct indication of actual building activity. But the societies are doubtless pursuing greater caution in advance business against builders' personal guarantees. Little progress has been made under the scheme laid down in the 1933 Housing Act for guaranteed advances on small houses for letting. The main event of last year in the movement was the formation in June of the Building Societies Association, which gathered in 200 members, representing 87 per cent. of the assets of societies formerly composing the National Association of Building Societies. A "Code of Ethics and Procedure" was drawn up and began to operate on October 1st last, but its precise significance cannot be estimated. It is to be presumed, however, that common lines of policy are now in force regarding the investment branches. Some relaxation of the limits imposed on new deposits was again introduced last year, and some societies showed greater willingness to accept new funds. Whether—and in what degree—common agreement has been achieved regarding mortgage business cannot be judged. But in view of the importance attached to this branch by the leaders of the movement, the Association should at least be feeling towards the main lines of corporate policy. After seven relatively fat years, the Biblical precedent is perhaps appropriate for the building society movement.

* * *

Birmingham Companies.—As the economic focus of the prosperous Midlands, Birmingham (whose story forms the subject of a special leading article on page 159 of this week's issue of *The Economist*) is the domicile of a large number of companies of first-class investment status. Their variety of products (though many are in the light engineering trades) is no less remarkable. And most of them have dividend records of enviable strength.

Company and Share Denomination	Earned for Ordinary		Ordinary Dividend		Ord. Shares Price	Yield (%)
	Previous Year	Latest Year	Previous Year	Latest Year		
Ansells Brewery (£1).....	48-8	55-1	22½	25½	85 0	3 7 9
Avery (W. & T.) (£1).....	20-7	21-0	15(a)	15	88 9	3 7 9
B'ham Rly. Carr. & Wagon (£1).....	Nil	Nil	5	5	28 9	3 9 7
Booth (James) & Co. (£1)...	23-2	27-7	15	15	147 6	2 0 3
Brockhouse (J.) (£1).....	14-4	22-2	10	16(e)	65 6	2 4 0
British Piston Ring (5s.)...	53-8	39-0	25	22½(b)	30 0	3 15 0
Fisher & Ludlow (10s.).....	18-6	35-0	12½	17½	50 0	3 10 0
Harrisons (B'ham) (£1).....	48-5½	52-1½	20½	20½(c)	122 6	3 5 0½
Mitchells & Butlers (£1)...	19-1½	20-7½	17½	17½	102 6	3 8 0½
Wolverhampton & Dudley Brewery (£1).....	25-0	27-4	14	15	80 0	3 15 0

† Tax free.
(a) And 20 per cent. capital bonus. (b) Final of 15 per cent. on increased capital. (c) And 50 per cent. capital bonus. (d) And 50 per cent. capital bonus. Ordinary capital increased from £997,150 to £2,000,000 since report. Yield on 12½ per cent. dividend, £2 12s. 6d. per cent. and on 27-8 per cent. earnings, 5-8 per cent. (e) 6 per cent. interim and 10 per cent. final on larger capital.

The investor does not, on the whole, turn to Birmingham for high-g geared equities, but rather for the share which provides a regular 15 per cent. dividend with capital bonuses at intervals. *W. and T. Avery* is a share in point. The company's reputation as weighing-machine specialists is world-wide, and its prospects of further expansion of trade appear to be limited only by physical

capacity. Metal-working concerns, such as *James Booth, Fisher and Ludlow* and *Harrisons (Birmingham)* and *Birmingham Aluminium Casting* (now known to the investor as *Birmid*) naturally take a leading place among prosperous Birmingham companies. *J. Brockhouse* specialise in springs for the motor industry and produce forgings. Another link with the motor industry (which is dominated in the Birmingham area by the Austin Longbridge works) is provided by *British Piston Ring*, though this company actually has its headquarters at Coventry. There is no sign of depression in the recent record of these companies, as the accompanying table shows. Some concerns, like *Birmingham Small Arms* and *Birmingham Railway Carriage and Wagon*, have made slower progress, but re-armament demand and railway re-equipment should produce a marked effect upon profits in future reports. A prosperous industrial area implies prosperity for a wide range of consumers' goods industries. Brewery shares are therefore a leading feature in Birmingham's investment opportunities. They include *Ansells* (which produced a spectacular report and bonus last November), *Mitchells and Butlers* and *Wolverhampton and Dudley*. *Wilkinson and Riddell*, the wholesale drapery concern, pays 8 per cent. tax-free dividends with unfailing regularity. Even then, the list is far from complete. It would need to include *Southalls (Birmingham)* (producers of cellulose products), such concerns as *W. Canning*, *Delta Metal* and *John Harper* in the metal trades, and *Horseley Bridge and Thomas Piggott* among the heavier engineering concerns. Birmingham, in fact, is one of the provincial stock exchanges whose wares are frequently of definite interest to the outside investor.

* * *

Birmingham's Stock Exchange.—As befits a prosperous manufacturing centre, with a range of securities of keen local interest, Birmingham can make full use of its well-organised Stock Exchange. Like the Exchanges in other large provincial centres, it is represented on the Council of Associated Stock Exchanges. Its membership of almost exactly one hundred is thus bound by similar professional standards to those of the London market itself. There are numerous shares, particularly in the motor industry, which are valued in London to-morrow according to Birmingham's view to-day, but the liaison between the two markets in most sections is particularly close. Recent heavy dealings in small engineering concerns have been fed by a specialised demand from the Midlands, which has been canalised through the Birmingham Stock Exchange. In this manner, local economic patriotism and knowledge are wedded to wider dealing opportunities than a provincial market, of itself, could afford. With the growing wealth of its hinterland, therefore, the Birmingham Exchange seems destined to enjoy continued future progress.

* * *

Disappointing Imperial Tobacco Dividend.—This week's announcement by Imperial Tobacco is a less auspicious curtain-raiser to the tobacco-dividend season than the market had hoped. True, the total distribution of 25 per cent. tax free, against 24 per cent. for 1934-35, is the highest since 26 per cent. was paid for 1928. In 1929 a 25 per cent. share bonus was declared—and this feature of prosperity, to the market's general disappointment, is lacking in the statement. It is possible to make a provisional calculation of profits from the information published. Here, again, the estimated increase of £367,300 in profits which the following table reveals seems relatively modest:—

	Years to October 31st.		
	1934	1935	1936
Profit	9,589,008	10,268,210	10,635,549*
Preference dividends	852,209	852,209	852,209
Ordinary shares (tax free):—			
<i>Earned</i>	8,736,799	9,416,001	9,783,340*
<i>Paid</i>	8,435,840	9,015,131	9,390,762
<i>Earned (%)</i>	23-3	25-1	26-0*
<i>Paid (%)</i>	22½	24	25
General reserve	Nil	500,000	250,000
Carried forward	1,139,552	1,040,422	1,183,000

* Estimated.

An increase of 3.6 in total profits, compared with 30 per cent. for Carreras and 18 per cent. for Gallaher (in 1935), is surprisingly small. It is inconceivable that the group's sales should not advance at least as rapidly as those of its competitors. Nor can this slackening of progress be explained by rising leaf costs, which are equalised under the company's stock policy. In fact, these indicated profits give no clue to the group's actual earnings, and a first reading of the figures suggests that policy must have intervened between satisfactory earnings and their distribution. Robbed of the expected share bonus, "Imps." have been left rather high and dry. The £1 shares fell from 8½ to 8½ on the statement. A gross yield of £3 17s. per cent. leaves them in the stable industrial class, apparently bereft of full-blooded prosperity prospects.

* * *

Cable and Wireless Estimates.—Those speculators who carried the "A" ordinary stock to 25 on the December Cable and Wireless traffic apparently gave too little heed to its exceptional nature. The volume of Press messages during December reporting the abdication to the Empire and the eye-witness accounts of the cricket pundits from Australia suggests that it should be treated as exceptional. Complete traffic indices for the year enable us to put forward our usual earnings estimate for Cable and Wireless (Holding) 5½ per cent. preference stock. The average monthly index fell last year from 73.5 to 72.7. Using this fall as an indicator of total receipts of the Communications Company (not wholly accurate since it is based on 1929 and is thus adjusted to exclude new sources of revenue) it would appear that net traffics, after Government taxes, may have fallen by approximately £50,000. For 1935, the company had to provide £146,000 for exchange losses. In some directions this burden may be lower, but traffics originating in devalued gold currencies have presumably fallen in sterling terms since September.

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Since the index number does not disclose the method of treating currency receipts, however, it is impossible to be definite on the point. But the poor traffic comparisons of September and October may be associated with gold currency devaluation. It seems reasonable, therefore, to allow £100,000 for exchange losses for 1936, but the figure is in the highest degree provisional. So far, plus and minus, on these assumptions, would cancel out.

On the operating side, changes are probably of a minor order. Such stable items as station working, cable maintenance and renewals, and rents should be little altered. Further savings on administration and pensions to retired staff may be expected, and income from subsidiary companies should again increase. A credit of £125,000 seems a fairly cautious estimate under these heads, but it might well be higher. Assuming that the Communications Company distributed its increased net earnings fully, and that the cable companies have maintained their investment income, Cable and Wireless (Holding) should receive this extra sum. In addition, Marconi's Wireless Telegraph enjoyed a better year, and a resumption of 6 per cent. dividends would mean an extra £30,000 for the Holding Company.

The latter will not be required to find the £64,534 due for preference share interest in 1935, but, on the other hand, the first year's working of the Cables Investment Trust has provided less than the expected revenue. All told, therefore, the net revenue of the Holding Company may be increased by £150,000—£175,000, bringing the total to £1,160,000. This sum would cover about fifteen months' dividend on the reduced preference capital (in arrears since March, 1934), or about 1.2 per cent. on the "A" ordinary stock assuming normal preference dividends. On this showing, the preference stock, at 106½ cum £15 gross arrears is an interesting speculative invest-

ment, but the "A" ordinary stock at 23½ must depend upon a rapid increase in normal traffics (which are somewhat slow to recover) to improve its prospects under any capital scheme which the Board may propose.

Triplex Capital Proposals.—The melon which the directors of Triplex Safety Glass are proposing to cut is of unusual shape. The existing capital consists of £200,000 in 10s. shares, now standing in the market at 8½. It is proposed, first, to make a share-for-share bonus distribution of 400,000 10s. shares. In the second place, "existing" shareholders (i.e. at present) will be offered 100,000 shares, one for four, at 70s. per share. After this issue is taken up, a further 100,000 free bonus shares will be distributed to members—one share for each share taken up. The scheme has apparently been designed to enable all shareholders to share in the capital bonus, even though they may not be willing to supply new capital. Shareholders, in fact, will find more than the bonus issues in share premiums. Shorn of its complications, the scheme provides that a holder of four shares at the present price receives four more free, and by paying £3 10s. may obtain two more. On this basis, the rights are worth about £4 15s. The raising of new money on this scale suggests rapid absorption of liquid funds. At the end of last June, net current assets amounted to £123,000, but the company is apparently carrying larger stocks, and stresses the advisability of keeping larger cash resources against "various contingencies." Substantial cash capital is also required for the development of a newly acquired subsidiary. Since the company distributed its profits up to the hilt last year, the dividend prospect on the enlarged capital (£500,000 against £200,000) depends largely upon the length of the gestation period of the new cash capital. Although trading reports are excellent, the market probably did well to rest on the proposals, for even assuming a 30 per cent. dividend in the current year, the yield would not be lavish.

Steel Share Outlook.—In the first three weeks' dealings of 1937 steel shares have been irregular. A six-shilling rise has been recorded by Hadfields, but other shares have remained near their Christmas levels. This week, irregularity has been very marked. A few individual shares, like John Brown and Colvilles, have progressed, but otherwise losses up to sixpence have prevailed. The market, indeed, is in a somewhat difficult position. Superficial bull points are not lacking, and they have been seized by bullish commentators. The production figures for December and for 1936 as a whole are entirely satisfactory. The latest Cartel announcement has further strengthened the export market in sheets. There are reports of a "gentleman's agreement" to control tube export prices. All these factors afford apparent justification for a marking-up of prices. The market, however, is well aware of the present difficulties of the trade. It is common knowledge that the raw material position—and particularly the situation in the scrap market—is rather disquieting, and it is abundantly clear that bottle-necks are appearing. The very strength of demand, indeed, is by no means an unmixed bull point, for production had already expanded far enough to yield full economies of large-scale production a year ago, and a further advance may even increase operating costs. The majority of investors, therefore, are inclined to bide their time until they see the accounts of some of the chief companies which report to December 31st—Baldwins, Stewarts and Lloyds, and Lancashire Steel. In the meantime, it seems that prospective earnings—apart from any profits which may be accruing by way of special prices to special consumers—are adequately discounted by the present levels of share prices.

Commercial Motor Progress.—Recent reports from commercial motor manufacturers have shown a more decisive improvement in profits, and the trend is

confirmed by the results of Leyland Motors. The 2½ per cent. increase in dividend to 20 per cent. is more modest than the market expected, but profits are 24 per cent. higher at £557,390. After providing £119,677 for income-tax, or some £34,400 more, the equity earnings are £291,294, or 42.4 per cent., and reserve receives £150,000. This conservative distribution policy has certain parallels with A.E.C., whose results were discussed in *The Economist* of December 5th last. Both companies are distributing half or less of their earnings. A comparison between profits and the number of commercial vehicles registered confirms the wisdom of increasing dividends roughly in accordance with the general rise in demand. Special factors may produce transient changes of profits for individual concerns in the commercial vehicle industry, although technical conditions are more stable than for private car production. Index numbers of profits of three commercial motor manufacturers and of new registrations of commercial vehicles show very close correlation in 1934-35, but some marked divergences in the latest year:—

	September, 1933-4	1934-5	1935-6
Total profits:—			
A.E.C.	100	109	185
Dennis	100	114	125
Leyland	100	112	139
Total, three companies.	100	112	149
Registrations	100	106	119

A repetition of the sharp increase of A.E.C. can hardly be relied upon, as demand fluctuates, but the table suggests that the traditional investment policy in the commercial vehicle market should still prove sound and profitable. Quite simply, it merely involves a spread of interest over Leyland and A.E.C., with Dennis as the third ingredient to taste.

A Preference Share Repayment.—Is there a case for repaying preference capital by a company well able to meet the dividend, but too comfortably endowed with cash for its current requirements? Judgment on the McIntyre, Hogg, Marsh repayment proposals depends on the answer to the question. The company has £120,000 issued in 5½ per cent. cumulative participating £1 preference shares, which have, in fact, received 9½ per cent. in recent years. It is proposed to pay holders 25s. per share, and to allot one ordinary share to them for every four shares held. By this operation, the ordinary capital would be increased from £219,000 to £249,000. The preference shares stand at 35s., and the ordinary at 45s. If allowance is made for the proposed capital rights, preference shareholders appear to have no cause for complaint, but in terms of income the

position is not so satisfactory. Holders will receive, for every four preference shares, only one ordinary share (paying 15 per cent.) plus cash which they will find some difficulty in reinvesting so as to obtain equivalent income with equal security. In any case, the scheme cannot be taken as a model by the generality of companies with "high-dividend" preference shares. The preference issue is small, and the double coincidence of large cash resources cum high-valued ordinary shares is anything but universal.

Company Results of the Week.—This week's reports include 18 bank statements, which are analysed on page 215, together with some 30 other companies. The bank reports are discussed in a leading article on page 179, and the results are set out on page 214, under the heading "Shorter Company Comments," together with a review of other company results.

Company Meetings of the Week.—On later pages of this issue will be found the reports of the following company meetings:—Barclays Bank, Martins Bank, Alexanders Discount, Liebig's Extract of Meat, Michael Nairn and Greenwich, South African Torbanite Mining and Refining, Sedenak Rubber Estates, Langen (Java) Rubber Estates, and United Serdang (Sumatra) Rubber Plantations. Mr E. B. Orme gave Martins Bank shareholders a comprehensive survey of the progress of trade, in particular shipbuilding and cotton, in which the bank is closely interested. At Alexanders Discount Company meeting Mr. Colin Campbell pointed out that the bulk of last year's profits came from securities and not from bills. Mr Edwin Fisher's address to Barclays Bank shareholders again included an interesting analysis of advances made to various occupational classes. At the Michael Nairn and Greenwich meeting, the chairman referred to the difficulties in overseas markets which the company is combating. Mr H. Eric Miller disclosed to Langen (Java) Rubber shareholders that some forward sales have been made by instalments at rising prices. The 1936-37 crop is estimated at 465 tons. At the United Serdang (Sumatra) meeting, he referred to the interest shown by buyers in high-grade palm oil from Eastern plantations. At the Sedenak Rubber Estates meeting, the chairman pointed out that an extra 1d. per lb. profit represents 3 per cent. on the company's capital. Mr W. Patrick Jones, at the South African Torbanite meeting, expressed belief that the full petrol quota would shortly be distributed. At the Liebig's meeting, Mr Kenneth Carlisle reported on the manufacturing programmes of the South African factories.

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THE WEEK IN THE MARKETS

THE STOCK EXCHANGE

SETTLING DAYS

TICKET: FEBRUARY 2 ACCOUNT: FEBRUARY 4

This week has not seen the Stock Exchange at its happiest. Despite the arguments of Mr Keynes that, by taking thought, interest rates can be fixed at will, the gilt-edged market has remained despondent. Industrial conditions remain patchy, with investors more than half convinced that major rises on a broad front belong to the past. And in the commodity sections, the high prices of metals and rubber have proved rather vulnerable causing an early reaction in the shares.

Undoubtedly, the Funds have been the greyest section in the market. The talk at the beginning of the week was still concerned over the imminence of a defence loan and the Budget. The alleged vulnerability of the market to speculative selling was irresponsibly canvassed in some quarters. In consequence 2½ per cent. Funding fell to a low record, and despite the small mid-week recovery all stocks were well down on the week. London Electric Transport debentures were ½ discount on Wednesday.

Brazilian bonds attracted most attention in the foreign market at first, but considerable profit taking followed, and the advance was not renewed. Argentine Trust "C" Certificates improved one point on Wednesday. The position of Southern American bonds is discussed in a leading article on page 182. Conversion possibilities stimulated Austrian bonds and German issues made a strong mid-week recovery.

Fears of rising wage demands depressed home rail stocks from the opening, and there was no relief from the traffics, which are affected by heavy coal receipts a year ago. Marginal stocks and prior charges suffered alike. Activity promised to broaden in Argentine issues, but the news that the Argentine Senate had deferred consideration of the bill authorising the purchase of Cordoba Central brought about a heavy slump in the first debentures. Other Argentine issues reacted, despite impressive traffic receipts.

Industrial markets were irregular most of the week, and prices were generally lower than at the end of last week, although there were many exceptions. Monday was the best day in the iron and steel section, with John Brown prominent on good trading reports. Profit-taking later left most prices lower. The coal group saw slight gains on a small volume of business. In the aircraft section the main interest was provided by De Havilland which were bought on the meeting. The motor group was rather neglected. Triplex were in demand in anticipation of the bonus, and reacted afterward. There were signs of an improvement in some motors, particularly Standard in mid-week. Electrical equipment issues were still good, but interest tended to die away as the week advanced. In other sections of the market, Imperial Tobacco were lower on the distribution, which was not up to full hopes. Breweries were dull, and among rayon issues American Celanese were slightly higher. Shipping issues were higher, particularly Clan Line, and the hope of improved trade with Ireland had a good effect. Prices were irregular in the miscellaneous industrials section, with a falling trend, and no points of outstanding significance.

In the first part of the week, the oil market ranged from quiet to dull, though there was no weakness in prices. Selling from Amsterdam produced an inauspicious opening on Wednesday, but there was no difficulty in taking up stocks with Continental help later. The Trinidad group was the most interesting, especially Apex and Leaseholds, Shell and the Eagles being much quieter.

Rubber shares experienced a steady, though not serious, decline on the weaker commodity price, and were not helped by continuing labour troubles in the American motor industry. The best shares were steadily supported at the reduced levels. Investors appear to be holding back for a substantial fall in rubber and cheaper shares resulting therefrom. Tea shares were rather firmer than of late.

The mining market made an indifferent start, but once it had recovered from the speculative aftermath of last account, it looked out on Wednesday upon a brighter world. East Rand Consolidated was one of the few shares to be active

at first, but in mid-week interest revived in the developing mines, particularly West Witwatersrand and Klerksdorp. West Africans were contrary to the general trend, and quietened down after a fairly brisk opening session. Rhodesian copper issues made a good start, but almost at once begun to sag, and on Tuesday fell somewhat severely. Roans in particular. There was a slight rally in mid-week, on the firmer commodity price. Base metal shares were inactive.

The Paris Bourse saw a revival in mid-week, after a dull start, while in Berlin conditions were quiet, though without any real weakness in prices. Weaker commodity prices reacted on Amsterdam, which, however, shared in Wednesday's general recovery.

"FINANCIAL NEWS" MARKET INDICATORS

	Jan. 14	Jan. 15	Jan. 18	Jan. 19	Jan. 20	Jan. 21
Approximate total of bargains recorded in S.E. List	12,441	13,501	13,250	11,100	10,420	10,430
Corres. day 1936	11,049	12,278	12,625	Closed	12,083	11,802
Security Movements						
Index of 30 Ordinary Shares (July 1, 1935 = 100)	123.8	123.6	123.4	122.9	122.7	123.7
Index of 20 Fixed Interest Securities (1928 = 100)	136.0	135.8	135.6	135.4	135.4	135.2

Highest 1936: Ordinary Shares 124.9 (Nov. 18); Fixed Interest 138.8 (Feb. 10).
Lowest 1936: Ordinary Shares 107.4 (Jan. 2); Fixed Interest 136.2 (Sept. 23).
Highest 1937: Ordinary Shares 124.8 (Jan. 4); Fixed Interest 136.6 (Jan. 4).
Lowest 1937: Ordinary Shares 122.7 (Jan. 20); Fixed Interest 135.4 (Jan. 20).

ACTUARIES' INVESTMENT INDEX

The Actuaries' Index of 178 industrial ordinary shares on Tuesday last was 90.2 compared with 90.7 a week ago, but was the same as a month ago. The yield is unchanged at 3.71, against 3.69 a month ago. A selection of the separate indices appears below:—

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)			Yield (%)		
	Month ago (Dec. 22, 1936)	Week ago (Jan. 12, 1937)	This week (Jan. 19, 1937)	Month ago (Dec. 22, 1936)	Week ago (Jan. 12, 1937)	This week (Jan. 19, 1937)
Coal (7)	119.3	119.3	117.5	3.17	3.17	3.18
Cotton (6)	49.5	54.4	53.6	2.01	1.98	1.96
Iron and Steel (12)	82.4	83.0	82.3	3.78	3.77	3.82
Motors (5)	59.1	59.5	58.4	3.95	3.93	4.00
Electric Supplies (10)	154.8	155.5	159.1	3.54	3.87	3.80
Home Rails (4)	83.0	87.3	82.2	1.24	1.21	1.24
Breweries and Distilleries (21)	157.9	150.5	147.7	4.00	4.20	4.28

NEW YORK STOCK EXCHANGE

A burst of enthusiasm was evident on Wall Street at the close of last week, with steel issues leading the upward price movement on the U.S. steel expansion programme. This was taken as evidence that, strikes to the contrary, the steel industry fancies its future prospects. Electrical issues were close behind the leaders, and even motors were higher on the truce. Railroad issues were handicapped by the discussion between railwaymen's unions on wages. The first day of the current week found prices moving downward on the collapse of the motor truce. Copper issues fell on the lower commodity price abroad. Utilities were one of the few sections to hold firm, on the hope that division of opinion in the administration on the extent of government control would mean greater liberty for the private companies. There was a further slight fall on Tuesday, and metal stocks were lower on the lower commodity prices. But the President's Inaugural Address came to the rescue in mid-week by not

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breathing any specific threats, and prices then recovered all their losses of the previous days. Business news apart from the automobile strike is still excellent; so far from there being any reduction in steel mill activity *Iron Age's* estimate for the week shows an increase to 81 per cent. of capacity compared with 79.5 per cent. last week. The bond market was strong in mid-week, except for Treasury issues.

	Jan. 13, 1937 (Close)	Jan. 20, 1937 (Close)	Jan. 21, 1937 (Latest)		Jan. 13, 1937 (Close)	Jan. 20, 1937 (Close)	Jan. 21, 1937 (Latest)
1. Rails & Transport				4. Manufacturing			
Atchafalpa.....	73½	75½	75½	Briggs.....	54½	56	56
Balt. and Ohio.....	22½	23½	23½	Chrysler.....	118½	123½	123½
B.M.T.....	51½	51½	51½	Electric Autolite.....	40½	41½	43
Can. Pacific.....	15½	16	15½	General Motors.....	65½	68	67½
Ches. and Ohio.....	67½	67	66½	Hudson Motor Car.....	19½	20½	20½
Gt. Nthn. Ry. Pl.....	42½	44	43½	Murray Corp.....	18½	19	19½
Illinois Central.....	42½	43½	43½	Nash-Kelvinator.....	20	19½	19½
N.Y. Central.....	43½	43½	43½	Packard Motor Car.....	11	11½	11½
Nor. Pac.....	29	29½	29½	Bendix Aviation.....	26½	27½	27½
Pennsylvania R.R.....	42½	42½	42½	Boeing Airplane.....	36½	36½	36½
Southern Pac.....	47½	49½	49½	Douglas Aircraft.....	73½	73½	74
Southern Ry.....	27½	27½	27	United Aircraft.....	30½	29½	31½
Union Pac.....	131	130½	130	Air Reduction.....	75½	77	77½
Greyhound Cp. New	16	16½	16	Alfred Chem. xid.....	23½	23½	23½

2. Utilities and Communications				U.S. Ind. Alcohol.....	37½	40½	40½
Am. Waterworks.....	29½	27½	27½	Allis Chalmers.....	78½	80	79½
C. & S. Water.....	47½	46	46½	General Electric.....	57½	61½	62½
Cons. Gas of N.Y.....	14½	13½	13½	Westinghouse.....	152½	158½	158½
now Cons. Edison.....	47½	46	46½	American Can.....	115½	112½	114
Col. Gas & Electric.....	20½	18½	19½	Addressograph.....	35½	34½	34
Elec. Bond & Share.....	28	25½	26½	Caterpillar.....	89½	95½	96
Nat. Pwr. and Lt.....	14½	13½	13½	Can. Can.....	66½	67	66½
North American.....	34½	32½	33	Ingersoll Rand.....	134	130½	130½
Pac. Gas & Electric.....	37½	37½	37½	Intnl. Harvester.....	104½	108½	109½
Pac. Lighting.....	53	52½	52½	Johns-Manville.....	154½	146	146
Pub. Service N.J.....	50½	52	52½	Johns-Manville.....	26	26	26½
Stan. Gas & Elec.....	13½	12½	13½	Corn Products.....	70½	70½	70½
United Corp.....	8	7½	7½	J. I. Case and Co.....	154	163½	162½
United Gas Imp.....	16½	16	16½	Glidden.....	46½	46½	47
Am. Tel. & Tel.....	164	183	182	Gen. Am. Transp.....	77½	78½	78
Int. Tel. & Tel.....	13	13½	13½	Allied Mills.....	30½	31½	31
Western Union.....	79½	82½	82½	Celanese of America.....	27½	28	28½
Radio.....	11	12½	12	Ind. Rayon New.....	38½	39	39½
Radio B Pref. New	76½	78½	78½	Colgate Palmolive xid.....	21	20½	20½

3. Extractive and Metal Industries				5. Retail Trade and Food			
Am. Rolling Mills.....	33½	35½	35	Montgomery Ward.....	58	57½	57½
Beth. Steel.....	75½	77½	77½	J. C. Penney Co.....	101½	101½	102
Beth. Steel Pref.....	125½	125	125	Sears-Roebuck xid.....	80½	80½	80½
Republic Steel.....	28½	31½	32½	United Drug.....	14½	15	15½
U.S. Steel.....	79½	86½	86½	Walgreen xid.....	38½	38½	38½
U.S. Steel Pref.....	144½	146	146	Woolworth.....	62½	65½	63½
Alaska Juneau xid.....	15½	14½	14½	Borden.....	27	27½	27½
American Metal.....	64½	62½	61½	Gen. Foods.....	40	43	42½
American Smelting.....	96½	95½	95½	Kroger Grocery.....	24	24	24½
Anaconda.....	56½	54½	54½	Nat. Biscuit.....	31½	32	31½
Boba Aluminum.....	49½	44½	44½	Standard Brands.....	23½	24	24
Cerro de Pasco.....	72½	69½	69½	Am. Tobacco B.....	97½	98½	98½
Int. Nickel.....	64	63½	63½	Liggett Myers B.....	111	110	111½
Kennecott.....	62½	60½	60½	Lorillard.....	23½	24	24½
Patio Mines.....	16½	15	14½	Reynolds Tob. B.....	57½	57½	57½
Texas Gulf Sulphur.....	42½	50	50½	National Distillers.....	28½	29	28½
U.S. Smelt.....	89½	89½	89½	Schenley Distillers.....	45	45½	44½
Vanadium Corp.....	31	31½	31½				
Atlantic Refining.....	32	32½	32½				
Phillips Petroleum.....	50½	51	51½				
Shell Union.....	29½	28½	28½				
Shell Union Pref.....	103	104½	104½				
Socony Vacuum.....	16½	16½	17				
Stand. Oil Calif.....	45½	45½	45½				
Stand. Oil N.J.....	69	69	69				
Texas Corp.....	55½	51½	51½				

By courtesy of the Standard Statistics Company, Inc., of New York, we print the following index figures of American values calculated on closing prices (1926=100):—

	1936	1937	Beginning of Year 1937	Jan. 6, 1937	Jan. 13, 1937	Jan. 20, 1937
	Lowest	Highest	Lowest	Highest	Lowest	Highest
	Apr. 29	Nov. 10	Jan. 6	Jan. 20		
347 Industrials.....	112.7	145.9	143.2	149.0	143.2	147.0
32 Rails.....	42.8	60.2(6)	54.6	57.1	54.6	56.4
40 Utilities.....	91.2	111.0(6)	111.7	116.4(6)	111.7	116.4
Total, 419 Stocks.....	97.7	125.4	125.5	128.2	123.5	127.1
Average yield*.....	4.50%	2.65%	4.53%	4.33%	4.53%	4.42%
	High (c)	Low (a)	High	Low		

* 50 Industrial Common Stocks. (b) Oct. 14th. (c) December 23rd. (d) April 8th. (e) December 2nd. (f) January 13th.

DAILY AVERAGE OF 50 AMERICAN COMMON STOCKS (1926 = 100)

	Highest*	Lowest†	Jan. 13	Jan. 14	Jan. 15	Jan. 16	Jan. 18	Jan. 19	Jan. 20
170.6	161.8	167.2	168.2	169.0	170.1	169.0	168.1	170.6	

* January 20th.

† January 4th.

TOTAL DEALINGS IN NEW YORK

	Jan. 14	Jan. 15	Jan. 16*	Jan. 18	Jan. 19	Jan. 20
Stock Exchange—						
Shares (No. Thous.)	3,280	2,900	1,710	2,860	2,620	3,270
Bonds (Thous. \$)	15,650	16,070	9,580	12,760	13,880	14,060
Curb—						
Shares (Thous.)	1,342	979	633	1,054	899	815

* Two-hour session.

CAPITAL ISSUES

THE new issue market is now giving greater attention to the small industrial company than at any time since recovery began, but the investor has also been offered the prior charges of an established brewery concern, and the ordinary shares of the second investment trust to be formed since 1931. For the long-term investor, who is prepared to hold his security through the changing sequence of interest rates, the debentures and preference shares of *Higson's Brewery* offer the traditional security of their class. The profits of this Liverpool company have increased fairly rapidly during the past three years, and are still progressive. The company's trading position is interesting, for it is partly independent and partly tied through Bass, Ratcliff and Gretton. The relative security of the debenture and preference stocks appears to favour the former. *British Isles and General Investment Trust* appears under well-known auspices. The prospectus emphasises that the investments will be spread over "a wide range of British and foreign securities, regard being had to countries where advantages from trade recovery may be expected." In view of the prevailing levels of British security prices, this policy is wise, and indeed essential. *Dussek Brothers*, whose 6 per cent. preference shares and ordinary shares have been offered this week (the latter at a 20 per cent. premium) is an established oil refining business of a specialised type. The current level of profits is estimated to be nearly twice that prevailing in 1934-35. A 10½ per cent. yield basis for the ordinary shares, therefore, is no more than reasonable. *Heenan, Beddow and Sturme* is a £67,500 merger of three businesses engaged in structural steel work and lock-making. In this instance also the ordinary shares are offered at a (50 per cent.) premium to provide a 10 per cent. average earnings yield basis, on the profits of the past three years. The issued capital of *Byard Manufacturing* is £60,000, consisting of 2s. ordinary shares which are offered at 100 per cent. premium, again putting the shares on an estimated 11 per cent. yield basis. This concern pays appreciably more than net asset value for the business taken over, but appreciably less than current valuation for an additional factory and plant which is also to be acquired. It is difficult to recommend shares of smaller companies to the general investor, for as recent prospectuses abundantly show, their profits are more volatile and their security is less

(Continued on page 192)

BOROUGH BUILDING SOCIETY

Comparative Statement

31st December, 1935/36

	1935	1936
	£	£
Shareholders.....	3,477,333	3,726,472
Depositors.....	469,950	594,269
Sundry Creditors.....	4,561	5,035
Income Tax.....	12,224	15,233
Suspense Account.....	999	965
Reserves.....	182,213	216,693
	£4,147,280	£4,558,667
	1935	1936
	£	£
Advances on First Mortgage.....	3,978,361	4,351,345
Office Premises.....	19,905	19,464
Sundry Assets.....	2,819	2,884
Sundry Debtors.....	574	351
Corporation Mortgages.....	37,405	37,071
Cash at Bank and in hand.....	108,216	147,552
	£4,147,280	£4,558,667

Reserves increased by Record Sum of £34,479

TOTAL RESERVES £216,693

SAFE AND PROFITABLE INVESTMENT

Any Sum Received from Gd. to £5,000

Assisted House Purchase on Attractive Terms

PLEASE ASK FOR BALANCE SHEET AND LEAFLETS

ESTABLISHED 1874

CHIEF OFFICE:

LOUIS GAUGHAN, Secretary

12 Nicholas Street, BURNLEY

OVER ONE HUNDRED AND TEN YEARS OF SERVICE

SCOTTISH UNION & NATIONAL

INSURANCE COMPANY

ASSETS EXCEED £16,000,000

FIRE LIFE ACCIDENT MARINE

Edinburgh: 35 St. Andrew Square
London: 5 Walbrook, E.C.4, and 45 Pall Mall, S.W.1

LONDON ACTIVE SECURITY PRICES AND YIELDS

In calculating yields on fixed interest stocks quoted below allowance is made for interest accrued since the last date of payment, less income tax at the standard rate. Where stocks are definitely redeemable at a certain date the yield includes any profit or loss on redemption; where stocks are redeemable at or before a certain date the final date of redemption is taken when the stock stands at a discount and the earliest date when the quotation is above par. The return on ordinary stocks and shares is calculated by reference to the latest dividends, account being taken of any enhancement or reduction of interim dividends. Allowance is made for accrued dividends in calculating the yield on "cum. div." shares.

Prices, Year 1936	Prices, Year 1937 Jan. 1 to Jan. 20, inclusive	Name of Security	Price, Jan. 13, 1937	Price, Jan. 20, 1937	Rise or Fall	Yield, Jan. 20, 1937	Prices, Year 1937 Jan. 1 to Jan. 20, inclusive	Last two Half-yearly Dividends	Name of Security	Price, Jan. 13, 1937	Price, Jan. 20, 1937	Rise or Fall	Yield, Jan. 20, 1937
High-est	Low-est						High-est	Low-est					
87 1/2	82 1/2	84 1/2	83	111 1/2									
102 1/2	100	101 1/2	100 1/2										
105 1/2	103 1/2	104 1/2	103 1/2										
108 1/2	106 1/2	107 1/2	106 1/2										
111 1/2	109 1/2	110 1/2	109 1/2										
114 1/2	112 1/2	113 1/2	112 1/2										
117 1/2	115 1/2	116 1/2	115 1/2										
120 1/2	118 1/2	119 1/2	118 1/2										
123 1/2	121 1/2	122 1/2	121 1/2										
126 1/2	124 1/2	125 1/2	124 1/2										
129 1/2	127 1/2	128 1/2	127 1/2										
132 1/2	130 1/2	131 1/2	130 1/2										
135 1/2	133 1/2	134 1/2	133 1/2										
138 1/2	136 1/2	137 1/2	136 1/2										
141 1/2	139 1/2	140 1/2	139 1/2										
144 1/2	142 1/2	143 1/2	142 1/2										
147 1/2	145 1/2	146 1/2	145 1/2										
150 1/2	148 1/2	149 1/2	148 1/2										
153 1/2	151 1/2	152 1/2	151 1/2										
156 1/2	154 1/2	155 1/2	154 1/2										
159 1/2	157 1/2	158 1/2	157 1/2										
162 1/2	160 1/2	161 1/2	160 1/2										
165 1/2	163 1/2	164 1/2	163 1/2										
168 1/2	166 1/2	169 1/2	166 1/2										
171 1/2	169 1/2	170 1/2	169 1/2										
174 1/2	172 1/2	173 1/2	172 1/2										
177 1/2	175 1/2	176 1/2	175 1/2										
180 1/2	178 1/2	179 1/2	178 1/2										
183 1/2	181 1/2	182 1/2	181 1/2										
186 1/2	184 1/2	185 1/2	184 1/2										
189 1/2	187 1/2	188 1/2	187 1/2										
192 1/2	190 1/2	191 1/2	190 1/2										
195 1/2	193 1/2	194 1/2	193 1/2										
198 1/2	196 1/2	199 1/2	196 1/2										
201 1/2	199 1/2	200 1/2	199 1/2										
204 1/2	202 1/2	205 1/2	202 1/2										
207 1/2	205 1/2	208 1/2	205 1/2										
210 1/2	208 1/2	211 1/2	208 1/2										
213 1/2	211 1/2	214 1/2	211 1/2										
216 1/2	214 1/2	217 1/2	214 1/2										
219 1/2	217 1/2	220 1/2	217 1/2										
222 1/2	220 1/2	223 1/2	220 1/2										
225 1/2	223 1/2	226 1/2	223 1/2										
228 1/2	226 1/2	229 1/2	226 1/2										
231 1/2	229 1/2	232 1/2	229 1/2										
234 1/2	232 1/2	235 1/2	232 1/2										
237 1/2	235 1/2	238 1/2	235 1/2										
240 1/2	238 1/2	241 1/2	238 1/2										
243 1/2	241 1/2	244 1/2	241 1/2										
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249 1/2	247 1/2	250 1/2	247 1/2										
252 1/2	250 1/2	253 1/2	250 1/2										
255 1/2	253 1/2	256 1/2	253 1/2										
258 1/2	256 1/2	259 1/2	256 1/2										
261 1/2	259 1/2	262 1/2	259 1/2										
264 1/2	262 1/2	265 1/2	262 1/2										
267 1/2	265 1/2	268 1/2	265 1/2										
270 1/2	268 1/2	271 1/2	268 1/2										
273 1/2	271 1/2	274 1/2	271 1/2										
276 1/2	274 1/2	277 1/2	274 1/2										
279 1/2	277 1/2	280 1/2	277 1/2										
282 1/2	280 1/2	283 1/2	280 1/2										
285 1/2	283 1/2	286 1/2	283 1/2										
288 1/2	286 1/2	289 1/2	286 1/2										
291 1/2	289 1/2	292 1/2	289 1/2										
294 1/2	292 1/2	295 1/2	292 1/2										
297 1/2	295 1/2	298 1/2	295 1/2										
300 1/2	298 1/2	301 1/2	298 1/2										
303 1/2	301 1/2	304 1/2	301 1/2										
306 1/2	304 1/2	307 1/2	304 1/2										
309 1/2	307 1/2	310 1/2	307 1/2										
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315 1/2	313 1/2	316 1/2	313 1/2										
318 1/2	316 1/2	319 1/2	316 1/2										
321 1/2	319 1/2	322 1/2	319 1/2										
324 1/2	322 1/2	325 1/2	322 1/2										
327 1/2	325 1/2	328 1/2	325 1/2										
330 1/2	328 1/2	331 1/2	328 1/2										
333 1/2	331 1/2	334 1/2	331 1/2										
336 1/2	334 1/2	337 1/2	334 1/2										
339 1/2	337 1/2	340 1/2	337 1/2										
342 1/2	340 1/2	343 1/2	340 1/2										
345 1/2	343 1/2	346 1/2	343 1/2										
348 1/2	346 1/2	349 1/2	346 1/2										
351 1/2	349 1/2	352 1/2	349 1/2										
354 1/2	352 1/2	355 1/2	352 1/2										
357 1/2	355 1/2	358 1/2	355 1/2										
360 1/2	358 1/2	361 1/2	358 1/2										
363 1/2	361 1/2	364 1/2	361 1/2										
366 1/2	364 1/2	367 1/2	364 1/2										
369 1/2	367 1/2	370 1/2	367 1/2										
372 1/2	370 1/2	373 1/2	370 1/2										
375 1/2	373 1/2	376 1/2	373 1/2										
378 1/2	376 1/2	379 1/2	376 1/2										
381 1/2	379 1/2	382 1/2	379 1/2										
384 1/2	382 1/2	385 1/2	382 1/2										
387 1/2	385 1/2	388 1/2	385 1/2										
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393 1/2	391 1/2	394 1/2	391 1/2										
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399 1/2	397 1/2	400 1/2	397 1/2										
402 1/2	400 1/2	403 1/2	400 1/2										
405 1/2	403 1/2	406 1/2	403 1/2										
408 1/2	406 1/2	409 1/2	406 1/2										
411 1/2	409 1/2	412 1/2	409 1/2										
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432 1/2	430 1/2	433 1/2	430 1/2										
435 1/2	433 1/2	436 1/2	433 1/2										
438 1/2	436 1/2	439 1/2	436 1/2										
441 1/2	439 1/2	442 1/2	439 1/2										
444 1/2	442 1/2	445 1/2	442 1/2										
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450 1/2	448 1/2	451 1/2	448 1/2										
453 1/2	451 1/2	454 1/2	451 1/2										
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459 1/2	457 1/2	460 1/2	457 1/2										
462 1/2	460 1/2	463 1/2	460 1/2										
465 1/2	463 1/2	466 1/2	463 1/2										
468 1/2	466 1/2	469 1/2	466 1/2										
471 1/2	469 1/2	472 1/2	469 1/2										

(Continued from page 189)

adequate than companies of greater substance. To these factors must be added the difficulty in maintaining a free market in the shares when the initial activity surrounding the issue has subsided. Statements for information only have been published this week giving particulars of the capitals of *Butler Machine Tool, Beans Industries, and East of Scotland Trust*.

TOTALS OF CAPITAL ISSUES DURING WEEK

Net Sales of National Savings Certificates, Week ended January 16, 1937, £50,000.				
	Nominal Capital	Conversions	New Money	
To the Public	1,550,000	£	1,613,250	
To Shareholders only	1,684,275	776,000	1,519,224	
By Stock Exchange Introduction	3,687,500	100,000	5,235,250	
By Permission to Deal	1,237,509	Nil	2,664,654	
Total Capital Raised—				
January 1 to date—	Including Conversions	Excluding Conversions	Total offered for Subscription—	
1937 (New Basis)	36,058,705	30,234,345	Whole Year (New Basis)—	
1937 (Old Basis)	20,134,193	14,459,733	1936 ...	642,017,245
1936 (New Basis)	45,856,850	17,225,462	1935 ...	698,313,125
1936 (Old Basis)	33,474,132	4,842,744	Whole Year (Old Basis)—	
January 1 to date (Old Basis)—			1936 ...	402,470,003
1935 ...	51,509,299	8,636,405	1935 ...	548,351,393
1934 ...	20,811,679	6,905,431	1934 ...	410,980,300
1928 ...	...	116,554,763	1933 ...	467,921,500
			1928 ...	683,000,056

Destination of Capital (Excluding Conversions)

	United Kingdom	British Empire (excluding United Kingdom)	Foreign Countries	Total
January 1 to date—				
1937 (New Basis)	23,275,399	6,862,946	96,000	30,234,345
1937 (Old Basis)	13,214,848	1,244,885	Nil	14,459,733

Nature of Borrowing (Excluding Conversions)

	Debentures	Preference	Ordinary	Total
January 1 to date—				
1937 (New Basis)	12,576,630	3,220,612	14,135,103	30,234,345
1937 (Old Basis)	9,728,000	737,718	3,996,015	14,459,733
1936 (New Basis)	4,960,419	1,618,422	10,646,621	17,225,462
1936 (Old Basis)	2,945,000	667,500	1,230,244	4,842,744
Whole Year (Old Basis)—				
1928 ...	212,917,900	45,062,600	111,177,600	369,158,100
1933 ...	222,064,300	12,733,700	9,982,500	244,780,500
1934 ...	102,769,300	21,491,000	44,878,400	169,108,700
1935 ...	167,185,509	31,695,741	37,265,387	236,147,637
1936 ...	160,521,116	24,423,647	70,626,230	255,570,993
Whole Year (New Basis)—				
1935 ...	193,599,713	48,066,822	115,118,905	357,525,440
1936 ...	184,255,833	41,580,731	268,303,201	494,139,765

PUBLIC OFFERS

Higson's Brewery.—Issue of £400,000 4 per cent. 1st mortgage debenture stock at par, and 250,000 5 per cent. cum £1 preference

shares at 20s. 6d. Stock redeemable, 1977, at 102, or from 1947 on notice at 102½. Acquires brewery and wine and spirit businesses of Liverpool. Combined profits after depreciation to September 30: 1934, £69,470; 1935, £74,972; 1936, £82,393. Combined assets, £1,906,826. Vendors pay liabilities except £39,750 secured by mortgages, etc. Total purchase price, £1,613,750 (£300,000 debenture stock, 300,000 preference shares at 20s. 6d., £449,993 ordinary shares, £556,257 cash). Quadrant Trust, the underwriters, receive £12,000 fee as issuing house. One of vendors pay expenses. Lists closed 9.1 a.m., January 19th. Heavily oversubscribed.

British Isles and General Investment Trust.—Issue of 750,000 £1 ordinary shares at par. To be spread over wide range of British and foreign securities. Capital appreciation on sales applicable to capital purposes. Borrowing powers, one-half of capital plus reserves. Directors' fees, £1,700. Managing director, Mr Denys Lowson. Preliminary expenses, £23,500. Quilter and Company underwrite issue at 1½ per cent., plus ½ per cent., with £1,000 fee for services. List closed 9.10 a.m., January 20th.

Heenan, Beddow and Sturmeay.—Issue of 375,000 2s. ordinary shares at 3s. (Directors have sub-underwritten 50,000 shares firm.) Constructional engineers and lock manufacturers (three businesses). Combined profits, after depreciation, years to August 31: 1934, £8,102; 1935, £10,290; 1936, £11,378; three months to November 30, £4,674. Combined net assets, £87,448 purchased for £59,000, payable by £29,000 cash, and 300,000 2s. ordinary shares. Basildon Trust pay expenses (except commission) per £7,250.

BY OFFER FOR SALE

Dussek Brothers and Company.—Offer for sale of 55,000 6 per cent. cum £1 preference shares at 21s., and 110,000 5s. ordinary shares at 6s. Oil refiners and distillers since 1850; insulating, printing ink and basic oils. Profits, after depreciation: 1934, £8,424; 1935, £9,016; 10 months to October 31, 1936, £14,562. Net assets, £109,048. Out of £59,850 net proceeds of sale to Cheviot Trust of 33,000 preference and 120,000 ordinary shares, £39,327 has repaid bank overdraft. Trust receive £3,150 commission, after which cost to them is 20s. per preference and 5s. 8d. per ordinary share.

Byard Manufacturing Company.—Offer for sale of 300,000 2s. ordinary shares at 4s. (50,000 taken by directors). Net, lace and textile manufacturers since 1910. Net assets, £32,245, purchased for £44,000 (goodwill, £11,755), payable by £14,000 cash and 300,000 2s. shares. Also factory valued at £15,882 and equipment at £19,608, to be purchased for £15,000 cash. Profits, after depreciation, before directors' remuneration, years to October 10: 1934, £12,382; 1935, £15,344; 1936, £16,890. Confederation Securities, Ltd., take issue at 2s. 11½d., including expenses.

BY STOCK EXCHANGE INTRODUCTION

Beans Industries, Ltd.—Issued capital, 400,000 5s. ordinary shares and 110,000 5 per cent. cumulative £1 preference shares. Formed 1933 to acquire Bean Cars, Ltd., to carry on business of general engineers, ironfounders and drop forgers (latter section since sold). Profits, after depreciation, 11 months to November 30, 1934, £4,561; years to November 30: 1935, £8,260; 1936, £26,214. Net assets, £220,106 (excluding goodwill).

Butler Machine Tool Company, Ltd.—Issued capital, 800,000 5s. ordinary shares and 125,100 5 per cent. cumulative £1 preference shares. Business founded 1868. Net assets, £185,327, acquired for £203,800 (£18,473 goodwill), payable by £3,800 cash and 800,000 ordinary shares. Profits, after depreciation: 1933, Dr. £6,798; 1934, £12,053; 1935, £23,242; nine months to September 30, 1936, £31,064. Hoblyn and King take 75,000 preference shares at par for 6d. commission, and further 50,000 preference shares at par and 200,000 ordinary shares at 10s.

East of Scotland Trust, Ltd.—Particulars of issue of £100,000 3½ per cent. debenture stock, redeemable at par 1957, or from 1952 on notice. £50,000 stock sold to McAnally, Inglis and Littlejohn at 100, less ½ per cent. commission, with option on further £50,000.

BONUS SHARES

National Omnibus and Transport Company.—The directors recommend a share bonus of one new ordinary for every four ordinary shares held on February 13th.

ISSUES TO SHAREHOLDERS ONLY

Eastern Sumatra Rubber Estates.—Issue of 707,757 2s. shares to stockholders registered December 30th, at 2s. 6d. per share in the proportion of one share for every 10s. of stock held.

Gold Mines of Kalgoorlie.—Issue at par of 20,000 shares, which have been allotted to Gold Exploration and Finance Company of Australia, Ltd., that company having agreed to waive the rights of subscription which formed part of the purchase consideration for leases acquired by Gold Mines of Kalgoorlie, Ltd., in March, 1935.

Mutual Finance.—Issue of 800,000 ordinary shares of 1s. at 1s. 6d. per share.

Southern United Investment.—Issue of 15,000 £1 shares to shareholders registered January 4th at 25s. per share in proportion of 10 new shares for every 50 shares held.

R.F.D. Company.—Issue of 250,000 2s. shares at 3s. 6d., in the proportion of one for every two held on January 9th.

Gordon (Malaya) Rubber.—Issue of 257,000 ordinary shares 2s. at par, in proportion of one for every 10 ordinary held on January 18th. To provide funds for the acquisition of a rubber property in Negri Sembilan consisting of 495 planted acres.

British Tin Investment.—Issue of 1,065,600 10s. ordinary shares at 18s. 6d. each, in the proportion of seven for every 20 held on January 14th.

Mount Wellington.—Issue of 1,000 6 per cent. convertible debentures of £25 at par.

Boulder Perseverance, Ltd.—Issue of 1,500,000 1s. ordinary shares at 2s. 6d. sterling.

United States and General Trust Corporation, Ltd.—Existing £800,000 4½ per cent. debenture stock is to be redeemed at 102½ per cent., and £800,000 3½ per cent. debenture stock (1967-77) at 97 per cent. issued in its place.

Kimanis Rubber, Ltd.—Issue of 750,000 2s. shares at 2s. 3d.

CONVERSIONS AND REPAYMENTS

McIntyre, Hogg, Marsh and Company.—This company proposes to repay its 5½ per cent. £1 preference shares at 25s., and to offer existing preference shareholders one £1 ordinary share free for every four preference shares now held.

International Railways of Central America.—All outstanding first mortgage collateral 6 per cent. notes, due 1941, will be redeemed on May 1, 1937.

FORTHCOMING ISSUES

Richard Thomas and Company, Ltd.—The basis of the arrangements made with Messrs N. M. Rothschild and Sons is an issue price for the ordinary shares of 13s. 4d. per share and an issue price for the £7,000,000 4 per cent. convertible debenture stock of 99½ per cent. Subject to completion of the arrangements, the offer to shareholders will be posted on January 25th, and the public offer for sale will be advertised on January 26th.

RESULT OF ISSUES

London Electric Transport Finance Corporation.—Lists were opened at 9 a.m., January 14th, and closed at 3.30 p.m., January 14th. Applicants for up to £25,000 received a full allotment. Subscribers for larger amounts received about 88 per cent. of their requirements.

PRIVATE PLACING

Trans-Oceanic Trust.—This company has placed privately £50,000 3½ per cent. first debenture stock.

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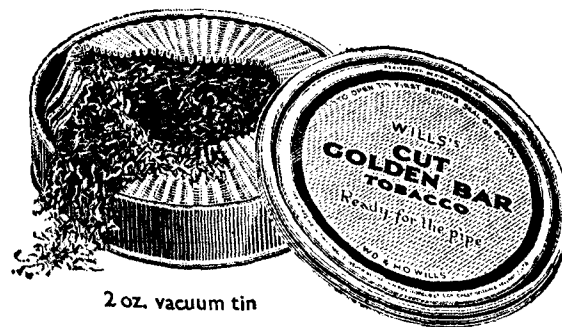
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GOLDEN MOMENTS

England v. Wales

He's got to be good to get into his country's team—but what a Golden Moment it must be for him when he scores between the posts to give his side the victory.

But even the International, good as he is, can't smoke a better tobacco than "Cut Golden Bar" at a shilling an ounce. But it must be Wills's.



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WILLS'S
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1/- AN OUNCE

CR. 111

Issued by the Imperial Tobacco Co. Ltd. Great Britain and Ireland, Ltd.

LONDON NEW ISSUE PRICES

Stock or Share	Issue price	Paid	Jan. 13, 1937	Jan. 20, 1937
Associated British Properties 4½% Deb.	100	50	3½-2½ dis	3½-2½ dis
Austin Veneer 2½%	100	30	3/0-3/3	3/4-3/7½
Beira Railway 5% First Deb.	100	20	1-1 pm	1-1 pm
British Lead 2½%	99½	24½	5/11-5/4½	5/11-5/4½
Crabtree Electric Ord. (10-1)	12/9	12/9	31/9-32/3	35/9-36/3
Do. 5% Pref. £1	20/6	20/6	24/3-24/9	24/3-24/9
Dictograph (2½-)	2/3	2/3	2/0-2/3	1/10-2/1½
Dunswart Iron Ord. £1	41/6	41/6	37/0-37/6	37/0-37/6
Do. 5½% Pref. £1	21/-	21/-	20/0-20/6	19/9-20/3
Gascoigne's (Rdg. (2½-))	3/-	3/-	2/10-3/1½	2/7-2/10½
General Engineering Ord. 2½%	3/6	3/6	3/11-3/4½	3/0-3/9
Hackney Wick Stadium	...	...	9/9-10/3	9/9-10/3
Heenan and Froude 5½%	100	100	3½-2½ dis	97-98
Kinemas 5½% Deb.	8/3	8/3	8/6-9/0	8/3-8/9
K. and L. Timbers (5½-)	95½	15	2½-2 dis	1-1 dis
London Electric Transport 2½% Deb.	21/-	10/-	22/7-23/1½ pm	3/4-3/7½ pm
Mt. Bank of Denmark 3½% Deb.	94½	20	22-2½ pm	22-2½ pm
Pence and Partners 5% Pref. £1	20/10	20/10	5/0-5/6 pm	5/9-6/3 pm
Railway Clearing House 2½%	3/3	3/3	2/10-3/1½	2/7-2/10½
Trinidad Petroleum (20/-)	26/-	26/-	24/9-25/3	24/6-25/0
Vab Products (2½-)	...	...	...	...
Ward (G.) Barwell (10/-)	...	...	...	...

WEEKLY TRAFFIC RETURNS
RAILWAYS OF GREAT BRITAIN AND IRELAND

(b) Week ended Jan. 15, 1937.	Miles Open	Gross Receipts, week ended Jan. 17, 1937 (£'000)					Aggregate Gross Receipts, compared with 1936 (£'000)				
		Passen- ger, etc.	Merch- and freight, etc.	Coal and minerals	Total	Total	Passen- ger, etc.	Merch- and freight, etc.	Coal and minerals	Total	Total
Great Western 1937	3,746	167	186	119	305	472	327	369	234	603	930
(c) L. & N. 1937	3,746	163	180	126	306	469	320	356	248	604	924
Eastern 1937	6,332	249	322	269	591	840	496	630	507	1,137	1,633
L. M. & D. 1937	6,332	242	324	282	606	848	488	641	554	1,195	1,683
Scottish 1937	6,914	367	476	283	739	1,126	733	924	564	1,488	2,221
Southern 1937	6,914	361	452	289	757	1,112	723	910	613	1,523	2,246
Total 1937	2,153	252	36	91	343	501	108	67	175	676	1,021
1936	2,154	241	57	43	300	441	112	80	192	676	1,021
Total 1937	19,465	1,035	1,039	707	1,746	2,781	2,087	2,031	1,372	3,403	5,460
1936	19,772	1,007	1,013	750	1,763	2,770	2,015	2,019	1,495	3,514	5,529
(b) Belfast & Co. Down 1937	80	1-3	...	6-4	2-2	4-1	...	...	...	0-9	5-0
1936	80	2-0	...	0-5	2-5	...	...	...	...	1-1	5-6
(b) Great Northern 1937	543	7-7	...	9-3	17-0	16-1	...	...	...	17-1	38-2
1936	543	7-8	...	10-5	18-3	16-1	...	...	...	20-1	38-2
(b) Great Southern 1937	2,076	28-6	...	51-4	78-0	54-4	...	...	...	94-1	148-5
1936	2,124	27-0	...	47-0	74-0	55-1	...	...	...	94-2	149-3

COMPARISONS WITH CORRESPONDING PERIODS, 1935 and 1936
(000's omitted)

	Great Western	L.M.S.	L.N.E.R.	Southern
First half-year 1936, compared with first half-year, 1935:				
Gross increase or decrease	+ 283	+ 937	+ 534	+ 85
Second half-year 1936, compared with second half-year, 1935:				
Gross increase or decrease	+ 491	+ 1,575	+ 751	+ 378
First half-year 1937, compared with first half-year, 1936:				
2 weeks to January 16, 1937...	+ 6	- 25	- 50	...
Weekly average first half 1937	+ 3	- 12½	- 25	...
Latest week 1937 compared with 1936...	+ 3	+ 14	- 8	+ 2

LONDON TRANSPORT

	Takings (before pooling)	Compared with corresponding period of last year
Week ending January 16, 1937.....	£550,700	+ 184,000
Aggregate 29 weeks to January 16, 1937.....	£16,251,900	+ 459,900

* For an explanation of the manner in which the figures are made up, see *The Economist*, March 17, 1934, page 610.

ADVICE ON AMERICAN STOCKS

Recognizing the demand of both private investors and financial institutions in Europe for first-hand advice regarding American securities and the cyclical trend of the American Stock Market, Major L. L. B. Angus of 301 Park Avenue, New York City, who is now established as Investment Counsel in America, is prepared to accept enquiries regarding this service.

Accounts managed; portfolios supervised

PUBLICATIONS: *Coming Rise in Wall Street* (Apr. 1935) *Coming American Boom* (Aug. 1934) *The American Boom Begins* (May 1935) *Investment for Appreciation*, etc.

OVERSEAS RAILWAY RECEIPTS

Name	Weeks	Ending	Present Mileage	Gross Receipts for Week	Gross Aggregate Receipts
				1936	+ or -
INDIAN					
Assam Bengal	40	Dec. 31	1,330	Rs. 1,362,300 + 90,146	Rs. 1,303,178 + 5,82,863
Barsi L. Ry.	38	Dec. 31	292	Rs. 1,362,300 + 16,100	Rs. 11,13,600 + 2,50,400
Bengal & N. Western	14	Jan. 1	2,107	Rs. 1,362,300 + 1,32,198	Rs. 91,83,753 + 3,55,215
Bengal-Nagpur	40	Dec. 31	3,268	Rs. 1,362,300 + 8,11,033	Rs. 5,92,09,517 + 45,03,451
Bombay, Bar. & C.I.	41	Jan. 10	3,072	Rs. 1,362,300 + 4,26,000	Rs. 8,73,81,000 + 40,91,000
Madras & S. Mahr.	40	Dec. 31	3,229	Rs. 1,362,300 + 4,98,479	Rs. 5,49,20,133 + 15,81,475
Robilch'd & Kumaon	14	Jan. 1	572	Rs. 1,362,300 + 15,489	Rs. 16,20,547 + 81,952
South Indian	39	Dec. 31	2,532	Rs. 1,362,300 + 2,56,011	Rs. 4,02,41,990 + 7,45,782

† 11 days. ‡ 10 days.

CANADIAN

		1937	\$	\$	\$	\$
Canadian National .	2	Jan. 14	23564	3,249,123	+ 216,422	6,164,604 + 547,585
Canadian Pacific	2	14	17223	2,328,000	+ 291,000	4,571,000 + 518,000

SOUTH AMERICAN

Antofagasta (Chili and Bolivia)	3	1937 Jan. 17	834	17,180	930	33,710	7,500
Argentine N.E.	29	16	753	*135,200 *29,887	+ 13,800 + 3,254	4,446,600 263,380	530,200 39,308
B.A. and Pacific	29	16	2,860	*11,733,000 *108,747	+ 219,000 + 18,618	39,192,300 +1,638,300	+2,330,181 +123,979
B.A. Central	28	9	...	*152,800 *202,419	+ 61,000 + 52,008	4,022,300 3,580,415	674,700 +75,670
B.A. Gt. Southern ..	29	16	5,084	*12,263,000 *103,000	+ 703,000 + 163,000	60,141,000 21,724,000	6,000 +1,019,000
B.A. Western	29	16	1,930	*12,592,000 *12,992,000	+ 587,500 + 587,500	69,523,280 109,333,280	1,093,630 +697,568
Central Argentine ...	29	16	3,700	*12,592,000 *12,721	+ 587,500 + 2,007	69,523,280 340,377	1,093,630 +61,944
Central Uruguayan ..	28	9	273	*12,721 *7,431	+ 2,007 + 141	340,377 57,573	61,944 +6,964
C. Urug. (East Ext.) ..	28	9	311	*1,335 *1,335	+ 139 + 139	39,461 39,461	2,834 +2,834
C. Urug. (N. Ext.) ..	28	9	185	*1,335 *1,335	+ 139 + 139	39,461 39,461	2,834 +2,834
C. Urug. (W. Ext.) ..	28	9	211	*1,335 *1,335	+ 139 + 139	39,461 39,461	2,834 +2,834
Cordoba Central	29	16	1,218	*1561,000 *34,800	+ 103,000 + 7,890	15,899,000 942,980	1,285,000 84,450
Entre Rios	29	16	810	*272,600 *16,911	+ 84,700 + 5,871	6,345,600 376,723	766,000 +48,944
G. Westn. of Brazil ..	3	16	1,082	*17,110 *17,110	+ 100 + 100	22,500 22,500	3,800 +3,800
Leopoldina	3	16	1,918	*M\$322,000 *22,747	+ 192,000 + 4,297	3,081,000 +48,945	113,000 +18,000
Leopoldina Termal.	3	16	...	*M\$320,000 *M\$320,000	+ 3,000 + 3,000	8,005,000 8,005,000	15,900 15,900
Nitrate	2	1937 Jan. 15	397	*46,687 *35,302,000	+ 6,781 + 956,000	6,781 75,609,000	3,575 +163,700
Paraguay Central	29	16	374	*46,687 *46,687	+ 6,781 + 6,781	6,781 46,758	3,575 +5,311
Salvador	29	16	100	*M\$222,000 *M\$222,000	+ 3,000 + 3,000	8,005,000 8,005,000	15,900 15,900
San Paulo	2	10	1593	*27,010 *27,010	+ 4,905 + 4,905	47,438 47,438	4,900 +4,900
United of Havana ..	29	16	1,353	*19,785 *19,785	+ 1,653 + 1,653	463,084 463,084	14,377 +14,377

* Converted at average official rate during week ended Jan. 16, 1937 to pesos to the £.
† Free market rate. ‡ Receipts in Argentine pesos. † For night.
a Converted at official rate. ‡ Converted at "controlled free" rate.
f Converted at the "free" rate as a result of a decision of the High Court.

OTHER OVERSEAS

Egyptian Delta Light Railways	40	Dec. 31 1937	621	£ 19,240 +	£ 845	£ 190,677 +	£ 833
Egyptian Markets	2	Jan. 14 1936	...	2,372 +	257	4,951 -	186
Gr. Southn. of Spain	34	Aug. 29 1937	104	Ps. 14,208 -	62,843	840,732 -	724,859
Mexican Railway ...	2	Jan. 14	483	\$326,400 +	68,290	553,300 +	83,800

+ 11 days.

SUEZ CANAL RECEIPTS

	1936		Frs.	Frs.	Frs.	Frs.	
Suez Canal	52	Dec. 31	...	135,930,000	+ 851,000	941,960,000	+ 54,240
				† 10 days.			

TRAMWAYS WEEKLY GROSS RECEIPTS

		1937						
Anglo-Argentine	2	Jan. 14	325	\$640,423	—	26,586	1,258,699	—
B. Aires Lacroze	28	Jan. 10	...	\$79,207	—	504	1,879,100	—
Burnley, Colne and Nelson Jt. Trspt.	2	Jan. 14	76	£4,934	—	91	10,448	—
Calcutta Tramways ..	2	Jan. 14	16	Rs. 121,550	—	1,068	249,247	—
Isle of Thanet Elec.	51	Jan. 13	...	£3,127	—	969	181,031	—
Liverpool Corp.	41	Jan. 23	...	£29,716	—	640	1,220,856	—
Madras Electric	1	Jan. 15	...	Rs. 58,914	—	177	...	...

†Fortnight.

MONTHLY TRAFFICS

Company	Months	Ending	De- scrip- tion	Receipts for Month		Receipts to Date			
				1936	+ or -	1936	+ or -		
Bilbao River	12	Dec. 31	Gross	£1,128	—	388	16,077	—	2,383
British Columbia Power	6	Dec. 31	Gross	\$1,332,340	+ 111,294	7,396,548	+ 527,727	...	...
Burnea Elec. Supply...	1	Dec. 31	Gross	Rs. 49,089	+ 1,005	...	...	...	...
Santa Fe. Railways ...	1	Dec. 31	Gross	£148,413	+ 41,545	...	...	...	...
Costa Rica	5	Nov. 30	Gross	£19,592	+ 2,242	91,581	+ 22,882	...	...
Mashonaland	1	Nov. 30	Gross	£120,282	—	18,363	...	...	...
Midland Uruguay	6	Dec. 31	Gross	£8,784	—	814	49,941	+ 10,627	...
N.W. Uruguay	6	Dec. 31	Gross	\$79,000	—	1,530	483,724	+ 42,959	...
Rangoon Elec. Tram.	12	Dec. 31	Gross	£28,884	—	341	15,094	+ 19,026	...
Rhodesia Railways ...	1	Nov. 30	Gross	Rs. 1,81,860	—	8,570	139,768	+ 20,173	...
Uruguay Northern ...	6	Dec. 31	Gross	£213,377	—	25,550	...	...	...
				£64,442	—	327	6,481	+ 1,851	...
				\$413,000	—	1,702	59,944	+ 8,517	...

COMPANY MEETINGS

BARCLAYS BANK, LIMITED

THE IMPROVEMENT IN ECONOMIC CONDITIONS

INCREASED DEPOSITS, ADVANCES AND PROFITS

THE CONTINUED SCARCITY OF TRADE BILLS

CHEAP MONEY AND INDUSTRIAL RECOVERY

INTERNATIONAL CURRENCY DEVELOPMENTS

THE IMPORTANCE OF EXPORTS

MR EDWIN FISHER'S REVIEW OF THE POSITION AND OUTLOOK

The forty-second ordinary general meeting of Barclays Bank Limited was held, on the 21st instant, at Southern House, Cannon Street, London, E.C.

Mr Edwin Fisher (chairman of the bank) presided.

The Chairman, who was received with applause, said:—My Lords, Ladies and Gentlemen,—I will call upon the secretary to read the notice of meeting and the certificate of the auditors which appears at the foot of the balance sheet that has been submitted to you.

The Secretary (Mr W. N. Seeley) then read the formal notice convening the meeting and the report of Messrs Price, Waterhouse and Company, and Messrs Kemp, Chatteris, Nichols, Sendell and Company.

The Chairman: My Lords, Ladies and Gentlemen,—Is it your pleasure that the report and accounts submitted be taken as read? (Agreed.)

THE CHAIRMANSHIP

Before dealing with the ordinary business of the meeting, I should like to refer to the mention which is made in the report of the retirement in October last of Mr W. Favill Tuke from the chairmanship of the board.

To those who recall the words of Mr Tuke to the shareholders just two years ago, his decision to lay aside the exacting duties which the chairmanship of a large bank involves will not have come as a surprise. Nevertheless, his fellow directors accepted his resignation with great regret and are glad that, through his continued membership of the board, the bank will retain the benefit of his wide experience. I have been privileged to work in close association with Mr Tuke for 28 years and I thank him for much help and many kindnesses. His capabilities as a banker, his unflinching courtesy and his close interest in all that affects the welfare of the bank and of the staff, have earned for him gratitude from his colleagues and a feeling of real affection and respect from all who have worked with him. I feel sure that you share our great appreciation of all that Mr Tuke has done to promote the best interests of the bank during a long and honoured career. (Applause.)

As you know, I was elected to succeed Mr Tuke as chairman of the bank. I am not unmindful of the responsibilities which are attached to this position. I can only say that I shall do my best to justify the confidence which has been reposed in me. (Applause.)

Mr Goodenough has succeeded me as deputy-chairman of the bank. It is singularly appropriate that he should fill this important position; all who know him will realise that a better choice could not have been made and, for my part, I count myself fortunate in having him at my side. (Applause.)

We have recently suffered a severe loss in the death of Sir William Carruthers. Sir William was appointed a general manager following the amalgamation with the London Provincial and South Western Bank in

compared with the previous year. This movement accords with the experience of the other banks, as the deposits of the eleven London Clearing Banks, disclosed in their monthly statement for December, reached the record high level of £2,315 millions. If, for purposes of comparison, the figures of the District Bank be excluded, as that bank did not become a member of the London Bankers' Clearing House until January, 1936, the deposits of the other ten Clearing Banks were still a record. The average of the deposits of Barclays Bank in the year 1936, as returned in our monthly statements, was higher by £25½ millions than in the year 1935, and this increase compares with a rise of nearly £143 millions in the average for the ten Clearing Banks during the same period. The rise in the average level of bank deposits has been accompanied by an increase in the average holding of cash including balances with the Bank of England, which, together with a slight reduction in their ratio of cash to deposits, has enabled the banks to increase their earning assets and thus to provide the credit necessary to finance the growing commercial and industrial activity. In our own case, the average holding of cash in hand and with the Bank of England in 1936 was greater than in 1935, but the figures at December 31st last showed a decrease, compared with a year earlier, of £136,711 to £51,909,017 and the ratio to deposits stood at 12.08 per cent., against 12.79 per cent.

Money at call and short notice, at £26,318,800, is higher by £714,550.

BILLS DISCOUNTED

Bills discounted at the end of 1936, at £59,248,252, showed a contraction of £1,447,620 in comparison with the figures for the previous year, but our average holding for the whole 12 months, as recorded in our monthly statements, was greater than in 1935 by £7.7 million. This rise, which is common to the other clearing banks, no doubt reflects the increase in the average allotment of Treasury bills at the weekly tenders throughout the past year to £44.7 millions, against £37.7 millions in 1935. This latter increase has taken place in spite of the fact that the total of Treasury bills outstanding during 1936 has been appreciably lower than in the corresponding period of the preceding year. The expansion in the volume of Treasury bills available to the market must, therefore, have resulted from a decrease in those held by other parties, such as Government Departments and the Exchange Equalisation Account.

In recent years the Exchange Equalisation Account has had an important influence upon conditions in the discount market. When that Account was set up in 1932, and later, when its funds were increased, Treasury bills were issued to it, and these bills could be disposed of at any time that sterling was needed to purchase foreign currencies. Conversely, whenever the Exchange Equalisation Account sells foreign assets or gold, it has sterling funds to invest, and, although the manner in which these funds are employed may vary according to the circumstances prevailing, there is little doubt that the transactions of the Exchange Equalisation Account have an appreciable influence, at times, on the volume of Treasury bills available in the market.

AN INTERESTING PURCHASE

In this connection the purchase by the Bank of England, on December 15th last, of £65 millions in gold—which was accompanied by a reduction of £60 millions in the fiduciary note issue—is of particular interest, for, although the Chancellor of the Exchequer's statement in the House of Commons on that date did not make any reference to the source from which the gold was acquired, it was presumably bought from the Exchange Equalisation Account mainly against a transfer of securities—probably Treasury bills—by the Issue Department of the Bank of England. These securities can be disposed of whenever the Exchange Equalisation Account has to purchase foreign currencies to meet any exceptional demand for sterling.

Notwithstanding the larger volume of bills in the market, discount rates in the past twelve months have shown little change compared with 1935, the average rate of discount at which the Treasury bills have been allotted at the weekly tenders being only moderately higher at 11s. 7d. per cent., against 10s. 6d. per cent. for the preceding year. Of the total of some £59 millions of bills discounted held by this bank at the end of last year, nearly £36 millions were Treasury bills, while of the balance of £23 millions, a very large proportion was three months' fine bank bills, which were discounted at a similarly low rate. From these two facts it will be seen that, as an earning asset, bills discounted again produced only a very small return.

SCARCITY OF TRADE BILLS

Here I should like to refer to the scarcity of ordinary trade bills available to the discount market, which, although somewhat less pronounced than formerly, is still in evidence. This scarcity is due in part to the great reduction in the use of the inland trade bill, arising out of the changes in the system of financing domestic business. In recent years, other important influences have been the low level of international trade and certain alterations which have taken place in the method of effecting or receiving payment for goods bought or sold externally. A case in point is the conclusion of Clearing Agreements with other countries. Incidentally, these agreements tend to reduce the amount of the acceptances given by the banks for account of customers. At the end of December, the total of our acceptances and endorsements, etc., at £9,266,151, was higher than at the close of 1935, but it was appreciably smaller than the figure of £12,710,524 on December 31, 1930. Although the Treasury bill has gone a long way towards providing an alternative outlet for the funds at the disposal of the market, there can be little doubt that the long-sustained absence of a large volume of commercial paper must eventually have its effect upon market technique, as a result of dealing being so largely confined to one class of bill, namely Government paper.

INVESTMENTS

Our investments, without taking into account our holdings in associated banks, stand at £109,367,473. This figure is £3,240,153 higher than that shown in our balance sheet a year ago. On the other hand, owing to the increase in our deposits, the ratio of our investments to deposits has fallen slightly, being now 25.46 per cent., compared with 26.08 per cent. at the close of 1935. Of the total of our investments which I have mentioned, no less than £100,023,564 consists of securities of, or guaranteed by, the British Government, and you may be interested to know that by far the greater part of these holdings has a definite maturity date.

ADVANCES

Advances have increased to £179,655,011, against £160,549,222 on December 31, 1935, and the ratio of this item to deposits has risen to 41.82 per cent., compared with 39.46 per cent. The upward trend in advances is a further indication of improved industrial and commercial activity. In February last, in common with the other large banks, we participated in the credit for £40,000,000 granted to the French Treasury, but, as this accommodation was repaid before the end of 1936, it does not affect the comparison of our figures with a year ago.

Bearing in mind the activity in trade generally, it may be thought that advances would have shown an even larger increase on those of the previous year than has actually taken place. Although the figures are higher, and with the steady rise in commodity prices there are signs of an increasing demand for bank accommodation, a great deal of the current requirements of trade has doubtless been financed internally by the industries themselves without recourse to the banks, for in slack times working capital finds its way into liquid investments, and is therefore properly available for financing orders on a revival in trade. The approach to the banks for advances is, consequently, delayed. An excellent illustration of this fact is afforded by the decrease in our advances to the heavy industries, in spite of the well-known and substantial increase in activity which has taken place in these trades. There are various reasons to account for this reduction, but I would mention, in particular, the larger profits being earned, the realisation of investments and the favourable conditions for the flotation of new issues.

ANALYSIS OF ADVANCES

An analysis of our advances shows that, at the end of November, there were 202,228 customers having advances, compared with 200,744 at the end of October, 1935, the average advance being £854, against £774. The bulk of the advances made by the bank is to persons borrowing sums not exceeding £1,000, and at the end of November last the number of customers so borrowing accounted for 87.6 per cent. of the total, against 88.2 per cent. a year before. Loans to productive industry amounted to 31.8 per cent. of the total value, compared with 32.7 per cent. at the end of October, 1935. In this category, accommodation to farmers showed a slight reduction in amount and the percentage fell from 7.9 to 7.1. The financial position of agriculturists has undoubtedly improved as a result of some measure of recovery in conditions in the home farming industry, and this improvement has been reflected not only in a decline in the total of

advances to farmers, but also in a decrease in those advances which had been regarded as frozen or doubtful.

Advances to builders (including building material manufacturers and public works contractors) increased to 8.8 per cent., compared with 7.5 per cent. at the end of October, 1935. This was, of course, to be expected, for building activity in this country remains on a high level, and, although the rapid advance which had previously taken place in the construction of dwelling houses may have received a check, the erection of factories and workshops is still increasing and affords a further indication of the trading recovery. A marked rise from 4.9 per cent. to 7.5 per cent. occurred in advances to financial companies, under which heading are included insurance companies and brokers, trust companies and foreign banks, the number of such customers requiring accommodation increasing from 598 to 1,028. There was an increase in advances to merchants and wholesalers in raw materials and unmanufactured foodstuffs from 2.6 per cent. to 3.5 per cent., a rise which no doubt reflects the growth in imports and the improvement in the prices of these commodities.

LOANS TO THE "MAN IN THE STREET"

The largest single item in our analysis is once again that comprising the loans granted to professional and private individuals, in other words, money lent to the ordinary man in the street. This stands at £58.7 millions. You will understand that, although under normal conditions we consider it essential to know the purpose for which an advance is made, yet when we are lending to reputable professional and private customers it is not always possible for us to ascertain the exact use to which the money will be put. No doubt the bulk of the sums borrowed is used directly or indirectly to finance industry, whether wholesale, retail, productive or otherwise, but because the figure is so high I arranged for an analysis to be prepared which I will not recite to you here, but which you will find in the appended table. I suggest that these details call up to the mind a picture which is not devoid of human interest. I feel that no apology is needed for taking a step which helps to clothe figures, proverbially cold, with a garment of reality. (Applause.) You will notice that advances to professional and private individuals for the purchase

ADVANCES TO PROFESSIONAL AND PRIVATE INDIVIDUALS

	Amount	Per cent. of Total Advances	Number of Customers
1. For land purchase and/or for buying houses	17,408,429	10.1	16,682
2. For investment in stocks and shares	9,625,189	5.6	5,867
3. Miscellaneous :			
(a) Accountants	691,106	.4	1,535
(b) Architects, auctioneers, estate agents, surveyors, consulting engineers ...	2,296,249	1.3	2,627
(c) Army and navy officers and clergymen	502,297	.3	2,365
(d) Company directors, commercial travellers, managers, promoters, secretaries, salaried officials and clerks—Bank, civil service, insurance, etc....	8,535,758	4.9	22,151
(e) Medical. — Doctors, dentists, surgeons, chemists, nurses, medical clinics, nursing homes, pathological experts, radiologists, veterinary surgeons, etc..	2,523,274	1.5	4,724
(f) Solicitors and barristers...	2,041,838	1.2	2,186
(g) Teachers, schoolmasters, schoolmistresses, examiners, tutors, lecturers, etc.	426,394	.2	2,917
(h) Private, independent and retired business and professional people, married women, spinsters and widows, etc.	11,502,924	6.7	44,482
(i) Other employments	3,109,252	1.8	12,381
	58,662,710	34.0	117,917

of land or for the buying of houses is the largest item in this category. These loans are, in most cases, only required for short periods, pending the realisation of other assets, or the arrangement of a long-term mortgage through institutions, such as building societies, which undertake financing of this character.

In many ways the item of advances is the most important in the balance sheet, and every precaution is taken to conduct our lending on sound lines, undesirable speculation in stocks and shares, commodities, real estate or in other directions being actively discouraged. I am pleased to say that the quality of bank advances generally has greatly improved, and that, with better economic conditions, many loans which at one time had been thought to be doubtful have since become good. I express the hope that the lesson taught by the recent depression will not soon be forgotten, and that advantage will be taken of opportunities afforded in prosperous years to build up a reserve of financial strength, so that in periods of declining trade, industries will be able to improve their technical efficiency and secure an increase in their competitive power when it is most needed. Incidentally, expenditure on new equipment, at such times, would supplement any efforts which the authorities might make to promote employment by undertaking new public works. The suggestion, frequently and authoritatively made that, as far as possible, expenditure on such works should be postponed during times of prosperity, and that schemes should be ready to be put in hand whenever there are signs of a slackening in activity, deserves careful consideration.

NET PROFITS

The net profit for the year ended December 31st last, after payment of all charges and after making provision for all bad and doubtful debts and for contingencies, amounted to the sum of £1,894,361 os. 5d., an increase of £110,576 15s. on the previous year, to which has to be added the sum of £583,645 9s. 1d. brought in, making a total to be dealt with of £2,478,006 9s. 6d. The directors have applied £250,000 in reduction of premises account, and recommend the payment of the usual dividends at the rates of 10 per cent. per annum on the "A" shares, and 14 per cent. per annum on the "B" and "C" shares, less income tax, involving in all a net amount of £1,588,238 16s. 2d. and leaving a sum of £639,767 13s. 4d. to be carried forward.

CHEAP MONEY AND INDUSTRIAL RECOVERY

When considering the results for the past year, we have to bear in mind the easy conditions still ruling in the money market and the effect of the low rates of interest on our earning capacity. The continuance of these low rates has been due in part to official policy. Cheap money is one of the traditional correctives for industrial depression, and there is little doubt that the availability of large funds for employment at low rates of interest has been a factor in the revival of industry in this country. Very properly it acts as a stimulus to business; but it is necessary to guard against the danger of too much emphasis being placed on the importance of cheap money and too little on those other essentials which are necessary for the maintenance of healthy conditions, in which alone real prosperity can be assured.

In most cases, interest on borrowed money is only a minor item in costs of production, and if too great stress is laid upon the importance of cheap money as a means of maintaining and improving the activity in trade, small changes in interest rates may have an entirely disproportionate effect on confidence. Experience indicates that, while stringency in the capital markets might, and probably would, tend to retard progress, cheap and abundant supplies of money alone are not sufficient to promote development.

WISE ACTION OF THE GOVERNMENT

The general recovery which we are now experiencing undoubtedly owed its initial impetus to the wise action of the Government, which took the courageous step of placing our national finances on a sound basis and thus restoring confidence in sterling, not only at home, but also abroad. The extent of the faith in our currency is evidenced by the fact that certain people in foreign countries have recently been content to invest their resources in Bank of England notes for hoarding purposes, despite the fact that money so invested produces nothing by way of interest. Further, the revival of industry, which has been largely due to the expansion in internal, as opposed to external, activity, owes much to the change in our tariff policy. At the time when the step was taken, the United Kingdom was in danger of becoming the "dumping ground" for the surplus products of other countries, which were denied a market elsewhere owing to the spread of the

doctrine of national self-sufficiency. Moreover, the growth of this doctrine was itself preventing the export of an adequate volume of British products to pay for the arrivals from abroad.

Other factors which have contributed to the recovery in this country, during the past few years, are the improvement in our competitive power abroad following the depreciation of sterling, the conclusion of the Ottawa Agreements with Empire countries, the Trading Agreements entered into with foreign countries, the encouragement of agricultural production, and the relative stability of exchange rates between the countries of the sterling area.

Having dealt with the items in the balance sheet and given you explanations which I hope have afforded you a comparatively clear picture of the position of the bank in which you are shareholders, and of the conditions under which it has worked during the past year, you will no doubt expect me to say something of a more general nature before concluding the address from the chair.

INTERNATIONAL CURRENCY DEVELOPMENTS

One of the most important events of the year has been the devaluation of the French franc, which was followed by the readjustment of the values of other currencies, notably those of Switzerland, Holland and Italy. The necessity for these measures can be readily understood, for the prices ruling in these countries made it difficult for the home producer to face foreign competition and the re-alignment of currencies, which has now taken place, should do much to increase the competitive power of their industries by restoring a measure of price equilibrium with other countries.

As a result of these events, the possibility of securing a reduction in international trade barriers has improved. The currency adjustments, however, would have proved very difficult to carry out and might have had dangerous consequences, had they not been preceded by the declarations on monetary policy made by the Governments of France, the United States and this country, in which, while safeguarding their own position, they reaffirmed their intention to avoid action calculated to have a disturbing influence upon the international exchanges. The enunciation of this common desire marked a definite step forward in international co-operation, and a further notable feature of the declarations by the three Governments was the importance attached to the development of international trade and the progressive relaxation of the system of quotas and exchange controls, with a view to their ultimate abolition.

THE IMPORTANCE OF EXPORTS

I have already referred to the increasing prosperity in this country and to the part that the Government has played in the general restoration of confidence. These are matters for which we should be profoundly thankful, while we may well be proud of the general steadiness and admirable calm with which the people in these islands meet and confront new and difficult situations as they arise. The recovery in the United Kingdom, in other parts of the sterling area and in the United States has contributed towards a general revival, but we cannot overlook the political anxieties which persist in the international sphere. These anxieties are largely economic in their inception. Improved methods of production and the advancement of science should give an enhanced level of prosperity to the nations of the world. But in hoping, as we do, that this desirable end may be achieved, it would be foolish to deceive ourselves as to the length of the road or the difficulties to be met upon the journey. An improvement in the standard of living would go far to ease the political difficulties and lessen the prevailing feeling of discontent, particularly in those countries which are still struggling against depression and endeavouring to achieve a high degree of self-sufficiency at a heavy cost as the only goal which appears open to them.

The cause of a large part of the world's present difficulties is uncertainty and fear for the future. As this uncertainty has extended from the economic to the political sphere, nations have withdrawn more closely behind their own frontiers. Fears of currency instability, fears of industrial competition and latterly political fears—all these have resulted in a network of restrictive measures that have only served to aggravate the problems to be solved. The more effective the trade barriers and the greater the expenditure on armaments, the greater the burden on the people and the greater the spirit of discontent and suspicion.

FREER INTERCOURSE NEEDED

What is needed is undoubtedly freer intercourse between nations, so that goods, money and people can move with reasonable ease from country to country. Trade barriers must be relaxed; an international monetary system, based upon sound foundations,

must be restored. Spasmodic gestures are insufficient; there must be continuous co-operative action involving a more accommodating spirit in the relationships between countries and a determination so to conduct their internal affairs as to promote confidence abroad. A resumption of foreign lending, when conditions are favourable, would also be of assistance in reviving international trade, but the test which we apply to our domestic loans, namely, the ability to repay, must be kept well in view. Credits granted should be only for the purpose of financing remunerative development, so that the use to which the money is put will provide the interest and redemption payments on the loan, and not have the effect of merely imposing an additional burden upon the borrower.

ESSENTIAL OBJECTIVES

These requirements have been stated many times, but in recent years, new events of national and international importance have followed one upon the other with such kaleidoscopic rapidity that there may be a tendency to lose sight of the essential objectives. I have, therefore, restated them because I regard them as objectives which should never be allowed to pass entirely from our minds. But while we must keep these aims as ideals before us, we must recognise that it may be long before we can achieve them. For the time being, we can but observe the direction of the prevailing winds and shape our course accordingly. The world of 1937 is far removed from the old world of 1929 and even farther from the world of 1914. The war had something more than a passing influence on the economic organisation of nations and upon their mentality, whether belligerents or neutrals.

Those engaged in hostilities realised the very real danger of being too dependent on external sources of supply for the necessities of life. Those not so engaged, finding themselves unable to secure their customary quantities of imported goods, established new home industries, which, with the coming of peace, they felt obliged to protect. Similarly, many debtor countries, faced with the inability to obtain credit from abroad, have been forced to foster and encourage industries within their own boundaries. In those cases, where, for various reasons, a policy of increasing self-sufficiency has been pursued, steps have been taken to support certain industries, which it would be very difficult to retrace, even if there were the wish to do so. The desire for self-sufficiency is frequently more deep-seated than one might imagine, and certain countries are prepared to make substantial sacrifices for the sake of it. Such a policy may appeal to the spirit of independence, but while it inspires enthusiasm in its initial stages, experience will prove that the policy is short-sighted, because no country can afford to remain in isolation with limited access to and exchange with the other countries of the world.

POST-WAR CONDITIONS

The change in the creditor position of various countries resulting from the war has also had a marked influence on international financial and trading relationships, for in the period since 1914 it has not been practicable to make the necessary adjustments to meet the altered situation. America, in particular, as a great creditor nation, will continue, to a greater or less extent, to be a disturbing factor until the ability of her debtors to fulfil their obligations by sending goods is facilitated. The reduction of tariffs made by the United States in the special arrangements she has concluded with other countries has proved beneficial, but indications point to the fact that goods still cannot be sent to America to an adequate extent in payment of amounts due to her; nor will it be possible for her debtors to meet their liabilities automatically in this manner until the economic structure of the United States, which had been built up over a long period of years in accordance with her needs as a debtor nation, is adjusted to conform to her position as a creditor country.

Such an adjustment will involve a complex, difficult and lengthy procedure, but, in the absence of deliberate and conscious efforts to make the necessary changes, the natural play of economic forces will eventually provide a remedy. Various influences have affected American external trade in recent years, but already there are signs of adjustment—for example, the marked decline during 1936 in the excess of exports over imports. Nevertheless, a long time may elapse before the United States occupies a position comparable to our own, where for many years a large adverse balance of visible trade has enabled our debtors to meet their liabilities in goods.

REDUCTION OF TRADE BARRIERS

The re-adjustment of the values of certain important European currencies last year has also been followed by some reduction in trade barriers, and although these changes have been made chiefly with a view to preventing a rise in prices in the countries con-

DEPUTY CHAIRMAN'S REMARKS

Mr W. M. Goodenough (deputy-chairman): My lords, ladies and gentlemen, in seconding the resolution which has been proposed by the chairman perhaps I may be allowed to say a brief word on a matter on which he could not himself say much, but which it is appropriate to mention on this occasion. The shareholders will have the opportunity of expressing their thanks to the chairman, but I should like, if I may, on behalf of the board, not only to congratulate him on his speech, but also to voice to the shareholders our feeling of confidence in him and our assurance of loyal support to him in his important office. (Hear, hear.) We feel sure that as chairman of the bank he will add distinction to a family record which, in his own generation, is already a very distinguished one. (Applause.)

May I also add a word to what the chairman has said about Mr Favill Tuke? I can do so as one of a younger generation in the bank who have at all times received the greatest kindness, guidance and encouragement from Mr Tuke, and I think we should like it to be known how much we appreciate this, which is perhaps not the least of his many services to the bank and how warmly we thank him for his help in the past. (Applause.) My lords, ladies and gentlemen, I beg to second the resolution. (Applause.)

A SHAREHOLDER'S APPRECIATION

Mr A. J. Waley said that as a very old customer and friend of Barclays Bank he wished personally to congratulate Mr Fisher on having succeeded to the chair, and on behalf of all the shareholders he endorsed the high tribute which the chairman and Mr Goodenough had paid to Mr Tuke. They all hoped that in the greater leisure which he would now have at his disposal he would enjoy many years of health and happiness.

With regard to the chairman's speech, it was extremely satisfactory to recognise at what a very high total the gilt-edged securities now stood and that so large a proportion of the bank's investments were protected by being in securities which had a due date of maturity. As to advances, he assumed that as trade still further expanded, although money might not necessarily become dear, it would become more useful, and therefore bankers might look for a rather higher rate of interest on their advances than they had received in the past.

He had been very struck by the chairman's reference to the barriers existing in international trade. He felt sure that a real expansion of international trade could not be brought about until those barriers were relaxed. It seemed to him that the world had got to realise that barriers had tended to divert trade from their doors rather than allowing it to flow through to international business centres. He also wished to say a word of congratulation to Mr Goodenough, and expressed the hope that Mr Fisher would for many years occupy the high position to which he had attained. (Applause.)

The chairman thanked Mr Waley for his personal references and the kind remarks he had uttered about his address to the meeting.

The resolution was then put to the meeting and was carried unanimously.

THE DIRECTORATE

Mr Hugh Exton Seeborn (vice-chairman) then proposed the following resolution:—

"That the Right Hon. Lord Bethell, the Right Hon. Lord Essendon, Mr Edwin Fisher, Mr Peter Forrester, Mr William Macnamara Goodenough, Mr Claud Edward Pease, Mr Herbert Leslie Melville Tritton and Mr William Favill Tuke, the retiring directors, be re-elected directors of the company."

Mr R. L. Barclay, C.B.E., seconded the resolution, which was unanimously adopted.

The Rt. Hon. Lord Ebbisham, G.B.E., moved:—

"That Messrs Price, Waterhouse and Company and Messrs Kemp, Chatteris, Nichols, Sendell and Company, chartered accountants, be reappointed auditors to the company, at the usual remuneration, to hold office until the next annual general meeting." These great firms, he said, had been their auditors for many years and deserved the utmost confidence of the shareholders.

Mr F. W. Raffety seconded the resolution, and it was passed unanimously.

THANKS TO MANAGEMENT AND STAFF

Mr W. H. Wiggin, D.S.O., said that he had the responsible privilege of proposing on behalf of the shareholders a very cordial

cerned, they should have a favourable effect over a wider area. Much remains to be done, however, and, therefore, while we must keep alive our ideals, we must do everything possible to make the most of existing opportunities. For example, in the absence of freer trade, bilateral agreements have their uses, and can do a great deal to foster and extend our overseas business. The conclusion of trade agreements, many of which have been beneficial to our exporters in recent years, may not be an ideal method, but it has proved useful and, in the absence of a better way, cannot be discarded. By these agreements, the United Kingdom has obtained the reduction of certain foreign tariffs, fair quotas for the products of her industries in external markets, the payment of certain outstanding commercial debts and the provision of exchange to pay for British exports, as well as to meet interest due to investors domiciled in the United Kingdom. It would certainly be unwise in present circumstances to do anything to prejudice a method which, in the limited directions in which it has been tried, has secured an advantage to industrialists and others in this country.

A RESULT OF DEPRESSION

One result of the depression—a natural outcome of the restrictive measures so widely imposed—has been to force Governments to enter more fully into the commercial, industrial and agricultural life of nations. Side by side with this movement, there has been a further advance in the co-ordination of effort in the conduct of industry and a tendency towards planned production and price control. Although, therefore, we may believe in the personal element in business and consider that much may be lost if individual enterprise and initiative continues to dwindle, yet we must realise that, to-day, the principle of large-scale organisation of output and sales has found favour all over the world, and this country cannot do otherwise than give it an adequate trial in appropriate cases.

One of the outstanding developments in the United Kingdom has been the assistance afforded to the farming industry at home, and as a result of the steps taken there has been considerable progress in the direction of organised marketing and control. Apart from any influence this policy may have in promoting efficiency, it is a necessary departure in view of the organisations set up on behalf of agricultural producers abroad. In its early stages, the policy must of necessity be experimental, and a true balance must be maintained between the interests of the producer and the consumer. But there is already evidence that, if judiciously carried out, large-scale organisation is likely to prove beneficial and thus compensate to some extent for the loss of individual freedom on the part of agriculturists.

IMPORTANCE OF FOREIGN CONNECTIONS

Before concluding my address, I should like to express the hope that the prosperity which exists in most sections of the home market, and the difficulties of conducting foreign trade, will not result in the development of domestic business to the neglect of overseas connections. Such a policy, if pursued, would be short-sighted and unsound, for the time may well come when domestic business will prove less attractive than at present, and foreign connections, once lost, are not easily recovered. Moreover, the extension of international trade, and the resulting increase in world prosperity and decrease in world unemployment, are vital factors in the establishment of world peace.

It is largely in times of depression that we hear so much talk of war, for prosperous and productive trade creates remunerative employment, which, in turn, induces a feeling of general well-being and peaceful contentment. It is surely not too wide of the mark to assume that all men and women of every nation desire and long for peace, whatever outward signs there may be to the contrary in a world that is peculiarly subject to mass suggestion in times of depression, unemployment and economic strain. If the cause of peace can be furthered by developing international commercial relationships, it can be said with confidence that the great trading community of this country will most assuredly play its part. (Applause.)

I now beg to move: "That the report of the directors produced, together with the annexed statement of the company's accounts as at December 31, 1936, duly audited, be received, approved and adopted, and that a final dividend at the rate of 10 per cent. per annum on the 'A' shares, and 14 per cent. per annum on the 'B' and 'C' shares, less income tax, be declared, payable on the 1st proximo, to the shareholders registered in the books of the company on December 31st last." I will ask Mr Goodenough, the deputy-chairman, to second the resolution.

vote of thanks to the general managers and all the staff of the bank for the very valuable services which they had rendered during the year under review. The proposing of this resolution was, in one sense, a difficult task because almost everything that could be said in support of it had been said on many occasions before, and it was difficult to avoid giving the resolution somewhat of the appearance of being merely a formality. On the other hand, it was an easy and very pleasant task to have to perform, because, in fact, it was far from a formality—it was a sincere and genuine appreciation of good work done and honest service rendered to the bank. Very few words were necessary in order to commend such a resolution to the shareholders. The excellent figures submitted and the clear explanation of the affairs of the bank which the chairman had given were themselves quite adequate indications that such results could not have been achieved without very hard work on the part of a great many people, and those people were mainly, of course, the staff of this great institution.

SERVICE TO CUSTOMERS

On previous occasions a great deal had been said about the qualities required to make a good bank official and the many difficulties which beset their path, so that he would not enlarge on that aspect of the question. He would content himself with referring to the tradition which animated the whole of the staff of giving cheerfully, in every possible way, all the service they could to the customers of the bank and to the public generally who might be potential customers. The Chairman had referred to the staff as the ambassadors of the bank, and that was certainly a very true way of describing them, because they were the people who came into direct contact with the public, and it was on them that the success and prosperity of the bank depended. It was therefore with very real sincerity that he moved: "That the cordial appreciation and thanks of the shareholders be given to the general managers and the whole of the staff for the manner in which they have carried out their duties during the past year." (Applause.)

Mr P. Forrester said that he could fully confirm all that Mr Wiggin had said as to the excellence of the staff, and he had great pleasure in seconding the resolution.

The vote was unanimously accorded. Mr Norman S. Jones (one of the general managers) said that he wished sincerely to thank the shareholders for the generous appreciation they had shown of the efforts of the staff during the past twelve months. He thought the shareholders would agree that Barclays Bank had earned for itself a high reputation for courtesy and quality of service, and he could assure those present that the cordiality with which the resolution had been moved by Mr Wiggin, seconded by Mr Forrester, and received by the meeting, would encourage them all to still greater efforts in an endeavour to maintain that reputation. (Applause.)

LORD EBBISHAM'S TRIBUTE

Lord Ebbisham said that he had very much pleasure in moving a warm vote of thanks to Mr Edwin Fisher for his able chairmanship of the meeting. In succeeding those great chairmen, Mr Goodenough and Mr Tuke, he followed two brilliant holders of the office. The shareholders had every confidence that Mr Edwin Fisher would be no less able and efficient in his great task and that he would fully justify the tribute paid to him by the deputy-chairman earlier in the proceedings. Their new chairman was a practical banker, having courage, vigour and vitality, and he was in daily attendance at the bank. They all wished him health, happiness and success in the responsible position he had undertaken. (Applause.)

Mr C. J. Band said he was glad to have the privilege of seconding the vote of thanks to the chairman, because he had been closely associated with the bank for forty years and had carried on practice in premises belonging to the bank during the whole, or nearly the whole, of his professional career. He first became acquainted with Mr Fisher when that gentleman came to Birmingham as a local director, and both customers and staff had very happy recollections of the period during which he served the bank in that capacity and were delighted to hear of his appointment to the highest position in the bank. Mr Fisher obtained, during those years in Birmingham a first-hand and close knowledge of all the important and varied industries carried on in the Midland counties, and he was quite sure that the experience he gained at that time was of the utmost value to himself and the bank. The banks of this country were conducted in a manner that must of necessity be the envy of the whole world. On behalf of friends, numerous customers and many of the bank's trusted managers in the Midlands, he offered to Mr

Fisher their best wishes for a very happy and successful future as chairman. (Applause.)

The vote was cordially approved.

The Chairman having thanked the mover and seconder for the kind way in which they had submitted the resolution and the shareholders generally for their cordiality in receiving it, the proceedings terminated.

SOUTH AFRICAN TORBANITE MINING AND REFINING COMPANY LIMITED

PROGRESS OF THE NEW INDUSTRY

The second annual general meeting of this company was held in Johannesburg on December 21, 1936.

Mr W. Patrick Jones (deputy-chairman) said that operations were commenced at the refinery in January last in the processing of imported crude. The first deliveries of "Satmar" motor spirit to the trade were inaugurated in the same month and met with a satisfactory reception from the public. Owing to technical difficulties the plant had been operating only intermittently, but it was anticipated that full capacity would be reached in 1937.

Underground operations had proceeded satisfactorily, and it was now estimated that the payable torbanite on the portions of the farm Mooifontein held by the company indicated that there were 5,200,000 tons of torbanite having a value of 43 gallons of oil per ton over a width of 17.1 inches. A total of 400,000 gallons of torbanite crude had been produced, and most of that had been sent to the refinery at Boksburg. Then, again, they had put through their refinery torbanite oil, without admixture with imported petroleum, and had made from it petrol of the same high quality as they made from imported crude. This had been distributed to the trade in the blend which represented their standard product, and had been accepted and approved by their customers. The production of petrol had risen from 19 per cent. of their quota in July to 92 per cent. in November.

They were now distributing 80 per cent. of their present quota in the free delivery area, and had every reason to believe that within the next few weeks they would distribute their full quota. That was conclusive proof not only of the grade of petrol offered for sale, but of the service given to the trade and to the consumer. The price of imported petrol had been reduced by 5d. per gallon, which would mean a loss in revenue to the company of 4d. per gallon. It was hoped, however, that the Government would adjust the Custom's duty and railway rates so that the position of the company would not be prejudiced.

The report was unanimously adopted.

UNITED SERDANG (SUMATRA) RUBBER PLANTATIONS, LIMITED.

MR H. ERIC MILLER'S REVIEW

The twenty-ninth ordinary general meeting of this company was held, on the 21st instant, in London.

Mr H. Eric Miller (the chairman), who presided, said that the net quantity of rubber they had been allowed to export was 7,384,620 lbs., leaving a balance of 428,335 lbs. produced before August 31, 1936, to be carried forward in the balance sheet at bare cost of collection, manufacture and distribution. The average net sale price of 7.06d. per lb. showed an increase of 1.37d. per lb. Cost of producing the rubber crop showed little change from the previous year. The total rubber export duty now imposed by the Netherlands Indies Government amounted at current exchange to about one-halfpenny per lb.

Producing countries had exported during 1936 about 860,000 tons of rubber, against which absorption in consuming countries looked likely to total 1,025,000 tons—an increase of 90,000 tons—and nine-tenths of the increase was in the U.S.A. Many of the Continental countries would undoubtedly have taken more rubber than they did, had sufficient foreign currency been available.

The company had forward sales booked for shipment throughout 1937 totalling 1,800 tons at an average of 8.72d. per lb., c.i.f. America. Their subsidiary products, palm oil, palm kernels and gambier, all showed satisfactory profits. The large buyers throughout the world were showing a keen interest in the high grade palm oil produced on eastern plantations. The United Serdang company had always ranked as one of the leaders in the plantation rubber industry and fully merited the proud position it held.

The report and accounts were unanimously adopted and a dividend of 10 per cent. was approved.

MARTINS BANK LIMITED

PROFIT INCREASE FOLLOWS WIDENED ACTIVITIES

HEADWAY IN NATIONAL PROSPERITY

RIISING PRICES

CONTROL OF EXPANSION NECESSARY

MR E. B. ORME'S CONFIDENT SURVEY

The 106th annual general meeting of shareholders of Martins Bank, Limited, was held at the bank's head office, Liverpool, on the 19th instant.

Mr Edward B. Orme, Chairman, presided, and in moving the adoption of the report and accounts, said: My Lords, Ladies and Gentlemen,—

Last year at this time we had to record the death of His Majesty King George V. Recently the country experienced a crisis, now fortunately surmounted, but I am sure you will not expect me to make any further reference to it beyond wishing a long, prosperous and happy reign to Their Majesties King George VI and Queen Elizabeth.

The report and accounts for the year have already been sent out, and, as usual, I assume you will take them as read.

It is with deep regret we report the death of two of our directors during the year. Mr Francis Priestman, who had been chairman of the North Eastern board since 1923 and a director of the North Eastern Bank for four years prior to its amalgamation with our bank in 1914, died in February last, while Mr Phillips, who for eight years had been a member of the board of the Lancashire and Yorkshire Bank before the fusion of that bank with Martins Bank in 1928, died last month. The service rendered to the bank by both these gentlemen was extremely valuable, and we shall miss their co-operation.

Mr Oswald Dobell, who had for some time been desirous of relinquishing his business duties, resigned from the board in March last, and I am pleased to be able to express here our high estimation of his valued and unremitting service, which extended over a period of twenty-eight years during twenty-four of which he was a member of the committee of management. Mr E. R. Bowring has been elected to a seat on the board, subject to your confirmation at this meeting. Mr Bowring is a director of Messrs C. T. Bowring and Company, Limited, who are among the oldest customers of the bank, his firm having opened with our Heywood's branch only four years short of a century ago. We are glad to have his assistance, and we are pleased to welcome him here to-day.

Following my usual practice, I will preface my remarks by reference to the balance sheet and profit and loss account for the year, which present some interesting features.

INCREASED FUNDS AND PROFITS

The net profit is £769,988, an increase of £76,871 as compared with last year. This is the result of a considerable increase of funds in our hands and of their employment in expanding advances throughout the year, a satisfactory feature upon which I will speak later. We brought £233,466 into profit and loss account from last year, so that we have £1,003,454 available for distribution. A dividend at the rate of 7 per cent. was paid in July last, and it is proposed to repeat that for the final half-year, making 14 per cent. in all. These two dividends will require £582,406. We have added £50,000 to premises redemption account, £75,000 to staff pension fund, and we carry forward £296,048. Our published reserve stood at £3,100,000. This has been increased to £3,300,000 by a transfer of £200,000 from investment reserve.

You will observe that the bank's liquid position has been maintained. Cash in hand and at the Bank of England stands at £9,880,333, that is 10.5 per cent. of our liabilities to the public, and our total cash items amount to 20.7 per cent. of those liabilities. Our money at call and short notice at £5,535,000 is some £590,000 in excess of last year, but, on the other hand, Treasury bills and bonds are down by £3,520,575. Commercial bills still fail to come up to former levels and show little change as compared with a year ago. Investments are now some £3,200,000 less than at this time last year, and appear at £32,982,921. Bank premises and rentable properties show a

reduction of £71,130 at £2,596,215. Acceptances, endorsements, etc., together are higher by £2,173,097, and as the bulk of these items is in respect of foreign trade it is satisfactory to report that the trend to which I referred a year ago still continues.

GROWING DEMANDS OF BUSINESS

Again I have to record a substantial increase in our deposits. They now amount to £93,475,145, an increase of £6,187,582 on the year. But the largest increase in any item in our balance sheet is in our advances, which at £41,277,079 are £11,768,480 higher. They thus again take the premier place among our assets, and it is noteworthy that whereas investments last year represented 41 per cent. of our deposits, the comparative ratio to-day is 35 per cent., while advances, which last year were 34 per cent., are now 44 per cent.

An analysis under twenty-eight headings reveals the wide diversity of our advances, and shows that by far the largest individual item is that in respect of personal and professional overdrafts, which account for 21 per cent. of the total, with an average for each account of only £485, while the average per overdraft account for all our advances is under £1,200, demonstrating that the customer of moderate means is the mainstay of our business.

Cotton still does not take from us the accommodation required in days of greater prosperity in that trade, and it is somewhat surprising that, notwithstanding increasing turnover, advances to the wool trade do not record a greater increase as compared with last year. On the other hand, considerably higher figures are shown for general produce, retail traders, shipping and shipbuilding, paper, the motor industry, and, to a less extent, coal, iron and steel; while, as may be expected, such industries as aeroplane manufacturing, building and general engineering have also drawn upon us. Increases have further to be recorded in the accounts of our municipal corporation customers and in public utility and our kindred companies. As some of these advances are of quite a temporary nature, a modest decline may be seen in the near future in our total, but the general indication is that gradual expansion of the lending side of our business may be expected.

TRADE'S "DEFINITE HEADWAY"

We may gather from the account I have given of the course our advances are taking that the recovery in the country's trade, foreshadowed in my remarks last year, has made further and definite headway. We have ample evidence of this in whichever direction we look. The figures with regard to diminishing unemployment are most encouraging, rail traffic returns are better, the retail trade, a sure index of the spending power of the people, whether on necessities or luxuries, month by month, has shown increasing expansion; while the annual reports of industrial and other concerns, with their welcome announcements of dividends, have been read by shareholders with an interest they had almost lost owing to the monotonous regularity with which their capital had gone unrequited during the last few years.

BASIC TRADES ADVANCE

Shipbuilding throughout the country has recently received a much needed impetus, and this not only by reason of the Government's rearmament programme. As a result, on Merseyside, for instance, we are looking forward to a year of great activity in our shipbuilding yards, entailing a largely increased pay roll, the effects of which, we hope, will be felt by all classes throughout the area. And in this connection I may say that it is a matter of profound satisfaction to everyone concerned that the great Liverpool shipping concern, the Cunard-White Star Line, have recently decided that the construction of one of their new liners is to be carried out on the Mersey in the building yards of

Cammell, Laird and Company, whose works have been associated with the port for more than a century.

Reference to activity on the Mersey impels me to allude to the annual review of the chairman of the Mersey Docks and Harbour Board, which is always instructive, but which this year, in addition, was particularly stimulating. Although his survey only brought the record of the year up to July 31st last, he was able to say that he found it difficult to sustain any suggestion that the shipping trade of the port was suffering from exceptional distress, and he quoted figures showing that the tonnage of vessels paying dock tonnage rates last year reached a mark only exceeded on two previous occasions. Further, as the increase in the Dock Board's revenue from rates and dues was mainly in respect of goods, the inference was that ships using the port were carrying better cargoes.

It is a natural transition from shipbuilding to the iron, steel and coal industries, especially when one reads a recent statement that 22,000 tons of coal had been required to produce the 6,500 tons of steel used in the construction of two tankers. There is undoubted improvement in both trades; in the iron and steel trade following the safeguarding of the industry, under which imports into the country are regulated, and in the coal trade, the basic industry of the country, where controlled selling is beginning to have its effects, although it only came into operation last autumn. Production in both industries during 1936 largely exceeded that of the previous year, and this year gives promise of even better trade.

IMPROVEMENT IN COTTON

Our interest in cotton is, of course, very extensive. While we are able to record some real improvement, we have yet to reap the full reward of much patient effort in many directions to bring about better conditions. The Cotton Spinning Industry Act, now formally in operation, the price maintenance scheme, which it is hoped will be consistently carried out, and other measures, may be expected to have their looked for effect, but it is not unlikely that general trade recovery throughout this country and abroad will supply a natural demand for the output of Lancashire's main industry and render artificial measures unnecessary. Facts may be left to speak for themselves, and the increasing number of mill companies now making profits or cancelling out losses is eloquent. The recovery may be slow, but it is gathering strength. I hope I may not be regarded as unduly optimistic in this respect, for I know too well the views held in some quarters that certain of Lancashire's foreign markets are permanently lost, some of our former customers having become not only self-providing but actually competitive with us. It is probable, however that this particular competition is reaching its limit and that, with expanding home trade and extension to our Dominions, Crown Colonies and more favourable foreign markets, the reputation of Manchester goods will once more assert itself, bringing a full measure of prosperity to the country, where in many areas it is still sorely needed.

AGRICULTURE AND WOOL

Of agriculture generally there is little improvement to record during the year; so much depends upon natural causes beyond man's control. And it has to be admitted that some of the schemes evolved for their benefit have yet to convince farmers of their efficacy. With regard to wheat, poor crops at home and abroad have coincided, and the position may best be summed up in the statement that 1936 has been notable for the production of the smallest crop since 1920. For the fourth successive year, stocks have been drawn on to meet requirements, and by the time this year's crops of the northern hemisphere are available, world stocks will have been reduced to the minimum. Trading has been on a large scale, and prices have advanced to levels not reached for a number of years. If larger crops are not harvested in the present year we may actually have a world shortage in sight.

Advancing prices, notwithstanding temporary disturbance owing to tariff disputes between Australia and Japan, have also been seen in the wool textile industry, which has experienced activity in all its branches. The position generally may be regarded as healthy, as it is based upon consumption requirements; speculation is not much in evidence.

PHASES OF PRESENT PROSPERITY

So far, I have been able to place before you a record of steadily increasing trade recovery, commenced hesitatingly some four years ago and gradually gathering momentum until in the last few months it assumed the nature of a boom. It is manifestly

most desirable that caution should dictate our views in these circumstances, but I must confess that at the moment I cannot see any signs, apart from possible European political complications, of an early cessation of the country's present prosperity. We should, however, not lose sight of the fact that whereas recovery is gradual over a long period, the reverse process is not so deliberate. Abnormal activity and rapidly advancing prices of all classes of shares on the Stock Exchange emphasise the prudence of this reflection.

Recovery has, in the main, been confined to our internal trade. I believe this has still some way to go. Building has played its part in the progress made, and even if we are to see slackening in the erection of residential property, further slum clearance and construction of commercial and industrial premises must give increasing employment for some time to come. Reorganisation of some industries is now having its desired effect, but there are others still to respond to the remedies applied to them, and until these and the special or distressed areas have been brought to the point of sharing in general prosperity we cannot, with assurance, say that our internal recovery is complete. The problem of the special areas, in particular, calls for solution, and any delay in dealing energetically with this must be regarded as a reproach to the rest of the country. The recent appointment of industrial advisers to the Commissioner for the Special Areas lends confidence to the hope that this solution will speedily be found.

During the last few years the motor industry also has made great strides and taken its part in the industrial revival. And it must be recognised that in practically all sections of industry that have contributed to this welcome upswing in internal trade, the imposition of protective tariffs has had an important effect.

Even if we were to assume that all the factors in our internal recovery were beginning to lose some of their quickening power, it is certain that rearmament expenditure will supply a fresh and powerful stimulant. No doubt some of our recovery has already been due to Government orders in this respect, but if the programme that has been envisaged is to be carried out vast sums have still to be spent, and it is safe to predict that increasing activity, employment and apparent prosperity will follow. It is not, however, a pleasant prospect for the taxpayer, who will reflect that borrowed money has to be repaid, especially when it is remembered that the expenditure is for non-productive purposes.

RIISING COMMODITY PRICES

We must further not shut our eyes to the fact that much of our prosperity is due to four main measures of expediency or necessity, namely, protective tariffs, to which I have already referred, our departure from the gold standard, the embargo upon foreign lending, and exceptionally cheap money, and that the lifting of any one of them would very materially affect our position. All these measures have helped our domestic trade, but their effect, combined with protective action taken by other countries, has seriously impeded international trade.

We have recently seen a quite exceptional rise in the price of certain commodities, such as cocoa, rubber, wool, wheat and various metals, and all indications point to a continuance of this upward trend. The cause has to be traced back to post-war conditions and the recent depression. Low prices and artificial restriction gradually reduced surplus stocks. Reviving trade absorbed them, and the last six months of boom conditions have caught the markets short of future supplies. Hence the striking rise in prices. It is impossible to estimate the extent to which this will go, or to measure its effect, but it has already benefited the producers of primary products enormously, and placed them in the position of being able to purchase the goods of other countries. This augurs well for the flow of international trade. The effect upon our home trade has still to be felt, but higher prices for raw materials mean increased cost for manufactured goods, and this, in turn, will affect the cost of living. The position is not one to be viewed with easy satisfaction, and will require careful handling if we are to stabilise our prosperity and avoid the usual results of too rapid expansion. Moreover, it is bound ultimately to influence this country's monetary policy, as the normal outcome of continued trade expansion, with a general rise in costs on the scale we are experiencing, is without doubt dearer money.

THE GOLD IMPETUS

I base my favourable outlook for world trade largely upon the increasing production of gold. Hitherto, the full benefit of this has been lost owing to America and France absorbing the world production. So far as France is concerned, the flow there may probably be considered at an end. America—since the war a creditor nation and a high tariff country—could not avoid

taking gold. Actually during the last three years there has been an influx of gold into America greater than the world's production in that period. Her ability to attract this has, to a very considerable extent, been created by Europe's purchases of her securities. This condition may not repeat itself during the next three years, and the world's gold production will, to some extent, be available to create credit in countries which of late have been drained of this necessary backing.

As I have said, primary products in many cases have doubled in price from the low point of 1931 to 1932. With gold in freer distribution they would be likely to maintain present high levels, and this must, as already indicated, create "two-way" world trade. The profit on manufactured goods, with the employment entailed and the services required from our railways and shipping, will, I consider, offset the extra cost of our purchases abroad.

THE EXPORT SIDE

The increased spending power of the people with its accompanying demand for an improved standard of living calling for the import of foodstuffs and other commodities, and the requirements of prospering industry in respect of raw materials of all kinds, has resulted in our being faced with an adverse visible trade balance, now being accentuated by the rapidly rising commodity values. This can only be adjusted by development of our export trade, an essential factor in any complete recovery of our economic position. Unfortunately, the very fact of our internal prosperity militates against a balance of trade favourable to us, for with lucrative contracts at home industrialists will be apt to ignore the export side of their business. Serious attention, therefore, is required, and is no doubt being given to this aspect of the case. Tariffs and restrictions, however, still remain, with little, if any, alteration, and the almost total absence of foreign lending continues. There is, of course, no lack of counsel upon the best methods of correcting the situation, but the practical difficulties are great. An important step was taken in September last, when Great Britain, the United States of America and France, precedent to the devaluation of the French franc, entered into an agreement to maintain as far as possible equilibrium in international currencies. This was expected to have, and actually had, a material influence in steadying the exchanges; but the full benefit to be derived from the welcome collaboration of the three parties to the agreement, which was joined in immediately by other European countries and gave promise of being capable of further application, has been frustrated to a large extent by the deplorable political conditions developing in Europe.

FOREIGN LENDING

The crowning incident in our recovery would undoubtedly be the resumption of foreign lending, signalling, as it would, the return of confidence in foreign affairs, but with existing unsettled conditions abroad achievement of this appears impracticable at the moment. Nevertheless, encouraging returns from Canada, Australia, Africa, Scandinavia, the Argentine, and other quarters, give indications of improvement which may have far-reaching effects upon international trade, and even lead, along with the stabilisation of currencies, to the recommencement of international lending, formerly one of Great Britain's main contributions to world progress, and the foundation of her own prosperity.

Before moving the adoption of the report, I must again tell you of the very high opinion I have of the ability and hard work displayed by our general manager, Mr Furniss, his colleagues and the executive generally, in obtaining results such as those shown in the balance sheet submitted to you. (Applause.)

The Chairman concluded by moving the adoption of the report and accounts.

Lord Colwyn, one of the deputy chairmen, seconded the adoption of the report and accounts, and the motion was unanimously carried.

Lord Ebbisham proposed the re-election of Mr A. Harold Hibby, Mr W. R. Glazebrook, Mr R. M. Holland-Martin, and Sir Frederick J. Marquis, as directors, and the confirmation of the appointment of Mr E. R. Bowring as a director. Lord Ebbisham said it was most satisfactory to note that the bank had taken its full share of the additional business resulting in the recovery of the country's trade. For the bank's consistent progress they were greatly indebted to the chairman and the directors, and to the general manager and staff.

Mr Thomas Purgold seconded the motion, which was adopted. On the proposal of Mr A. Kentish Barnes, seconded by Mr H. W. Garnett, the auditors, Messrs Harmood Banner and Son, Liverpool, Messrs Peat, Marwick, Mitchell and Company, London,

and Messrs Thomas Bowden Sons and Nephew, Newcastle-upon-Tyne, were re-appointed.

VIGOUR AND VITALITY OF THE BANK

Colonel Denis H. Bates proposed a vote of thanks to the directors, the standing committee and the general manager and other officers and staff of the bank for their valuable services during the year. Colonel Bates said the big increase in advances to customers proved the health of the bank and the growing prosperity of the country's industry, and, further, it denoted the courage, vigour and vitality of the bank. (Hear, hear.) None who passed through the recent cyclonic depression could fail to be thankful for the ready assistance and advice of the general manager, backed by the stability of the bank. (Applause.)

Mr W. Davidson seconded, and the resolution was carried with acclamation.

Mr J. M. Furniss, general manager, in reply, expressed his gratitude for the consistently able advice received from the chairman and standing committee, whose close attention was always given to the bank's major daily problems, and also from the board. He acknowledged also the help received from his colleagues in the executive in all districts of the bank, and indeed the whole staff, which had contributed to the satisfactory year they had experienced. (Applause.)

A hearty vote of thanks to the chairman for presiding, proposed by Mr W. E. Mounsey, brought the meeting to a close.

MICHAEL NAIRN AND GREENWICH, LIMITED

CONTINUED PROGRESS

The fifteenth annual general meeting of Michael Nairn and Greenwich, Limited, was held, on the 18th instant, in London.

Sir Michael Nairn, Bt. (the chairman), said that the net revenue receivable from investments, interest, etc., amounted to £281,739, which compared with £252,088 for the year 1935, and the directors were again in the position to recommend the payment of a final dividend of 7½ per cent., making a total of 12½ per cent. for the year and in addition the payment of a cash bonus of 2½ per cent. The carry-forward amounted to £66,370 as against £64,638 last year.

Their trade interests were world-wide, and while it might appear that there should be no limit to the expansion of their overseas trade, it must, however, be remembered that trade embargoes, currency restrictions and exchange variations rendered the extension of their markets overseas increasingly difficult. As the world prosperity on a sound basis was only possible by a resumption of international trading, it was to be hoped that some of the restrictions might ere long be sensibly relaxed. The various unilateral trade agreements negotiated by the Government had already produced important results on British trading interests abroad.

As chairman of the company, he was in constant touch with the activities of all their subsidiaries, and he was very pleased to report continued progress in all departments during the past year. These were days of keen competition in the linoleum industry, and the policy of the board had always been to maintain their factories and organisation in that state of efficiency which would enable them successfully to stand up to competition wherever it might be met.

The transference of the Greenwich plant to Kirkcaldy was still in process, but the task was one of considerable magnitude and they were taking care to see that it was carried out with the minimum of interference with their manufacturing interests. Fortunately, trade continued to expand and that fact might necessitate the maintenance of the plant at Greenwich for some years to come.

The report was unanimously adopted.

Orders for the publication in these columns of the reports of Company Meetings should be addressed to:—

*The Reporting Manager,
THE ECONOMIST,*

*8 Bouverie Street,
Fleet Street,
London, E.C.4.*

ALEXANDERS DISCOUNT COMPANY, LIMITED

CONDITIONS IN DISCOUNT MARKET

RETURN ON SHORT-DATED SECURITIES

MR COLIN CAMPBELL REVIEWS THE POSITION

The 69th ordinary general meeting of Alexanders Discount Company, Limited, was held, on the 20th instant, at Southern House, Cannon Street, London, E.C., Mr Colin F. Campbell (chairman of the company) presiding.

The Secretary (Mr P. C. Tong) having read the notice convening the meeting and the auditors' report,

The Chairman said:—Gentlemen, I assume you will take the report as read, as usual. (Agreed.)

In submitting the accounts to you once again at the close of the year, the shareholders will appreciate from them that the liquidity of the company has been fully maintained and the strength of the balance sheet remains unimpaired. This is a matter which calls for some satisfaction under existing conditions, because we have again passed through a year during which our normal business was reduced to a minimum; in fact, the purchase and sale of Treasury bills constituted over 80 per cent. of our turnover in bills.

No less an authority than the Governor of the Bank of England, when speaking at a bankers' dinner at the Mansion House in October, referred to the discount market in the following terms. Mr Norman said: "The discount markets are in a sorry plight. I find that five years ago they had two hundred and twenty or two hundred and thirty million bills to cover, and I find that as many months ago they had one hundred and thirty millions. I do not give these as complete figures, but I give them as comparable figures, and the difference between two hundred and twenty million and one hundred and thirty million is the measure of the reduction of the proper business which has come into this market."

TRADE BARRIERS

When this state of things is going to end I cannot say, but it is evident that so long as the trade of the world is beset with quotas, tariffs and every conceivable obstacle, there is small chance of a return to that free interchange of commodities between the nations which must be a prelude to that prosperity in the discount market which we so greatly desire.

In the meantime we have to live as best we can and it is fortunate that the market in short-dated Government securities has given us this opportunity. There are risks, of course, in carrying a large block of Government securities and substantial reserves are needed for this to be done with any degree of safety, but the risk is limited by the early maturity of our investments and, after all, were we engaged in a large turnover in commercial bills as in the days before the war, the element of risk would still remain.

PROFIT FROM SECURITIES

It is from our holding of securities that the bulk of the profit earned last year has been derived. This profit is less than in 1934 and 1935, but this was only to be expected, as the profit in these years was exceptional. It will be remembered that in 1934 the general trend of securities was in an upward direction, while in 1935 there were many fluctuations in prices affording opportunities for making profits without any very marked decline in the year. Furthermore, we witnessed in the past year several serious political events, notably the conquest of Abyssinia by the Italians and the civil war in Spain, both of which caused a serious dislocation in the stock markets for the time being.

At the same time, when considering the profit-earning capacity of the company, it should be borne in mind that the return on the short-dated Government securities is now greater than was the case a year ago, due to the lower prices at which they stand, and further the big reserves created in 1934 and 1935 against a possible fall in the price of these securities remain unimpaired, so that in attempting to forecast the future I think we can do so with some degree of confidence so far as 1937 is concerned.

A STEP IN THE RIGHT DIRECTION

The recent exchange arrangements between the United States, France and this country, to which several other countries have also subscribed, are a step in the right direction, and the great pros-

perity now being enjoyed in this country in consequence of the home trade demands, together with the re-armament programme, should react favourably on our market ultimately. But over and above these considerations stands the rise in the price of raw materials, which will materially increase the purchasing power of those countries where these primary products are produced.

It is reasonable to expect that exports to these countries will be increased thereby and that financial facilities will be required by means of bills of exchange for the movement of these shipments, but, with regard to this all-important question of exports, it is essential that our manufacturers and merchant houses, who have connections abroad, should maintain their establishments even though for the time being they are fully engaged in carrying out contracts for the home trade and for armaments at very remunerative prices, and also, may I add, it is equally essential that some of the restrictions on imports which are at present in force should be removed by these importing countries.

MONEY MARKET RATES

In the money market, rates have continued to rule at a low level with the Bank rate of 2 per cent. unchanged throughout the year. The London deposit rate of the clearing banks continued at $\frac{1}{2}$ per cent., while the average rate for Treasury bills was 11s. 6d. and for Bank bills 11s. 10d. The Chancellor of the Exchequer again took advantage of the cheapness of money by issuing £100,000,000 2½ per cent. Funding Loan in November at 98½ per cent., maturing 1952-57. Of this issue 53½ per cent. was payable before the end of the year, so that with the proportions of the Funding 2½ per cent. and the Treasury 1 per cent. loans issued in December, 1935, but payable in 1936, a total of £309,500,000 was actually raised by the Treasury during last year. On the other hand, £194,000,000 was repaid by the redemption of the Treasury 2 per cent. and Treasury 3 per cent. loans.

THE ACCOUNTS

With regard to the figures in our accounts, you will observe that the British Government securities stand at 13½ millions against 12 millions nine hundred thousand a year ago. The bulk of the securities are short-dated with only a few years to run. The bills discounted are higher at 15 millions seven hundred thousand, against 12 millions in 1935, and the figures in the aggregate amount to 31 millions against 26 millions. I can again repeat what I have said on several occasions, that there are no obligations of any kind outstanding relating to foreign governments or foreign municipalities. (Hear, hear.)

DIVIDEND MAINTAINED AT 19 PER CENT

Turning next to the profit and loss account, the current expenses are £7,800 less than a year ago, whilst the gross profit is £205,000, against £333,000 in the previous year, and the rebate on bills discounted is £140,000 against £161,000.

When considering the profits earned last year it should be borne in mind by shareholders that two courses were open to the directors in view of the depreciation in the value of the securities as at December 31, 1936, compared with the same date in 1935. One course was to charge this depreciation against the fund of £300,000, which had been specifically set aside for this purpose, and the other was to leave the fund intact and to provide for this depreciation out of the profits of the year. Your directors decided upon this latter course as being the more conservative policy of the two, and it accounts to a large extent for the reduction in the profit shown in the accounts.

The final dividend now recommended to the shareholders of the ordinary shares is at the rate of 20 per cent. per annum, making 19 per cent. for the year, being the same as in 1935, while the preference shareholders also receive the usual 6 per cent. Before sitting down, I would like to bear testimony to the very successful way in which Mr Newcomb has guided the company during a difficult year and to thank the sub-manager, together with the whole staff, for their loyal and excellent work. (Applause.)

The report and accounts were unanimously adopted.

LIEBIG'S EXTRACT OF MEAT COMPANY, LIMITED

THE ANGLO-ARGENTINE AGREEMENT

The seventy-second annual general meeting of Liebig's Extract of Meat Company, Limited, was held, on the 21st instant, at Southern House, London.

Mr Kenneth M. Carlisle (chairman and managing director) said that the year had on the whole been characterised by more favourable trading conditions, especially in this country, which had made more substantial progress along the road to recovery than its neighbours in Europe.

The company's standard proprietary products under the well-known trade marks of Oxo, Beefex, Lemco, Fray Bentos, etc., had continued to enjoy the patronage of an ever-widening circle of the public, who utilised them to an increasing extent for the promotion and maintenance of health and vigour, as well as for flavouring and improving the dishes which formed a large part of the important daily curriculum of meals in every household. What custom they had acquired they confidently expected to maintain, and the high quality combined with the ready application of their products encouraged them to look forward to a steady development of their sales.

CONTINENTAL MARKETS

In the Continental markets, on the other hand, although in some countries their figure of turnover showed a pleasing and promising expansion, there had been little evidence as yet of any genuine desire or defined action to remove or even lessen the burden which the quantitative limitation of imports laid on the flow of international trade. It was to be hoped that the good intentions so universally expressed, to loosen the shackles on trade, would be put into practice without too great delay, and that international commerce, which showed distinct signs of an urge to revival, would once again be allowed to follow a freer and less harnessed course.

Their factories in South America had been in operation throughout last season with important programmes of manufacture, which were limited only by the number of cattle each plant could secure within the circumscribed range of economic prices.

The figure of profit returned was £262,839, or just over £5,000 higher than that shown last year, and the directors recommended a final dividend of 6 per cent., making 10 per cent., free of tax, for the year. Having regard to the unsettled conditions on the Continent and to exceptional losses experienced in Rhodesia, consequent on the severe and protracted drought which had afflicted that country, he hoped the result would be considered satisfactory.

A feature which had been causing them no little concern had been the propensity of one of the Provincial Governments in Argentina to increase the taxation on land, especially on properties held and farmed on a large scale. Having regard to the limited productivity of the land, which in many districts was suitable only for stock farming and was not susceptible of sub-division for closer agricultural settlement on an economic basis, the policy could only be considered a most short-sighted and injurious one.

ROCA-RUNCIMAN PACT

An event of importance in the annals of Anglo-Argentine relations had been the renewal of the Roca-Runciman Pact. It need hardly be said that certain of the provisions in the new agreement had not been acclaimed with enthusiasm by the live-stock farmer in Argentina, for they established for the first time in the long history of Anglo-Argentine commercial intercourse the principle and regime of a tariff on the products of the highly-graded herds, which had been developed to provide this country with its requirements of beef prepared and marketed in the best possible conditions. The new duty of 3d. per lb. dressed weight represented, at the official rate of exchange, approximately 25 per cent. of the value of a steer of good average weight on the growers' estancia on the basis of prices ruling for the two years prior to the new agreement, and thus constituted a very heavy burden for the producer to shoulder. All engaged in the industry were now waiting with concern to learn what proposals the Argentine Government might have in view to relieve the producers of the incubus which the possible assumption of the whole duty would lay upon them.

With a view to broadening the basis of supply of the raw materials on which their factories in Europe depended, they had been examining possibilities further afield, and it had been decided to establish a factory in Kenya for the industrialisation of cattle on similar lines to those adopted in their plants elsewhere.

The report and accounts were unanimously adopted.

SEDENAK RUBBER ESTATES, LIMITED

SUCCESSFUL RESULTS—GOOD PROSPECTS

The twenty-seventh ordinary general meeting of Sedenak Rubber Estates, Limited, was held, on the 20th instant, in London.

Mr Philip C. Turnbull, O.B.E. (chairman), who presided, said: The changes in the balance sheet since last year are few, the two principal being the expenditure of £4,376 on the upkeep of immature areas, and the £8,967 cost of export rights. If the latter expense, rendered necessary by the regulation scheme, had not been entailed, the earnings for the year would have been over 10 per cent. on the company's issued capital, but their purchase was unavoidable, to enable the crop of 2,250,000 lb. to be dealt with, and were thus a profitable investment.

Part of the crop, about 24 per cent. of the standard assessment, has been sold forward over the whole of 1937 at an average of 9d. per lb., and, although the market has gone higher since those sales were made, shareholders will agree that it was a wise policy to secure for a part of the crop a price in excess of last year's selling price. On the basis of last year's crop, every additional 1d. per lb. profit is equivalent to a further 3 per cent. on the company's capital.

The output was taken from the older areas of the Sedenak and Pontian divisions, no crop being taken from Glencoe, but during January we are opening up the first clearings in that section, a matter of some 588 acres, and this should enable us to reach the permitted export of 80 per cent. of our standard assessment without drawing on our young budded areas at all.

We have taken the opportunity to transfer a further £5,000 to reserve account, which now stands at £40,000, and I feel sure this step will meet with your full approval, as past experience has taught us the necessity for building up reserves during periods of relative prosperity so as to keep the balance sheet was published a corresponding amount of £5,000 nominal value of Government securities has been added to our investment portfolio.

The report was unanimously adopted and a dividend of 6 per cent. approved.

The resolution providing that all the issued shares in the company be converted into stock, and that such stock be transferable in amounts of £1, was carried.

LANGEN (JAVA) RUBBER ESTATES COMPANY, LIMITED

SATISFACTORY RESULTS—IMPROVED PROSPECTS

The twenty-seventh ordinary general meeting of this company was held, on the 15th instant, in London, Mr H. Eric Miller, chairman of the company, presiding.

The Chairman, in the course of his speech, said: On the whole the results of the year under review make a satisfactory showing. In the year ended August 31, 1935, we purchased export licences for over 130,000 lb., enabling us to account for the 951,000 lb. harvested that year, whereas in the year ended August 31, 1936, the percentage exportable averaged a lower rate, and we had further to reduce our exports by selling back to the Government 126,800 lb. of our own licences, leaving us with only 693,365 lb. for export.

Turning now to the profit and loss account, we show a net figure of £7,987 15s. 9d. for the year, and, adding the amount brought forward of £11,805 6s. 5d., we have an available total of £19,793 2s. 2d.

Our interest in Namoe Tongan Rubber Estates, Limited, in Sumatra, is equivalent to about 115 acres of young rubber, mostly budgrafted. That company has recently issued a satisfactory report, and, although it has not paid a dividend, the whole of its preliminary expenses, amounting to £5,522, have been written off and the sum of £8,000 was carried forward at the credit of profit and loss account. That company should be able to make a good showing in their next report, and we hope to receive a satisfactory dividend.

In pursuance of what we believe to be sound policy we have made some forward sales by instalments at rising prices, totalling about 190 tons for shipment throughout 1937 at the London equivalent of 9d. per lb. We do not know yet what our 1937 standard production is to be, but working on the 1936 figure and the percentage so far fixed for exports, the crop to be accounted for on 1936-37 working should be close on 465 tons.

We anticipate being able to present to you a satisfactory account of our stewardship a year hence.

The report and accounts were unanimously adopted and the payment of a dividend of 6 per cent., less tax, approved.

GOVERNMENT RETURNS, &c.

NATIONAL ACCOUNTS

The total ordinary revenue for the week ended January 16, 1937, amounted to £28,820,000, against ordinary expenditure of £10,803,000. After allowing for a decrease in Exchequer Balances of £371,107, the operations for the week, as shown below, decreased the gross National Debt by £18,163,000 to approximately £8,025 millions.†

(000's omitted)			
2½% Funding Loan, 1952-57...	+ 49	Treasury Bills	- 21,897
National Savings Certificates...	+ 50	Public Department Advances...	- 1,115
Road Fund	+ 5,628	P.O. and Tel. (Money) Acts ..	- 800
		British Shipping (Assistance) ...	- 78
			- 23,890
	+ 5,727		

† Including £375 millions on Account of Exchange Equalisation Fund and Borrowing for Statutory Sinking Fund.

A complete analysis of the approximate position of the National Debt at December 31, 1936, appeared in *The Economist* for January 2, 1937.

REVENUE	Estimate for the year 1936-37	Total Receipts into the Exchequer			
		April 1, 1936, to Jan. 18, 1936	April 1, 1936, to Jan. 16, 1937	Week ended Jan. 18, 1936	Week ended Jan. 16, 1937
ORDINARY REVENUE					
Inland Revenue—					
Income Tax	259,000,000	110,888,000	106,547,000	13,185,000	15,961,000
Sur-tax	56,500,000	19,280,000	18,600,000	3,090,000	3,790,000
Estate, etc., Duties	89,000,000	68,390,000	66,590,000	1,440,000	1,660,000
Stamps	27,000,000	16,530,000	19,550,000	490,000	440,000
Excess Profits Duty and Corporation Profits Tax	750,000	...	...	...	...
Land Tax and Mineral Rights Duty	750,000	250,000	190,000	70,000	30,000
Total Inland Revenue	433,000,000	215,348,000	211,477,000	18,275,000	21,881,000
Customs and Excise—					
Customs	207,525,000	158,235,000	167,869,000	3,061,000	3,599,000
Excise	110,000,000	90,100,000	86,600,000	5,700,000	1,200,000
Total Customs and Excise	317,525,000	248,335,000	254,469,000	8,761,000	4,799,000
Motor Vehicle Duties (Exchequer Share)	5,000,000	4,849,000	4,725,000	474,000	226,000
Post Office (Net Receipts)	11,256,000	12,450,000	11,700,000	1,150,000	1,800,000
Crown Lands	1,350,000	1,050,000	1,050,000	...	...
Receipts from Sundry Loans	5,000,000	4,777,605	4,413,519	96,203	50,737
Miscellaneous Receipts	25,250,000	16,971,869	16,015,428	55,221	63,726
Total Ordinary Revenue ...	798,381,000	503,781,474	503,849,947	24,174,424	28,820,463
SELF-BALANCING REVENUE					
Post Office	69,344,000	50,050,000	53,600,000	850,000	...
Motor Vehicle Duties apportioned to Road Fund	26,500,000	15,497,000	16,696,000	6,454,000	6,978,000
Total Self-balancing Revenue	95,844,000	65,547,000	70,296,000	7,304,000	6,978,000
Total	...	569,328,474	574,145,947	31,478,424	35,798,463

EXPENDITURE	Estimate for the year 1936-37	Total Issues out of the Exchequer to meet Payments			
		April 1, 1936, to Jan. 18, 1936	April 1, 1936, to Jan. 16, 1937	Week ended Jan. 18, 1936	Week ended Jan. 16, 1937
ORDINARY EXPENDITURE					
Interest and Management of National Debt	224,000,000	189,978,308	189,598,046	354,571	453,369
Payments to Northern Ireland Exchequer	7,500,000	4,147,071	4,999,710	...	...
Other Consolidated Fund Services	3,200,000	2,834,437	2,502,337	207,897	...
Post Office Fund	600,000	1,126,817	420,529	...	...
Total	235,300,000	198,084,633	197,520,622	562,468	453,369
Total Supply Services (excluding Post Office)...	570,969,000	389,749,899	422,505,179	9,250,000	10,350,000
Total Ordinary Expenditure†	806,269,000	587,834,532	620,025,801	9,812,468	10,803,369
SELF-BALANCING EXPENDITURE					
Post Office	69,344,000	50,050,000	53,600,000	850,000	...
Road Fund	26,500,000	15,497,000	16,696,000	6,454,000	6,978,000
Total Self-Balancing Expenditure	95,844,000	65,547,000	70,296,000	7,304,000	6,978,000
Total	...	653,381,532	690,321,801	17,116,468	17,781,369

† Estimated Expenditure as per Financial Statement (H.C. 77) ... 797,897,000
 Add:—
 Supplementary Estimates

The aggregate revenue from April 1, 1936, to January 16, 1937, is shown below:—

(000's omitted)			
Expenditure	620,026	Revenue	503,850
		Decrease in balances	64
		Gross borrowing	£123,033
		Less:	
		New Sinking Fund*	6,921
		Net borrowing	116,112
	620,026		620,026

* Authority will be sought in the Finance Bill to meet the Statutory Sinking Funds in 1936 by borrowing.

POSITION OF THE FLOATING DEBT

Jan. 18, '36 Mar. 31, '36 Jan. 16, '37 Jan. 16, '37		Movement	
Ways and Means Advances Outstanding: £		Week ended	
Advances by Bank of England	22,400,000	19,055,000	28,875,000
Advances by Public Department	878,270,000	763,115,000	751,980,000
Treasury Bills outstanding	900,670,000	782,170,000	780,855,000
Total Floating Debt	1,700,340,000	1,544,140,000	1,561,700,000

* Includes £2,000, the proceeds of which were not carried to the Exchequer within the period of the Account.

TREASURY BILLS BY PUBLIC TENDER

Tenders for £30,000,000 Treasury bills were opened on January 15, 1937. The amount applied for was £76,600,000. Tenders were accepted for Treasury bills at three months dated Monday at £99 17s. 5d., and above in full; Tuesday to Saturday at £99 17s. 4d., about 5 per cent. and above in full. The average rate per cent. was 10s. 6.33d. The amount allotted was £30,000,000.

Date	Amount Offered	Total Applications	Amount Allotted	Average Rate %
January 4, 1935	30,000,000	49,560,000	27,500,000	0 6 1.64
July 5, 1935	40,000,000	60,905,000	40,000,000	0 12 4.32
January 3, 1936	35,000,000	68,075,000	35,000,000	0 10 10.72
July 3, 1936	50,000,000	72,750,000	50,000,000	0 12 5.63
January 1, 1937	40,000,000	75,450,000	40,000,000	0 10 8.11
January 8, 1937	35,000,000	72,935,000	35,000,000	0 10 6.33
January 15, 1937	30,000,000	76,800,000	30,000,000	0 10 6.33

NATIONAL SAVINGS CERTIFICATES

Total Sales of Savings Certificates	No. of Certificates	Value
Four days ended December 26, 1936	381,286	£270,964
Week ended January 2, 1937	708,548	£531,411
February, 1916, to January 2, 1937	1,280,653,346	£1,006,927,848

At the end of November, 1936, the amount remaining to the credit of investors in Savings Certificates, excluding interest, was £390,110,062.

THE BANKERS' GAZETTE

BANK OF ENGLAND

RETURN FOR WEEK ENDED WEDNESDAY,

JANUARY 20, 1937

ISSUE DEPARTMENT

£		£	
Notes Issued:—		Government Debt	11,015,100
In Circulation	450,464,130	Other Government Securities ..	188,601,323
In Banking Department	63,196,529	Other Securities	373,353
		Silver Coin	10,224
		Amount of Fiduciary Issue	200,000,000
		Gold Coin and Bullion	313,660,659
	513,660,659		513,660,659

BANKING DEPARTMENT

£		£	
Proprietors' Capital	14,553,000	Government Securities	74,934,953
Reserve	3,573,557	Other Securities:—	
Public Deposits*	13,555,436	Discounts and Advances	£8,905,857
Other Deposits:—		Securities	£22,078,112
Banks	£100,287,072	Notes	30,984,968
Other Accounts	£37,568,318	Gold and Silver Coin	420,932
	137,855,390		169,537,383

* Including Exchequer, Savings Banks, Commissioners of National Debt, and Dividend Accounts.

OVERSEAS BANK RETURNS

NOTE.—The latest return of the Bank of Spain appeared in *The Economist* for August 15. Argentina in December 26. Egypt in January 2. Australia, Bulgaria, Denmark, Greece and International Settlements, in January 9. India, Japan, Portugal, South Africa and Turkey in January 16. †

U.S. FEDERAL RESERVE BANKS.—In \$'s (000's omitted)

U.S.F.R. BANKS	Jan. 23, 1936	Dec. 31, 1936	Jan. 7, 1937	Jan. 14, 1937	Jan. 21, 1937
RESOURCES					
Gold Certificates on hand and due from the Treasury	7,619,350	8,851,880	8,851,380	8,849,880	8,849,880
Total reserves	7,972,380	9,112,290	9,142,290	9,167,960	9,177,200
Total cash reserves	336,910	247,670	278,370	304,750	314,570
Total bills discounted	6,420	5,380	3,040	2,350	2,380
Bills bought in open market	4,660	3,090	3,090	3,090	3,080
Total bills on hand	11,080	8,470	6,130	5,440	5,460
Industrial advances	2,430,260	2,430,230	2,430,230	2,430,230	2,430,230
Total U.S. Govt. securities	2,473,730	2,463,460	2,460,880	2,459,880	2,459,880
Total resources	11,094,580	12,454,800	12,382,430	12,417,230	12,419,190
LIABILITIES					
Federal Reserve notes in actual circulation	3,608,050	4,278,790	4,242,340	4,176,760	4,159,040
Aggregate of excess member bank reserves over requirements	3,030,000	1,950,000	2,010,000	2,100,000	2,130,000
Deposits—Member bank—					
reserve account	5,802,440	6,571,720	6,627,000	6,739,610	6,754,890
Government deposits	514,990	230,890	232,290	190,030	188,260
Total deposits	6,317,430	7,078,480	7,136,910	7,237,880	7,255,590
Capital paid in and surplus	302,560	303,420	304,750	304,840	305,020
Total liabilities	11,094,580	12,454,800	12,382,430	12,417,230	12,419,190
Ratio of total reserves to deposit and F.R. note liabilities combined	78.0%	80.2%	80.3%	80.3%	80.4%
U.S.F.R. BANKS AND TREASURY COMBINED					
RESOURCES					
Monetary Gold Stock	10,172,000	11,251,000	11,271,000	11,308,000	11,317,000
Treasury and National Currency	2,498,000	2,530,000	2,531,000	2,528,000	2,533,000
LIABILITIES					
Money in Circulation	5,704,000	6,550,000	6,473,000	6,371,000	6,339,000
Treasury Cash and Deposits with Federal Reserve Banks	3,093,000	2,599,000	2,627,000	2,629,000	2,651,000

NEW YORK FEDERAL RESERVE BANK.—In \$'s

(000's omitted)			
Jan. 23, 1936		Dec. 31, 1936	
Total gold reserves	3,484,420	3,475,020	3,540,710
Total bills discounted	4,370	3,010	1,580
Bills bought in open market	1,740	1,100	1,100
Total U.S. Govt. securities	734,380	645,240	652,260
Total bills and securities	748,200	655,380	660,580
Deposits—Member bank—			
reserve account	2,849,430	2,902,120	2,952,950
Ratio of total res. to dep. and Federal Res. note liabilities combined	83.7%	85.8%	86.1%

FEDERAL RESERVE REPORTING MEMBER BANKS.

In \$'s (000,000's omitted)			
Jan. 8, 1936		Dec. 16, 1936	
Loans	8,124	8,712	9,069
Investments	12,690	13,672	13,806
Reserve with Federal Reserve Bank	4,707	5,317	5,161
Due from banks	2,284	2,457	2,386
Demand deposits	13,673	15,488	15,574
Time deposits	4,889	5,050	5,043
Government deposits	702	450	702
Due to banks	5,972	6,665	6,640

RESERVE BANK OF NEW ZEALAND.—In £'s (000's omitted)

Jan. 13, 1936		Dec. 21, 1936	
ASSETS		Dec. 28, 1936	Jan. 4, 1937
Gold	21,705	16,885	16,534
Sterling exchange	1,771	7,298	7,467
Advances to the State	1,771	2,700	2,700
Investments	10,390	13,495	13,641
Bank notes	4,027	3,494	3,422
Demand liabilities—	10,463	11,080	10,822
Government			
Other			
Ratio of reserves to sight liabilities	98.5%	69.4%	67.9%

BANK OF FRANCE.—In francs* (000's omitted)

Jan. 17, 1936		Dec. 23, 1936	
ASSETS		Dec. 30, 1936	Jan. 8, 1937
Gold	66,416,762	60,358,742	60,358,742
Advances on Gold Coin	1,202,654	1,259,014	1,257,915
Commercial Bills	8,820,277	8,900,904	8,959,808
Bills bought abroad	1,111,213	1,436,914	1,429,204
Advances on securities	4,068,054	4,298,317	4,391,891
Loans to State without interest: (a) general	3,200,000	3,200,000	3,200,000
(b) provisional	15,798,092	17,698,092	19,048,092
Negotiable Bonds	5,712,089	5,639,780	5,639,771
Sinking Fund Dept.	3,548,977	3,963,033	4,053,271</

MONTHLY STATEMENT OF LONDON CLEARING BANKS

(000's omitted)

Average Weekly Balance December, 1936	Barclays Bank Limited	Coutts and Co.	District Bank Limited	Glyn, Mills and Co.	Lloyds Bank Limited	Martins Bank Limited	Midland Bank Limited	National Bank Limited	National Provincial Bank Limited	Westminster Bank Limited	Williams Deacon's Bank Limited	Aggregate
ASSETS	£	£	£	£	£	£	£	£	£	£	£	£
Coin, bank notes and balances with the Bank of England	44,468	2,024	8,008	4,210	42,422	9,446	54,240	3,409	34,009	38,044	3,787	244,067
Balances with and cheques in course of collection on other Banks in Great Britain and Ireland	12,110	742	2,507	1,124	12,560	3,473	16,313	226	8,265	10,577	1,825	69,722
Items in transit	...	...	...	...	4,844	869	...	...	...	...	...	5,713
Money at call and short notice	25,276	2,607	8,546	13,515	37,164	6,404	29,289	5,790	27,841	32,752	5,884	195,068
Bills discounted	67,829	21	6,756	691	49,454	3,033	88,907	1,550	43,173	57,459	2,464	322,237
Investments	109,728	9,158	29,387	10,175	113,236	34,435	125,788	15,380	88,620	111,025	12,877	659,809
Advances to customers and other accounts	176,393	10,603	26,745	12,845	152,152	40,080	192,404	15,579	121,424	124,346	12,012	884,583
Liabilities of customers for acceptances, endorsements, etc.	9,396	487	6,968	2,733	32,426	7,457	18,097	260	8,294	21,536	1,401	109,055
Bank premises account	7,600	412	1,562	740	7,740	2,628	10,095	715	7,404	5,432	1,061	45,389
Investments in affiliated banks and subsidiary companies	6,999	...	...	...	4,744	...	7,634	...	2,514	2,993	...	24,884
	459,799	26,954	90,479	46,033	456,742	107,825	542,767	42,909	341,544	404,164	41,311	2,560,527
Ratio of cash to current, deposit and other accounts	10.48	8.27	10.33	10.16	10.61	10.15	10.87	8.80	10.77	10.45	10.17	10.54
LIABILITIES												
Capital paid up	15,858	1,000	2,976	1,060	15,810	4,160	14,248	1,500	9,479	9,320	1,875	77,286
Reserve fund	10,250	1,000	2,976	530	8,600	3,100	11,500	1,110	8,000	9,320	800	57,186
Current, deposit and other accounts	424,295	24,467	77,559	41,435	399,900	93,087	498,922	38,720	315,771	363,975	37,235	2,315,366
Acceptances, endorsements, etc.	9,396	487	6,968	2,733	32,426	7,457	18,097	260	8,294	21,536	1,401	109,055
Notes in circulation	...	...	...	...	6	21	...	1,319	...	13	...	1,359
Reduction of bank premises account	...	...	...	275	...	...	...	...	...	...	...	275
	459,799	26,954	90,479	46,033	456,742	107,825	542,767	42,909	341,544	404,164	41,311	2,560,527

BANK OF CANADA.—In \$'s (000's omitted)

ASSETS	Jan. 15, 1936	Dec. 30, 1936	Jan. 6, 1937	Jan. 13, 1937
Reserve of which	191,356	194,452	190,996	191,279
Gold coin and bullion	179,815	179,371	179,356	179,423
Domestic Government securities	109,629	162,272	161,737	159,625
LIABILITIES				
Note circulation	93,155	135,933	134,802	131,155
Deposits: Dominion Government	36,294	22,363	20,060	19,122
Chartered banks	171,413	186,856	187,235	188,846
Ratio of reserves to notes and deposit liabilities	63.4%	56.0%	55.4%	56.0%

THE REICHSBANK.—In Reichsmarks (000's omitted)

ASSETS	Jan. 15, 1936	Dec. 31, 1936	Jan. 7, 1937	Jan. 15, 1937
Gold	76,536	66,452	66,758	66,868
Of which deposited abroad	20,264	26,186	26,564	26,669
Reserve in foreign currencies	5,158	5,671	5,728	5,649
Bills of exchange and cheques	3,626,814	5,509,842	4,814,178	4,599,208
Silver and other coin	264,013	122,540	202,699	239,942
Advances	49,527	74,378	35,834	43,475
Investments	663,870	523,802	524,044	523,849
Other assets	785,835	642,891	670,379	761,484
LIABILITIES				
Reserves	471,194	473,561	473,561	473,561
Notes in circulation	3,838,560	4,980,101	4,637,743	4,508,774
Other daily maturing obligations	690,596	1,012,449	731,606	774,857
Other liabilities	296,958	329,465	326,710	335,283
Cover of note circulation	2.10%	1.44%	1.56%	1.69%

NATIONAL BANK OF BELGIUM.—In belgas (000's omitted)

ASSETS	Jan. 16, 1936	Dec. 17, 1936	Dec. 22, 1936	Dec. 30, 1936	Jan. 7, 1937	Jan. 14, 1937
Gold	3,402,378	3,730,426	3,735,680	3,728,010	3,704,212	3,705,295
Silver and other coin	64,217	58,138	57,549	54,709	52,191	53,630
Securities	1,257,557	1,363,061	1,374,407	1,389,560	1,373,120	1,373,792
Advances	89,850	74,899	72,123	67,679	54,990	52,467
LIABILITIES						
Notes in circulation	4,110,177	4,452,042	4,469,197	4,540,398	4,539,021	4,509,212
Deposits: Govt.	29,302	53,511	54,387	119,788	62,449	56,381
Other	866,850	909,825	904,428	768,612	725,556	780,118

NETHERLANDS BANK.—In florins (000's omitted)

ASSETS	Jan. 20, 1936	Dec. 21, 1936	Dec. 28, 1936	Jan. 4, 1937	Jan. 11, 1937	Jan. 18, 1937
Gold	661,881	669,533	719,557	718,557	769,561	838,328
Silver	20,859	19,426	18,105	17,863	17,718	18,155
Home bills discounted	29,337	21,961	23,222	17,965	23,165	22,742
Loans and advances in current account	127,729	311,530	320,162	297,470	286,907	221,057
LIABILITIES						
Notes in circulation	763,289	776,931	792,424	818,855	795,556	780,118
Deposits	99,476	287,102	310,088	255,008	301,839	321,937

BANK OF JAVA.—In florins (000's omitted)

ASSETS	Jan. 18, 1936	Dec. 19, 1936	Dec. 26, 1936	Jan. 2, 1937	Jan. 9, 1937	Jan. 16, 1937
Gold and silver	102,280	105,960	106,050	105,920	106,910	107,290
Discounts, advances and other investments	77,760	71,520	71,680	71,420	72,450	74,680
Foreign bills	1,920	1,690	1,930	1,970	2,090	1,770
Other assets	11,310	29,450	29,670	40,840	46,720	43,220
LIABILITIES						
Notes in circulation	156,170	162,890	162,370	166,900	173,890	175,730
Deposits and bills payable	24,290	32,800	34,240	40,380	40,760	37,680

SWISS NATIONAL BANK.—In francs (000's omitted)†

ASSETS	Jan. 15, 1936	Dec. 15, 1936	Dec. 23, 1936	Dec. 31, 1936	Jan. 7, 1937	Jan. 15, 1937
Gold	1,388,812	2,636,774	2,683,169	2,709,005	2,713,504	2,716,613
Of which held abroad	218,167	573,432	605,627	626,592	629,733	629,733
Discounts	119,438	22,999	23,621	19,517	18,586	18,367
Confederation Bills	82,581	16,000	16,000	28,500	23,500	21,950
Advances	83,298	40,614	42,385	46,768	41,212	39,214
Securities	45,198	29,490	29,472	15,897	15,897	15,911
LIABILITIES						
Notes in circulation	1,245,880	1,382,026	1,441,764	1,482,222	1,408,206	1,358,761
Deposits	416,121	1,373,515	1,364,767	1,363,375	1,421,527	1,469,429

† Gold revalued, by increase of 35.033% from October 7, 1936.

BANK OF SWEDEN.—In kronor (000's omitted)

ASSETS	Jan. 15, 1936	Dec. 23, 1936	Dec. 31, 1936	Jan. 7, 1937	Jan. 15, 1937
Gold reserve	420,578	458,387	459,426	458,718	459,085
Government securities—Swedish	28,500	28,678	28,678	29,264	29,268
Gold abroad not included in the gold reserve	68,400	70,419	70,419	70,419	70,834
Bills payable in Sweden	11,610	69,935	69,779	69,885	69,890
Bills payable abroad	347,395	381,848	390,744	399,750	399,694
Balance abroad	196,046	242,960	255,815	245,290	251,346
Advances	29,447	25,924	24,832	25,781	24,914
LIABILITIES					
Notes in circulation	686,177	861,284	892,997	824,879	800,223
Government deposits	155,763	277,932	277,932	259,598	251,285
Private deposits	337,440	308,684	309,338	387,402	422,646

AUSTRIAN NATIONAL BANK.—In schillings (000's omitted)†

ASSETS	Jan. 7, 1936	Dec. 15, 1936	Dec. 23, 1936	Dec. 31, 1936	Jan. 7, 1937
Cash reserve—Gold coin and bullion	242,490	242,782	242,787	242,794	242,797
Other foreign exchange	113,155	100,925	96,536	96,144	99,649
Bills discounted	224,967	208,052	207,081	207,942	206,039
Federal debt	624,444	624,444	624,444	620,152	620,152
LIABILITIES					
Notes in circulation	913,038	897,322	878,908	944,241	872,928
Deposits	280,226	258,053	271,664	203,841	275,015

† 5.976-26 schillings = 1 kg. fine gold, Dec. 31, 1936, and after.

BANK OF NORWAY.—In kroner (000's omitted)

ASSETS	Jan. 15, 1936	Dec. 22, 1936	Dec. 31, 1936	Jan. 7, 1937	Jan. 15, 1937
Coin and bullion (gold reserve)	118,841	118,854	118,854	118,854	118,854
Balance abroad and foreign bills	35,395	89,761	96,134	94,395	94,099
Funds provisionally placed in gold, not included in the gold reserve	66,287	96,211	96,211	96,211	96,211
Norwegian and foreign government securities	40,523	50,977	53,593	56,200	59,654
Discounts and loans	194,768	218,813	221,513	198,292	181,504
LIABILITIES					
Notes in circulation	327,301	434,778	428,602	411,063	404,100
Deposits at sight	73,933	87,759	104,872	104,694	96,734

CENTRAL BANK OF ARGENTINA

In paper pesos (000,000's omitted)

ASSETS	Dec. 15, 1935	Oct. 15, 1935	Oct. 31, 1935	Nov. 15, 1935	Nov. 30, 1935	Dec. 15, 1935
Gold at home	1,224	1,224	1,224	1,224	1,224	1,224
Gold abroad and foreign exchange	131	133	145	152	166	256
Non-interest bearing Government Bonds	119	119	119	119	119	119
Treasury Bonds	228	399	399	399	399	399
LIABILITIES						
Notes	939	1,013	1,015	1,026	1,038	1,039
Government deposits	186	173	174	138	140	131
Bankers' deposits	256	370	373	388	385	473
Certificates against Treasury Bonds	—	318	325	341	349	349
Ratio of gold and foreign exchange to note and sight liabilities	79.8%	87.0%	87.3%	88.4%	88.5%	89.8%

NATIONAL BANK OF HUNGARY.—In Hungarian Pengo

(000's omitted)

ASSETS	Jan. 7, 1936	Dec. 15, 1936	Dec. 23, 1936	Dec. 31, 1936	Jan. 7, 1937
Metal reserve—Gold coin and bullion	78,936	84,056	84,056	84,056	84,056
Foreign Exchange	35,644	34,514	37,304	42,358	43,066
Token money	9,460	7,329	7,219	6,152	6,970
Inland bills, warrants and securities	517,955	479,205	489,374	535,069	475,099
Advances to Treasury	76,963	96,883	96,883	97,883	97,843
LIABILITIES					
Notes in circulation	367,989	370,583	372,296	436,447	388,669
Current accounts, deposits, etc.	145,454	211,386	227,448	212,626	214,278
Cash certificates	104,298	92,901	92,901	92,901	92,901
Other liabilities	160,206	165,905	165,461	164,382	145,327

NATIONAL BANK OF CZECHOSLOVAKIA.—In Cz. K.*

(000's omitted)

ASSETS		Jan. 7, 1936	Dec. 15, 1936	Dec. 23, 1936	Dec. 31, 1936	Jan. 7, 1937
Gold		2,691,037	2,590,056	2,590,100	2,591,719	2,590,410
Balances abroad and foreign currents		87,212	479,073	465,667	439,410	458,443
Discounts and advances		1,501,665	1,814,085	1,814,518	2,339,049	2,176,000
State notes debt balance...		2,045,244	2,023,441	2,022,685	2,021,980	2,021,494
LIABILITIES						
Bank notes in circulation...		5,564,590	5,893,633	5,854,147	6,478,275	5,912,242
Deposits.			553,088	533,440	409,569	801,220

LONDON RATES OF EXCHANGE

I.—Spot Rates (Range of the day's business)

London on	Par of Exch. per £	Jan. 15, 1937	Jan. 16, 1937	Jan. 18, 1937	Jan. 19, 1937	Jan. 20, 1937	Jan. 21, 1937
New York, \$	4.91-91	4.91-91	4.91-91	4.91-91	4.90-91	4.90-91	4.90-91
Montreal, \$	4.86-86	4.91-91	4.91-91	4.91-91	4.91-91	4.91-91	4.91-91
Paris, Fr.	124.21	105-8-8	105-8-8	105-8-8	105-8-8	105-8-8	105-8-8
Brussels, Bel.	35.00(a)	29-10-12	29-10-12	29-10-12	29-10-12	29-10-12	29-10-12
Milan, L.	92.46	93-31-1	93-31-1	93-31-1	93-31-1	93-31-1	93-31-1
Zurich, Fr.	25-22	21-37-1	21-37-1	21-37-1	21-37-1	21-37-1	21-37-1
Athens, Dr.	375	540-555	540-555	540-555	540-555	540-555	540-555
He's'ors, M.	193-23	226-1-227	226-1-227	226-1-227	226-1-227	226-1-227	226-1-227
Madrid, Pt.	25-22	25-22	25-22	25-22	25-22	25-22	25-22
Lisbon, Esc.	110	110-110	110-110	110-110	110-110	110-110	110-110
Amst'dm, Fl.	12-107	8-96-97	8-96-97	8-96-97	8-96-97	8-96-97	8-96-97
Berlin, Mk.	20-43	12-19-21	12-19-21	12-19-21	12-19-21	12-19-21	12-19-21
Registered Marks							
Vienna, Sch.	34-58	251-27	251-27	251-27	251-27	251-27	251-27
Bu'pest, Pen.	27-82	261-28	261-28	261-28	261-28	261-28	261-28
Prague, Kc.	164	140-141	140-141	140-141	140-141	140-141	140-141
Danzig, Gul.	25-00	251-26	251-26	251-26	251-26	251-26	251-26
Warsaw, Zl.	43-38	251-26	251-26	251-26	251-26	251-26	251-26
Riga, Lat.	25-22	241-25	241-25	241-25	241-25	241-25	241-25
Bucharest, Lei	813-8	660-680	660-680	660-680	660-680	660-680	660-680
Const'ple, Pat	110	614*	614*	614*	614*	614*	614*
Belgrade, Din.	276-32	208-218	208-218	208-218	208-218	208-218	208-218
Kovno, Lit.	48-66	281-29	281-29	281-29	281-29	281-29	281-29
Sofia, Lev.	673-68	390-420	390-420	390-420	390-420	390-420	390-420
Tallinn, E. Kr.	18-159	171-181	171-181	171-181	171-181	171-181	171-181
Oslo, Kr.	18-159	185-95	185-95	185-95	185-95	185-95	185-95
St'holm, Kr.	18-159	19-35-45	19-35-45	19-35-45	19-35-45	19-35-45	19-35-45
Cop'h'gen, Kr.	18-159	22-35-45	22-35-45	22-35-45	22-35-45	22-35-45	22-35-45
Alex'ndria, Pst.	97	97-1	97-1	97-1	97-1	97-1	97-1
Br. India Rup.	18d.	18-1	18-1	18-1	18-1	18-1	18-1
Hong Kong, \$	124.58d.	14-14	14-14	14-14	14-14	14-14	14-14
Kobe, Yen.	124.58d.	14-14	14-14	14-14	14-14	14-14	14-14
Shanghai, \$	124.58d.	14-14	14-14	14-14	14-14	14-14	14-14
Singapore, \$	124.58d.	14-14	14-14	14-14	14-14	14-14	14-14
Batavia, F.	124.58d.	14-14	14-14	14-14	14-14	14-14	14-14
Rio, Mil.	124.58d.	14-14	14-14	14-14	14-14	14-14	14-14
B. Aires, \$	124.58d.	14-14	14-14	14-14	14-14	14-14	14-14
Valparaiso, \$	124.58d.	14-14	14-14	14-14	14-14	14-14	14-14
M'video, \$	124.58d.	14-14	14-14	14-14	14-14	14-14	14-14
Lima, Sol.	124.58d.	14-14	14-14	14-14	14-14	14-14	14-14
Mexico, Pes.	124.58d.	14-14	14-14	14-14	14-14	14-14	14-14
Manila, Pes.	124.58d.	14-14	14-14	14-14	14-14	14-14	14-14
Moscow, Rbls.	124.58d.	14-14	14-14	14-14	14-14	14-14	14-14
B'ngkok, B'ht.	124.58d.	14-14	14-14	14-14	14-14	14-14	14-14

Usance: T.T., except Alexandria (Sight); Rio de Janeiro, Lima, Valparaiso (90 days), * Sellers. † Pence per unit of local currency. ‡ Par 8-23 1/2 since dollar devaluation on February 1, 1934. § Par, 1937-10, since koruna devaluation on February 17, 1934. (a) Prior to devaluation of April 2, 1935. (b) Official rate. (c) Per cent discount. (d) Latest "export" rate. (e) Official rate is 41d. sellers. (f) Official rate is 41d. buyers. (g) Average remittance rate for importers. Rate for payments to the Bank of England. (h) For account Controller of Anglo-Italian debts; (i) under Anglo-Spanish Agreement; (j) under Anglo-Turkish Agreement. (k) Nominal. (m) Approximate. Dealings in Roubles at 4 1/2 French francs to 1 Rouble.

II.—Forward Rates (Closing quotations)

London on	Jan. 15, 1937	Jan. 16, 1937	Jan. 18, 1937	Jan. 19, 1937	Jan. 20, 1937	Jan. 21, 1937
New York, cent.	1 Month (p)	1 Month (p)	1 Month (p)	1 Month (p)	1 Month (p)	1 Month (p)
Paris, frs.	1 Month (d)	1 Month (d)	1 Month (d)	1 Month (d)	1 Month (d)	1 Month (d)
Amsterdam, c'nt.	1 Month (p)	1 Month (p)	1 Month (p)	1 Month (p)	1 Month (p)	1 Month (p)
Brussels, cent.	1 Month (p)	1 Month (p)	1 Month (p)	1 Month (p)	1 Month (p)	1 Month (p)
Geneva, cent.	1 Month (p)	1 Month (p)	1 Month (p)	1 Month (p)	1 Month (p)	1 Month (p)

(p) Premium, i.e. "under spot."

(d) Discount, i.e. "over spot."

OVERSEAS BANK RATES

Changed	From	To	Changed	From	To
Albania	Jan. 2, 1937	7 1/2	Oslo	Dec. 7, 1936	3 1/2
Amsterdam	Dec. 2, 1936	2 1/2	Paris	Oct. 15, 1936	2 1/2
Athens	Jan. 4, 1937	7 1/2	Prague	Jan. 1, 1936	3 1/2
Batavia	Jan. 14, 1937	4 1/2	Pretoria	May 15, 1933	4 1/2
Belgrade	Feb. 1, 1935	6 1/2	Tallinn	Oct. 1, 1935	5 1/2
Berlin	Sept. 22, 1935	2 1/2	Riga	Nov. 1, 1936	5 1/2
Brussels	May 14, 1935	2 1/2	Rio de Janeiro	May 31, 1935	5 1/2
Bucharest	Dec. 15, 1934	6 1/2	Rome	May 18, 1936	5 1/2
Budapest	Aug. 28, 1935	4 1/2	Sofia	Aug. 15, 1935	7 1/2
Calcutta	Nov. 28, 1935	3 1/2	Stockholm	Dec. 1, 1933	3 1/2
Copenhagen	Nov. 19, 1936	3 1/2	Swiss Bank		
Danzig	Oct. 21, 1935	6 1/2	Tokio	Nov. 25, 1936	2 1/2
Heligoland	Dec. 3, 1934	4 1/2	Vienna	July 10, 1935	4 1/2
Kovno	July 1, 1936	6 1/2	Warsaw	Oct. 26, 1933	6 1/2
Lisbon	May 5, 1936	5 1/2	Wellington	Mar. 2, 1936	3 1/2
New York Fed.			Irish	June 30, 1932	3 1/2
Reserve	Feb. 1, 1934	2 1/2			
Madrid	July 15, 1935	5 1/2			
Montreal	Mar. 11, 1935	2 1/2			

Central Bank of Chile.—Discount rate for member banks, 4 1/2%; discount rate for the public, 6%. (a) 5% applied to banks and credit institutions. (b) 5 1/2% applied to private persons and firms.

NEW YORK MONEY AND EXCHANGE RATES

The Irving Trust Company cables the following money and exchange rates in New York:—

	Jan. 22, 1936	Dec. 23, 1936	Dec. 30, 1936	Jan. 6, 1937	Jan. 13, 1937	Jan. 20, 1937
Call money	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2
Time money (90 days' mixed coll.)	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2
Bank acceptances:—						
Members—eligible, 90 days	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2
Non-mem.—eligible, 90 days	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2
Commercial accept., 90 days	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2

Rates of Exchange, New York on—	Par Level	Jan. 22, 1936	Jan. 6, 1937	Jan. 13, 1937	Jan. 20, 1937
London—					
60 days	Dollars for £1	4.9525	4.9025	4.9037	4.9000
Cable		4.9625	4.9125	4.9118	4.9081
Cheques		4.9612	4.9118	4.9112	4.9075
Paris—					
60 days	Cents for 1 franc	23.54	23.54	23.54	23.54
Brussels		23.54	23.54	23.54	23.54
Switzerland		23.54	23.54	23.54	23.54
Italy		8.91	8.91	8.91	8.91
Berlin		40.33	40.33	40.33	40.33
Vienna		23.54	23.54	23.54	23.54
Madrid		23.54	23.54	23.54	23.54
Amsterdam		23.54	23.54	23.54	23.54
Copenhagen		23.54	23.54	23.54	23.54
Stockholm		23.54	23.54	23.54	23.54
Athens		23.54	23.54	23.54	23.54
Montreal		23.54	23.54	23.54	23.54
Yokohama		23.54	23.54	23.54	23.54
Shanghai		23.54	23.54	23.54	23.54
Calcutta		23.54	23.54	23.54	23.54
Buenos Aires		23.54	23.54	23.54	23.54
Rio de Janeiro		23.54	23.54	23.54	23.54

South African, Central and South American and Australasian Exchange Rates appeared in the issue of January 2nd on pages 41 and 42.

GOLD AND SILVER

The following statistics of imports and exports of gold and silver for the week ended January 21, 1937, are issued by the Statistical Department of H.M. Customs and Excise.

IMPORTS AND EXPORTS OF GOLD (Into and from United Kingdom)

Imports	Exports
From	To
British S. Africa	Kenya
British India	British India
Canada	Burma
Uganda	Canada
British India	Netherlands
Australia	New Zealand
New Zealand	France
Trinidad and Tobago	Algeria
U.S.S.R.	Syria
Germany	Switzerland
Netherlands	U.S.A.
Belgium	Other countries
France	
Switzerland	
U.S.S.R.	
U.S.A.	
Venezuela	
Other countries	
Total	Total

IMPORTS AND EXPORTS OF SILVER

Imports	Exports
From	To
British India	British India
Netherlands	Canada
Belgium	Sweden
France	Norway
Switzerland	Netherlands
Japan	France
U.S.A.	Switzerland
Other Countries	Italy
	Other Countries
Total	Total

* At current market value. † Coin which is of legal tender in the United Kingdom is entered at face value and shown in italics. Other coin is entered at current market value.

GOLD MOVEMENTS: BANK OF ENGLAND

1937	ARRIVALS	1937	WITHDRAWALS
Jan. 15	Nil	Jan. 15	Nil
" 16	Nil	" 16	Nil
" 17	Nil	" 17	Nil
" 18	Nil	" 18	Nil
" 19	Nil	" 19	Nil
" 20	Nil	" 20	Nil
" 21	Nil	" 21	Nil
Total	Nil	Total	Nil
Movement, January 15 to January 21, 1937 (inclusive)	Nil		
Movement during year 1936	£113,609,527 in		
Movement during 1937 (January 1 to January 21, inclusive)	Nil		
Movement, April 29, 1925, to January 21, 1937 (inclusive)	£154,566,724 in		
Movement, September 21, 1931 (gold standard suspended) to January 21, 1937 (inclusive)	£176,972,176 in		

GOLD MARKET

Messrs Samuel Montagu and Company write on January 20, 1937:—The Bank of England gold reserve against notes amounted to £313,660,659 on January 13, 1937, showing no change as compared with January 6th. In the open market the amount of gold offered at the daily fixing was about £1,400,000. There was very little change in prices, which, based on the exchange ruling at the time of fixing, included a small premium on the dollar parity. Most of the gold offered, however, was secured for the United States of America. The s.s. "Cathay," which sailed from Bombay on January 16, 1937, carries gold to value of about £443,000.

SILVER MARKET

Prices have shown wider fluctuations, but the tendency has been downward, quotations on January 20, 1937, being 20½d. for cash and 20½d. for two months' delivery, as compared with 21d. and 20½d. for the respective deliveries on January 13th. The Indian Bazaars and speculators have made further resales, but there has been less inclination to sell at the lower prices, as which India has also made purchases; buying from this quarter, however, has been limited, and the demand for early shipment appears to have been satisfied for the time being. The market has rather a dull tone, but there are indications that more resistance might be encountered at a slightly lower level.

Quotations for gold and silver are shown below:—

1937	Price of Gold per Fine Ounce	Equivalent Value of £ sterling	Price of Bar Silver in London per ounce standard	Price of Silver New York per ounce .999 fine
			Cash	Two Months
Jan. 14	s. d.	s. d.	d.	d.
" 15	141 8	11 11-92	20 1/2	20 1/2
" 16	141 7	12 0-01	20 1/2	20 1/2
" 17	141 7	11 11-96	20 1/2	20 1/2
" 18	141 7	11 11-96	20 1/2	20 1/2
" 19	141 7	11 11-96	20 1/2	20 1/2
" 20	141 8	11 11-88	20 1/2	20 1/2
Average	141 7-67	11 11-95	20 1/2	20 1/2
Jan. 21	141 8 1/2	11 11-79	20 1/2	20 1/2

The highest rate of exchange on New York recorded during the period from January 14, to January 20, 1937, was \$4.91 1/4, and the lowest \$4.90 1/4.

Statistics for the month of December, 1936:—

	Bar Silver per oz. std.	Bar Gold per oz. fine
Highest price	21 1/2d.	142s. 1d.
Lowest price	21 1/2d.	141s. 4d.
Average	21.2375d.	141s. 8.28d.

COMPANY NEWS

OVERSEAS TRADE IN 1936

(See Leading Article on page 162)

IMPORTS AND EXPORTS

Year	Imports	British Exports	Re-exports	Total Exports	Import Surplus
	£ Mn.	£ Mn.	£ Mn.	£ Mn.	£ Mn.
1929	1,220.8	729.3	109.7	839.0	381.8
1930	1,044.8	576.8	87.0	657.5	387.3
1931	861.3	570.6	63.9	454.5	404.8
1932	701.7	365.0	51.0	416.0	285.7
1933	675.0	367.9	49.1	417.0	258.0
1934	731.4	395.9	51.2	447.1	284.3
1935	756.0	425.8	55.3	481.1	275.9
1936	848.9	440.7	60.4	501.1	347.8

BRITISH BANK BALANCE SHEETS

(See Leading Article on page 179)
(£ millions)

	Barclays	Lloyds	Midland	National Provincial	Westminster	Total Five	Coutts	Glyn Mills	Martins	District	Williams Deacon's	Total for Ten Banks
LIABILITIES												
Capital and reserves { 1935 26.1 24.3 25.7 17.5 18.6 112.2 2.0 1.9† 7.3 6.0 2.7 132.1												
Deposits, etc. { 1936 26.1 24.8 25.7 17.5 18.6 112.7 2.0 1.9† 7.5 6.0 2.7 132.8												
Acceptances { 1935 406.8 401.6 443.4 303.4 323.8 1,879.0 22.8 38.2 87.8 73.4 35.6 2,136.8												
Endorsements, etc. { 1936 429.5 407.3 488.4 321.9 369.0 2,016.1 23.9 41.0 94.1 78.7 37.8 2,291.6												
Cash { 1935 7.9 3.8 11.0 8.5 22.5 88.3 0.8 1.5 2.6 0.9 0.7 104.6												
Cheques in course of collection, and balances { 1936 9.3 4.1 11.1 8.4 20.6 89.9 0.5 3.2 2.8 1.0 0.6 110.2												
Call money { 1935 52.0 42.3 48.7 32.4 40.5 215.9 2.2 6.0 9.8 7.9 4.1 245.9												
Treasury bills { 1936 51.9 45.2 52.9 34.3 41.1 225.4 2.4 5.9 9.9 8.1 4.1 255.8												
Discounts { 1935 13.3 15.7 17.6 9.6 11.0 67.2 0.8 2.2 3.4 2.7 2.1 78.4												
Investments { 1936 14.7 16.9 22.1 10.5 12.1 76.3 0.8 3.2 3.8 2.9 2.4 89.4												
Advances { 1935 25.6 33.1 26.7 25.6 18.5 129.5 2.8 8.7 4.9 4.7 7.3 157.9												
Endorsements, etc. { 1936 26.3 37.8 28.7 29.4 45.0 167.2 1.7 14.2 5.5 8.8 5.6 203.0												
Treasury bills { 1935 56.6 39.7 33.8 38.1 38.1 277.3 5.7 5.7 2.2 2.2 1.8 296.7												
Discounts { 1936 60.7 6.8 29.6 6.2 43.9 267.6 1.4 0.5 1.3 8.1 0.6 282.1												
Investments { 1935 106.1 107.0 111.5 90.7 105.2 520.5 8.5 11.9 36.0 29.4 9.7 616.0												
Advances { 1936 109.4 116.1 127.9 88.3 111.1 552.8 8.9 10.4 34.5 29.4 12.9 648.9												
Advances { 1935 160.5 141.3 177.0 112.1 114.8 705.7 8.5 10.0 29.5 25.0 11.8 790.5												
Endorsements, etc. { 1936 179.6 149.3 189.3 122.1 125.3 765.6 10.4 7.7 41.3 27.4 12.0 864.4												

* Not shown separately; these items are added to acceptances and discounts, respectively, to arrive at the total figures.
† Includes "reduction of bank premises account."

BANK BALANCE SHEETS

MIDLAND BANK LIMITED

LIABILITIES	Dec. 31, 1935	Dec. 31, 1936	ASSETS	Dec. 31, 1935	Dec. 31, 1936
Capital paid up...	14,248,012	14,248,012	Coin, bank notes, etc.	48,695,719	52,941,374
Reserve fund...	11,500,000	11,500,000	Balances with, and cheques on other banks in Great Britain and Ireland	17,634,489	22,092,096
Current, deposit and other accounts (including profit balance)	443,655,177	488,364,201	Money at call, etc.	26,710,876	28,687,886
Acceptances	10,987,614	11,054,418	Investments	111,464,862	127,892,039
Engagements	6,718,097	7,545,855	Bills discounted	29,573,494	21,791,113
			British Treasury bills	39,691,499	52,622,885
			Advances	177,120,890	189,516,498
			Acceptances	17,705,711	18,600,273
			Bank premises	9,239,896	8,891,253
			Other properties	942,559	994,343
			Shares in York-shire Penny Bank	750,000	937,500
			Capital, reserve & undivided profits of affiliated companies	7,578,905	7,745,236
Total	487,108,900	532,712,486	Total	487,108,900	532,712,486

* Includes Treasury Bonds due within four months.

Consolidated Statement of Liabilities and Assets of Midland Bank Limited and Belfast, Clydesdale and North of Scotland Banks and Midland Bank Executor and Trustee Company—as December 31, 1936, compared with December 31, 1935.

LIABILITIES	Dec. 31, 1935	Dec. 31, 1936	ASSETS	Dec. 31, 1935	Dec. 31, 1936
Capital paid up...	14,248,012	14,248,012	Coin, bank notes, etc.	54,803,050	59,380,113
Reserve fund...	11,500,000	11,500,000	Balances with, and cheques on other banks in Great Britain and Ireland	19,591,429	24,776,186
Notes in circulation	5,861,917	6,255,998	Money at call, etc.	31,960,697	33,966,175
Current, deposit & other accounts (including profit balance)	513,666,906	558,671,490	Investments	154,531,848	173,447,428
Acceptances	11,953,442	12,015,660	Bills discounted	30,879,700	23,008,721
Engagements	6,435,379	7,566,744	British Treasury bills	42,191,499	52,622,885
			Advances	199,505,365	211,736,069
			Acceptances	18,388,821	19,582,404
			Bank premises	9,765,713	9,406,105
			Other properties	1,297,534	1,334,318
			Shares in York-shire Penny Bank	750,000	937,500
Total	563,665,656	610,257,904	Total	563,665,656	610,257,904

* Includes Treasury Bonds due within four months.

DISTRICT BANK, LIMITED

EXTRACTS FROM BALANCE SHEETS

(The amalgamation with County Bank, Ltd., dates from July 1, 1935.)

LIABILITIES	Dec. 31, 1935	Dec. 31, 1936	ASSETS	Dec. 31, 1935	Dec. 31, 1936
Capital and reserve	5,952,856	5,952,856	Cash	7,915,761	8,088,282
Deposits	72,984,452	78,218,013	Banks in Great Britain & Ireland	2,678,678	2,884,615
Acceptances, etc.	6,194,214	7,282,046	Money at call and Bills of exchange (incl. Treasury bills)	4,728,285	8,764,618
			British Government securities & other investments	8,113,319*	6,533,395
			Advances	29,417,700	29,398,248
			Bank property	24,963,760	27,398,273
				1,564,972	1,553,790

* Includes Treasury bonds maturing within three months.

NATIONAL PROVINCIAL BANK, LIMITED

LIABILITIES	Dec. 31, 1935	Dec. 31, 1936	ASSETS	Dec. 31, 1935	Dec. 31, 1936
20,000 shares, £25, with £3 paid	420,000	420,000	Cash and notes	32,379,766	34,337,874
1,972,354 shs., £20, with £4 paid	7,889,416	7,889,416	Balances & cheques	9,584,571	10,526,263
234,000 shares, £5, fully paid	1,170,000	1,170,000	Money at call and notice	25,580,037	29,436,454
Reserve fund	8,000,000	8,000,000	Bills discounted	40,039,944	44,190,108
Current, deposit & other accounts	302,446,584	320,898,299	Investments	90,727,857	88,262,483
Acceptances	8,519,824	8,376,088	Stk. in Coutts & Co.	2,000,000	2,000,000
Due to subsidiary cos.	257,259	258,752	Shares in Grindlay and Co.	514,000	514,000
Profit and loss	922,406	970,667	Shares in Bank of British W. Africa	50,000	50,000
			Lloyds and National Provincial	600,000	600,000
			Yorkshire Penny Bank	218,750	281,250
			Advances	112,059,872	122,077,391
			Bank premises	7,350,868	7,331,368
			Acceptances	8,519,824	8,376,088
Total	329,625,489	347,983,222	Total	329,625,489	347,983,222

WESTMINSTER BANK, LIMITED

LIABILITIES	Dec. 31, 1935	Dec. 31, 1936	ASSETS	Dec. 31, 1935	Dec. 31, 1936
7,070,990 shares, £4, £1 paid	7,070,990	7,070,990	Cash, notes, etc.	40,529,065	41,143,529
2,249,167 shares, £2, £1 fully paid	2,249,167	2,249,167	Balances with other banks	11,026,620	12,147,810
Reserve	18,548,514	18,548,514	Money at call and notice	18,548,514	14,983,298
Deposits, etc.	322,675,384	367,877,506	Bills discounted	43,929,070	44,741,281
Notes in circulation	13,444	13,774	Investments	105,173,036	111,056,812
Acceptances, etc.	22,480,265	20,556,532	Westminster Foreign Bank	1,080,000	1,080,000
Profit and loss	1,081,595	1,109,370	Ulster Bank	1,912,500	1,912,500
			Advances, etc.	114,756,893	125,336,406
			Acceptances, etc.	22,480,265	20,556,532
			Bank premises	5,455,039	5,239,328
Total	364,871,002	408,197,496	Total	364,871,002	408,197,496

WILLIAMS DEACON'S BANK LIMITED

LIABILITIES	Dec. 31, 1935	Dec. 31, 1936	ASSETS	Dec. 31, 1935	Dec. 31, 1936
"A" shares	1,562,500	1,562,500	Coin, etc.	4,072,639	4,088,303
"B" shares	312,500	312,500	Balances on other banks	2,099,796	2,369,834
Reserve fund	800,000	800,000	Money at call and notice	7,287,359	5,600,269
Unpaid dividends	1,648	1,648	Bills discounted	2,350,192	2,499,609
Dividends December	117,188	117,188	Investments	9,703,386	12,878,342
Profit and loss	72,784	102,046	Advances	11,753,768	11,955,042
Deposits	35,429,429	37,577,781	Bank premises	1,027,109	1,082,463
Due to subsidiary companies	200	200	Acceptances	675,068	596,575
Acceptances	675,068	596,575	Endorsements	1,372,691	764,103
Endorsements	1,372,691	764,103			
Total	40,344,008	41,834,541	Total	40,344,008	41,834,541

LLOYDS BANK LIMITED

LIABILITIES	Dec. 31, 1935	Dec. 31, 1936	ASSETS	Dec. 31, 1935	Dec. 31, 1936
Capital paid up...	15,810,252	15,810,252	Cash	42,259,312	45,217,163
Reserve fund	8,500,000	9,000,000	Balances with other banks in British Isles	15,703,294	16,852,804
Front and loss balance	1,211,825	1,224,629	Money at call and notice	33,053,075	37,781,806
Current, deposit and other accounts	400,369,970	406,060,950	Balances with banks abroad	1,843,251	2,513,247
Notes in circulation (Isle Man)	5,741	6,291	Treasury bills of ex-ches	56,590,000	41,050,000
Acceptances	3,825,033	4,054,644	British bills of ex-ches	5,630,027	2,874,117
Endorsements, guarantees, and other obligations	27,916,382	28,916,857	Colonial and foreign bills	1,157,066	1,146,342
			Short-term Brit. Govt. securities	33,198,304	38,759,259
			Other British Govt. securities	57,905,418	59,720,474
			Indian Govt. securities	12,855,954	11,947,018
			Corp. stocks	3,069,580	3,509,865
			Investments in other banks	2,371,110	1,898,306
			Other investments	2,673,286	2,725,405
			The National Bank of Scotland	1,711,348	54,502
			Bank of London & S. America	54,502	54,502
			Indian Premises Co.	600,000	600,000
			Lloyds and Nat. Prov. Foreign Bank	141,307,257	149,278,901
			Loans, etc.	6,105,816	6,411,853
			Items in transit	2,371,110	1,898,306
			Other assets	7,809,188	7,600,195
			Bank premises	3,825,033	4,054,644
			Acceptances	27,916,382	28,916,857
			Endorsements, etc.		
Total	457,639,203	465,073,623	Total	457,639,203	465,073,623

DISCOUNT COMPANIES' BALANCE SHEETS

ALEXANDERS DISCOUNT COMPANY LIMITED

LIABILITIES	Dec. 31, 1935	Dec. 31, 1936	ASSETS	Dec. 31, 1935	Dec. 31, 1936
6% cum. pref. shares, £2	200,000	200,000	Cash	642,261	646,584
Ord. shares, £2, with £1 paid	800,000	800,000	British and Indian Govt. securities	12,904,800	13,439,281
Reserves	1,000,000	1,000,000	Bills discounted, etc.	12,076,723	15,705,114
Loans, deposits, etc.	22,298,649	28,222,417	Loans and sundry accounts	409,771	1,682,950
Bills re-discounted	1,361,657	898,838			
Rebate on bills discounted	161,374	140,249			
Profit and loss	211,875	212,425			
Total	26,033,555	31,473,929	Total	26,033,555	31,473,929

NATIONAL DISCOUNT COMPANY LIMITED

LIABILITIES	Dec. 31, 1935	Dec. 31, 1936	ASSETS	Dec. 31, 1935	Dec. 31, 1936
"A" shares, fully paid	423,332	423,332	Cash	874,500	1,033,418
"B" shares, £2½ pd.	1,000,000	1,000,000	British Govt. Trustee and British Corp. securities	8,659,617	11,065,609
Reserve	1,000,000	1,000,000	Loans	25,128	121,011
Deposits	31,679,076	36,348,796	Other securities	437,912	486,292
Bills re-discounted	17,525,346	18,472,103	Loans	41,610,157	44,484,007
Rebate provision and Reserve	286,336	258,191	Bills discounted, etc.	85,214	111,644
Profit and loss	301,770	322,891	Interest receivable	100,000	100,000
			Freehold premises		
Total	51,792,528	57,401,981	Total	51,792,528	57,401,981

THE UNION DISCOUNT COMPANY OF LONDON LIMITED

LIABILITIES	Dec. 31, 1935	Dec. 31, 1936	ASSETS	Dec. 31, 1935	Dec. 31,
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SHORTER COMPANY COMMENTS

OTHER COMPANY RESULTS.—Revival in the shipbuilding and repairing trade is well illustrated by the £20,000 increase in SMITH'S DOCK COMPANY'S profits of £79,668. The profits of TRANSVAAL AND DELAGOA BAY INVESTMENT are the highest for recent years. Among rubber companies, TAMIANG earnings are 54 per cent. higher at £27,607. Improved boot and shoe profits are shown by STEAD AND SIMPSON and L. & J. WEBER AND PHILLIPS. Each has achieved a 15 per cent. increase in profits, and the latter company is raising its dividend by 1 per cent. to 8½ per cent. PHILLIPS RUBBER SOLES records a small setback, with earnings of £53,613 against £58,068, owing to the higher cost of raw materials. Among textile companies, JOHN CROSSLEY AND SONS show a substantial recovery in earnings from £56,588 to £85,351, but the dividend is raised only from 6½ per cent. to 7½ per cent. the reserve allocation being trebled at £30,000. Earnings of NATIONAL OMNIBUS AND TRANSPORT COMPANY have further improved to £88,694. Of the seven Trust results published this week, considerable progress is shown by GENERAL CONSOLIDATED, NEW YORK AND GENERAL, and LONDON STOCKHOLDERS, though the two latter companies are not yet resuming dividends. A record volume of sales is reported by CINZANO, who have earned £123,576 against £89,355. Growing prosperity among engineering firms is illustrated by the £23,000 increase in J. AND E. HALL profits. A lower price for sugar accounts for the small setback in TRINIDAD SUGAR ESTATES' profits.

BANKING RESULTS

BANK OF IRELAND.—Profits for 1936, £378,927, compared with £386,594 for 1935. Dividend maintained at 13½ per cent. To contingencies reserve, £75,000 against £100,000. Balance forward increased from £86,775 to £100,970. Deposits, £32,835,254 against £32,244,814. Advances, £14,233,783 against £14,044,952. Total assets, £45,160,768.

BELFAST BANKING COMPANY, LIMITED.—Net profit for 1936, £106,056 against £105,182 for 1935. Dividend, 11 per cent. as before. Carry-forward increased from £76,032 to £114,988. Deposits, £14,044,212, compared with £14,673,248 at end of 1935. Advances, £6,085,684 against £6,681,178.

COUTTS AND COMPANY.—Total assets at end of 1936, £26,365,665, compared with £25,550,204 at end of 1935. Deposits have increased from £22,751,748 to £23,864,920. Advances, £10,378,191 against £8,540,082.

MUNSTER AND LEINSTER BANK.—Net profits, second half-year, 1936, £68,727 against £69,236 for second half of 1935. A dividend of 6 per cent. is declared as before. The sum of £15,000 is placed to contingencies account, £5,000 to reduction of premises account, and £5,000 to pension fund. Deposits, £24,437,421 against £24,493,225. Advances, £10,285,754 against £10,390,656.

ROYAL BANK OF CANADA.—Balance sheet dated November 30, 1936, shows total assets \$855,588,457, against \$800,919,700 at November 30, 1935. Deposits, \$746,764,498 against \$688,366,512. Profit, \$3,504,241. Dividend, 8 per cent. as before. Carry-forward increased from \$1,609,554 to \$1,913,796.

STANDARD BANK OF SOUTH AFRICA.—Total assets, September 30, 1936, £77,691,058, compared with £73,069,270 at September 30, 1935. Deposits, £61,636,933 against £58,369,371 at September 30, 1935. Bills discounted, advances, etc., £34,301,099 against £29,092,820.

THE NATIONAL BANK.—Net profit, half-year ended December 31, 1936, £111,439, compared with £110,555 for second half of 1935. The dividend is maintained at 6 per cent. To reserve, £10,000 as before, and £10,000 against nil to bank premises account. Carry-forward increased from £37,084 to £38,523.

THE NATIONAL BANK, LIMITED.—Accounts for half-year ended December 31, 1936, show net profit of £111,439, compared with £110,555 for second half-year, 1935. Dividend, 12 per cent. per annum as before. To reserve fund, £10,000. To reduction of bank premises, £10,000. Carry-forward, £38,523.

THE NATIONAL CITY BANK OF NEW YORK.—Total assets, December 31, 1936, \$1,904,799,797, compared with \$1,880,679,850 at end 1935. Capital, surplus and undivided profits, \$133,462,953 against \$168,144,278. Deposits, \$1,713,840,229 against \$1,652,366,244.

ULSTER BANK, LIMITED.—Net profit for 1936, £182,602 against £180,514 for 1935. Dividend, 14 per cent., free of tax, for year. The sum of £35,000 against nil is to be written off bank premises account. Carry-forward increased from £76,889 to £84,470. Deposits, £21,769,446 against £21,694,129.

APPOINTMENTS AND PERSONAL

Mr W. M. Codrington, Lieut.-Colonel Sir Francis Humphrys, and Mr Mark Patrick, M.P., have been elected directors of Carreras, Ltd. Mr H. W. Danbury retains his seat on the board, but has relinquished the chairmanship to Mr Edward Baron.

Grace Brothers and Company, Ltd., have decided not to continue their banking business, and a return of capital to Grace Brothers and Company, Ltd., shareholders, is contemplated. The Right Hon. the Earl of Donoughmore, K.P., P.C., the Hon. B. P. Bouvier, E. D. Spring-Rice, Viscount Saurdale and Sir Murrrough John Wilson, K.B.E., have resigned from the board.

Bengal Doars Railway Company, Ltd., have elected Lieut.-Colonel W. R. Izat, D.S.O., R.E., to the board, in place of the late Sir H. P. Burt, K.C.I.E., C.B.E.

Seager, Evans and Company, Ltd., have appointed Mr R. H. Byard and Mr A. H. Cheney, A.C.A., as joint managers.

Mr A. W. Pelling, chief of the Securities Department of the Bank of Adelaide, London, retired on January 16th, after 40 years' service.

Mr J. E. F. de Kok has been offered a seat on the board of Shell Transport and Trading, in place of Sir Henri W. A. Deterding, resigned.

Dr E. F. Armstrong has been appointed director of Commercial Gas Company, in place of Mr Frederick McLeod, deceased.

Mr B. E. Uffindell has been appointed a director of F. W. Woolworth and Company, in place of Mr R. H. Parker, resigned.

Mr Patrick Nicholson has been appointed managing director, jointly with Mr Denys Lawson, of Fifteen Moorgate Unit Trusts, Ltd. Sir Cuthbert Headlam, Bart., D.S.O., has been appointed a director, and Lord Stanley of Alderley has been appointed secretary.

Mr H. A. Ward, M.I.Mech.E., has joined the board of Bennis Combustion, Limited, and will act as general manager.

Mr Henry Willis has been elected vice-president of the London Life Association, Ltd., in succession to Mr Gerald Dudley Smith, whose death occurred on December 29, 1936.

Mr H. S. Milligan, general manager of North British and Mercantile Insurance, has also been appointed general manager of Railway Passengers Assurance, manager of the Ocean Marine Insurance, and general manager of the Fine Art and General Insurance. Mr R. G. Knowles has been appointed manager of Railway Passengers Assurance Company.

BUILDING SOCIETY RESULTS

BOROUGH BUILDING SOCIETY (BURNLEY).—Report for 1936 shows assets £4,558,667, an increase of £411,387 over 1935. Share capital increased by £249,139 to £3,726,472. Amount due to depositors is £594,269, an increase of £124,319. The record sum of £34,479 has been added to reserve. Due from borrowers, £4,351,345. Net profit amounts to £152,506.

BRADFORD SECOND EQUITABLE BENEFIT BUILDING SOCIETY.—Total assets, December 31, 1936, £7,279,708. Advances on mortgage, £1,390,614. Average liability per mortgage, £394. Due to shareholders, £5,540,209, and to depositors £1,402,080. Participating shareholders receive £3 10s. per cent. net. To reserve, £35,000. Carry-forward, £13,260.

BURNLEY BUILDING SOCIETY.—Amount owing on mortgages end 1936, £13,184,603, average under £391. Shares, £9,953,237; deposits, £3,283,497, together showing an increase of £1,113,014 over 1935. Balance of income, 1936, £411,622. Interest new series shares, 3½ per cent., free of tax. Old series, £3 13s. 6d. per cent., tax free. To premises, £13,960. To reserve, £50,000. Carry-forward, £26,546.

EASTBOURNE MUTUAL BUILDING SOCIETY.—Preliminary figures for year 1936 show total receipts £825,029, an increase of £67,945 compared with 1935. Total assets at December 31, 1936, estimated to exceed £1,870,000, an increase of 11 per cent.

MISCELLANEOUS

ANGLO-JAVA RUBBER COMPANY, LTD.—The company has purchased an estate in Johore, comprising 2,239 acres, of which 2,234 acres are planted with rubber, for £28,612 5s. 1d. in cash and allotment of 1,362,778 1s. shares.

UNION CINEMA COMPANY.—The auditors' estimate of profits for the past three years is as follows: 1933-34, £223,686; 1934-35, £260,887; 1935-36, £329,286.

STEAD AND SIMPSON, LTD.—Profit for 1936, £47,151, compared with £44,866 for 1935. Ordinary share dividend, 10 per cent. as before. Carry-forward increased from £85,151 to £96,611.

LONDON NIGERIAN TIN MINES.—Balance of profit for year to June 30, 1936, £204,581, compared with £144,247. Ordinary dividend, 15 per cent., compared with 12 per cent. Carry-forward increased from £23,988 to £31,742.

CHILEAN DEBT PAYMENT.—A payment of 12s. 1½d. per cent. is to be made this year on Chilean bonds. This compares with 9s. 6d. per cent. paid a year ago.

PHILLIPS RUBBER SOLES, LTD.—Net profit for year to September 30, 1936, £70,526, compared with £73,922 for preceding year. Ordinary dividend, 12½ per cent. for the year as before. Income tax absorbs £16,912 against £15,855. To be written off patents, etc., £5,000 as before. Carry-forward increased from £16,137 to £16,714.

TRINIDAD SUGAR ESTATES.—Profit for year to September 30, 1936, £21,279 against £26,151. Ordinary dividend, 7½ per cent. for the year. Carry-forward increased from £594 to £1,623.

CABLE AND WIRELESS, LTD. (Index Numbers).—Monthly figures reduced to working day average. Working day average of comparable receipts, year 1929 = 100.

	1930	1931	1932	1933	1934	1935	1936
January	96.0	76.3	73.4	69.9	71.8	73.2	71.2
February	95.7	81.2	82.9	71.7	74.7	74.4	73.3
March	94.5	79.6	77.8	70.4	72.8	76.2	76.0
April	94.9	74.5	71.4	71.8	71.6	74.6	71.6
May	86.2	68.8	67.7	70.7	73.1	72.5	67.6
June	86.0	68.6	64.7	70.1	70.1	70.2	70.3
July	80.3	64.7	63.2	65.9	70.7	67.1	69.1
August	82.1	61.8	69.6	67.5	68.9	66.7	67.6
September	81.4	73.0	71.4	67.9	70.3	75.5	70.7
October	82.5	77.8	73.2	72.1	73.6	78.8	75.9
November	80.4	79.0	73.0	71.8	71.3	72.7	80.5
December	87.1	83.6	78.8	76.7	80.7	80.1	86.4

RHOKANA CORPORATION, LTD.—For six months to December 31, 1936, 30,683 long tons of fine copper were produced (15,630 long tons blister copper and 15,053 long tons electrolytic copper). Estimated net profit for period, subject to tax, but after debenture interest and depreciation and development reserves, is £470,000. This figure compares with £250,000, estimated profit for the six months ended December 31, 1935.

WESTLAND-BRITISH MARINE AIRCRAFT MERGER.—Negotiations for a merger between Westland Aircraft and British Marine Aircraft are progressing, and a statement is due shortly. Negotiations for the proposed merger of five aircraft companies have been broken off, owing to failure to arrange terms suitable to all. The other three companies were British Aircraft, General Aircraft and Aero Engines.

METROPOLITAN TRUST COMPANY.—Net revenue, after preferred dividend, was £66,405 for 1936, compared with £60,774. The ordinary dividend, 12 per cent., compared with 11 per cent. Investment appreciation now about £275,000 on book cost of £3,221,840, against £100,000 a year ago.

LONDON STOCKHOLDERS INVESTMENT TRUST.—Net revenue for 1936, £17,291, against £11,126, plus tax refund £1,250 for 1935. Carry-forward increased from £4,832 to £10,057.

TRACTION AND GENERAL INVESTMENT.—Net revenue for 1936, £65,958, an increase of £2,836. Ordinary dividend, 12 per cent., against 11 per cent. Carry-forward raised from £50,135 to £55,956.

CORDOBA CENTRAL PURCHASE.—The Bill providing for the purchase of the Cordoba Central Railway by the Argentine Government will not be presented to the current extraordinary session of Congress.

SUMMARY OF COMPANY PROFIT AND LOSS ACCOUNTS

Company	Year Ending	Balance from Last Account	Net Profit After Payment of Deben-ture Interest	Amount Available for Distribution	Appropriation				Corresponding Period Last Year	
					Dividend		Carried to Reserve, Depreciation, etc.	Balance Forward	Net Profit	Dividend
					Prefere.	Ordinary				
					Amount	Amount	Rate			
Banks										
Bank of Ireland	Dec. 31	86,775	378,926	465,701	...	289,730	13½	75,000	100,971	386,594
Belfast Banking	Dec. 31	76,032	106,056	182,089	...	67,100	11	...	114,989	105,182
British Mutual Banking	Dec. 31	10,743	21,570	32,313	...	17,500	10	5,100	9,713	38,525½
Clydesdale Bank	Dec. 31	102,405	315,518	417,923	...	208,000	16	105,000	104,923	312,472
District Bank	Dec. 31	261,104	490,324	751,428	...	362,191	16½	120,000	269,237	419,589
Isle of Man Bank	Dec. 31	10,102	30,386	40,488	...	18,000	12½ p.s.	12,000	10,488	28,751
Lloyds Bank	Dec. 31	515,635	1,743,955	2,259,590	...	131,512	12A	350,000	539,668	1,642,785
Midland Bank	Dec. 31	467,447	2,467,894	2,935,341	...	54,797	5B	650,000	547,084	2,353,099
Munster and Leinster Bank	Dec. 31*	43,257	68,727	111,984	...	1,738,257	16	25,000	41,984	69,236
National Discount Co.	Dec. 31	209,390	179,214	388,604	...	45,000	12½	10,000	232,001	179,456
National Provincial Bank	Dec. 31	922,406	1,770,173	2,692,579	...	32,279	10A	300,000	970,667	1,665,437
Northern Bank	Dec. 31	64,352	99,017	163,369	...	114,324	26B	37,133	66,666	98,601
Provincial Bank of Ireland	Dec. 31*	33,246	36,592	69,838	...	1,421,912	15	10,000	34,104	36,447
The National Bank	Dec. 31*	37,084	111,439	148,523	...	59,570	12½A	20,000	38,523	110,555
Ulster Bank	Dec. 31	76,868	182,602	259,470	...	25,734	12½	35,000	84,470	180,514
Union Discount Co. of Lond.	Dec. 31	399,687	243,575	643,262	...	90,000	12	265,000	173,976	233,840
Westminster Bank	Dec. 31	369,849	1,731,955	2,101,804	...	140,000	14½	400,000	516,937	1,402,656
Williams Deacon's Bank	Dec. 31	72,785	293,636	366,421	...	204,286	(g)	30,000	102,046	278,536
Breweries										
Davenport (John) and Sons	Oct. 31	64,731	29,528	94,259	2,875	234,375	12½	...	81,503	27,538
Canals and Docks										
Smith's Dock Co.	Sept. 30	20,899	79,648	100,547	7,625	234,375	12½	50,000	20,047	58,982
Financial, Land, etc.										
Cork Improved Dwellings	Dec. 31*	1,864	1,327	3,191	...	9,881	17½	191	1,875	1,330
Davenport, C. B., and	Oct. 31	12,470	53,492	65,962	7,625	1,125	7½	5,700	14,512	47,603
Brewery Holdings	Aug. 31	145,116	119,041	264,157	...	38,125	10	15,000	158,970	96,090
Transvaal & Delagoa Inv.	Dec. 31	4,843	4,498	9,341	...	90,187	32½(f)	...	4,848	4,589
Iron, Coal and Steel										
Steel Developments	Dec. 31	47,487	463,011	510,498	52,040	4,493	6	269,677	51,531	364,887
Motor, Cycle and Aviation										
Leyland Motors	Sept. 30	13,477	7,425	20,902	...	6,854	4	...	14,048	4,655
Rubber										
Bila (Sumatra)	Aug. 31	8,690	27,607	36,297	...	24,410	5-83	5,000	6,887	17,892
Shops and Stores										
Tamiang	Sept. 30	85,151	38,254	123,405	9,794	14,000	10	3,000	96,611	33,054
Textiles										
Stead and Simpson	Dec. 31	3,389	85,351	88,740	29,699	17,819	7½	30,000	11,222	56,588
Tramways and Omnibuses										
Crossley (John) and Sons	Dec. 5	45,913	88,964	134,877	17,500	64,000	8	...	53,377	70,244
Trusts										
General Consolidated Invest.	Dec. 31	28,249	39,254	67,503	12,203	18,300	6	...	37,000	31,891
Government Stock, etc., Inv.	Dec. 31	...	34,410	18,767	13,625	3	...	2,017	...	31,04½
London Stockholders Invest.	Dec. 31	4,832	17,291	22,123	9,900	...	...	2,166	10,057	11,926
Metropolitan Trust	Jan. 1	27,984	94,531	122,515	28,125	57,825	12	...	36,565	88,900
New York and General	Jan. 3	8,406	24,853	33,259	13,931	...	...	...	19,328	10,374
Omnium Investment	Dec. 31	3,515	37,450	40,965	24,301	12,151	2½	...	4,513	35,699
River Plate and General	Dec. 31	47,260	43,930	91,190	12,375	27,500	10	2,500	48,815	42,976

COMMERCE AND TRADE

SURVEY OF COMMODITY MARKETS

THE strong upward trend of the prices of primary products was interrupted this week by a sizeable and fairly general reaction, due partly to the labour difficulties in the United States' automobile industry. As corrective movements usually take place after a sharp rise or fall in prices, this week's decline in prices does not necessarily portend a change of trend, especially as there has been no alteration in the underlying factors governing demand and supply.

Optimism, tempered by caution, was the keynote in the market for non-ferrous metals. Quotations for copper, lead, spelter and tin were marked down, but the decline did not go very far. The market in rubber was less active and prices were slightly lower owing to the interruption of work in the United States automobile industry. Linseed and linseed oil declined on the attitude of reserve adopted by buyers. American raw cotton was marked down in view of the uncertainty concerning the effect of the forthcoming disposal, by the United States Government, of some of the stocks held by them. Similarly, opening quotations for merino wool at the sales in London were not fully maintained as the auctions proceeded. Quotations for raw sugar were maintained, but wheat prices declined under the pressure of increasing supplies from Argentina and Australia. Generally, any unfavourable news, even if of little consequence, was sufficient to bring about a decline in prices this week.

A similar corrective movement took place in the United States. Thus, Moody's index of the prices of primary products (December 31, 1931 = 100) fell to 207.9 on Wednesday, against 209.6 a week earlier, 202.3 a month ago, and 168.8 on the same day last year.

COAL

SHEFFIELD.—Home demand for all grades of industrial coal is active, and prices are firm. The continuance of the dispute at five collieries in the Doncaster area is hampering supplies. Household coal is firm, and moving fairly freely. Small and graded coal is the most difficult to obtain, demand being exceptionally strong. Smalls are in heavy request by electricity undertakings. Furnace coke is strong, and gas coke is almost unobtainable outside contract, any quantity available being quoted at 30s.—31s. There is little or no change on the export market. Shippers are unable to get all the coal of the descriptions they need. The only alteration in export prices is in slacks, which are now quoted from 12s. 6d. to 15s. 6d. per ton.

NEWCASTLE-ON-TYNE.—The market continues firm for all classes, and there is good evidence that much more coal could be sold for prompt shipment if supplies were available. Collieries are now well booked over this year and a number of Scandinavian consumers are turning their attention to next year's requirements. Screened steam coals are fully sold, prices being nominal through lack of supplies. Durham coking coal is very scarce, prime brands having been sold at 18s. per ton f.o.b. Coke of all descriptions is very firm, and with the gradual opening of additional furnaces in this area there is no likelihood of any ease.

GLASGOW.—Prices remain firm all round. Collieries are well booked for some time ahead, and with output sub-normal owing to influenza and labour troubles, very little fuel is available for new business. This applies specially to export, and complaints are heard that shippers are forced not only to refuse new orders, but also on occasion, to cancel loadings already arranged. There is much interest in the question whether the existing organisation is sufficiently flexible to meet the new conditions arising from the spread of trade recovery. In the home market, which is absorbing the major portion of production, industrial, public utility and household requirements are brisk, and coastwise business remains steady.

CARDIFF.—The Cardiff coal market continues moderately active; a welcome development has been the increased demand for large steam coals. Foreign and coastwise shipments last week totalled 425,200 tons, compared with 358,300 tons during the corresponding week last year. Total shipments during the three weeks ended January 17th were 1,164,600 tons, an increase of 3 per cent. over the corresponding period last year. Prices remain firm, and in some cases the Control Board is now imposing a minimum of 21s. per ton for best large steams, and 20s. for second classes, prompt shipment. These prices represent advances of from 6d. to 1s. 6d. per ton, while smaller increases have taken place in ordinary steams, dry large, and in both Western and Eastern Valley Monmouthshire coals. There has been no abatement of the scarcity of washed and sized grades, but quotations for these classes are unaltered. The market in coke is still very active, and patent fuel and pitwood are firm. There have been important inquiries in the market, but no new contracts have been concluded. The Great Western Railway Company are contemplating improvements in shipping facilities at Barry to provide against the contingency of a substantial expansion in trade. Meanwhile, however, existing facilities are more than adequate for current business.

IRON AND STEEL

LONDON.—The weekly report of the London Iron and Steel Exchange indicates that production of iron and steel is maintained at a record level. Markets are less active, however, owing to the comparatively small tonnage of material available for near delivery. The insatiable home demand leaves only a small proportion available for export. Production on the Continent is not sufficient to meet the requirements of overseas markets, and buyers abroad are becoming uneasy regarding their future supplies and are anxious to place orders.

In the pig-iron department most consumers have bought well ahead, and producers have sold their output for some months to come, in one or two instances until the end of next September. A considerable amount of

business is offering, however, in the shape of supplementary parcels to meet urgent requirements, and this is not easily placed.

The situation in the semi-finished steel department is still difficult, and, although works are operating at capacity, output falls short of consumers' needs. It is expected that additional plant will be brought into production during this month; but this can scarcely be sufficient to make up the deficiency between demand and supply.

Heavy quantities of finished steel are passing into consumption, but there seems to be no slackening in requirements. Steelworks are concentrating more upon maintaining deliveries than upon seeking fresh business; nevertheless, a heavy tonnage of orders is circulating in the market.

MIDDLESBROUGH.—Fresh inquiries continue to be received for all classes of pig iron and steel. Makers are, however, so fully contracted for early delivery that they are not able to negotiate new business for prompt requirements. The scarcity of pig iron is not so acute as at the end of last year, and, whilst home consumers are being kept fully supplied, further shipments are being made to foreign destinations. In addition to the cargo of about 1,500 tons which was shipped to Denmark last week, a parcel of over 1,000 tons has just been forwarded to Sweden. Total shipments of pig iron from the Tees during the first nineteen days of January amounted to 6,286 tons, against 4,187 tons during the same period in December. East Coast hematite makers are also well sold and are unable to entertain all the inquiries received. Prices are maintained at the official figures of 81s. per ton for No. 3 Cleveland foundry pig iron, delivered locally. The official quotation for East Coast mixed numbers is 97s. 6d. per ton delivered locally, less 5s. rebate.

Steel producers have substantial contracts to execute, and, in some cases, are oversold. Every effort is being made to keep home requirements fulfilled, whilst shipments abroad are being well maintained, chiefly to the Colonies. Foreign semi-manufactured material is less easily obtainable. Sheet makers have advanced export prices, which are now:—Black sheets (No. 24 gauge), £12 per ton f.o.b.; galvanised corrugated sheets (No. 24 gauge), £14 15s. per ton f.o.b. This increase will probably be followed by a revision of prices to home consumers.

Steel scrap is scarce, but buyers are adhering to 62s. 6d. per ton for heavy steel melting material delivered at the works. Imports of iron ore continue to be well maintained, the total quantity imported into the Tees during the first 18 days of January being 77,700 tons, against 89,700 tons during the same period in December. Two cargoes of ore have arrived from Bilbao during the past week, but freights are well maintained, the rate in operation for Bilbao-Middlesbrough being 9s. 6d. per ton. Good Durham blast furnace coke is firmer at 25s. 6d. per ton, delivered furnaces.

SHEFFIELD.—The iron and steel market remains active. Producers of pig iron are in most cases well booked over the first half of the year, and are not anxious to add further to their commitments. The position in foundry and basic pig iron shows no indication of easing, and consumers are finding difficulty in placing new business even for odd parcels. Requirements of forge iron are more easily met, but there is no great surplus. Lincolnshire makers are still off the market here, and consumers are largely dependent upon Derbyshire producers. There is no sign of expansion in hematite supplies, and there is now a marked shortage. Demand for iron and steel scrap is increasing, and prices show a hardening tendency. In finished iron the improvement of the last few months is well maintained, especially in common and marked bars, which enjoy a good demand. Crown bars are also in growing request. Prices in all sections of the market remained unchanged.

Despite the heavy output, it is impossible to overtake the demand for basic steel billets, and acid qualities are now running them close. Stainless steel in its various forms, as well as wire rods, strip and bars, are in ever-increasing request. All the heavy forges, foundries and rolling mills in this district are working to capacity, and will certainly remain busy during the next few months.

GLASGOW.—An enormous amount of work has been placed in Glasgow and the West of Scotland since the beginning of the year, involving thousands of tons of steel. Shipbuilders, locomotive builders, carriage and wagon-builders, makers of steel structures of all kinds, marine and other engineers and makers of machinery have all received much work. Despite intense activity, steel plants find it impossible to meet the demands of users. Materials are unobtainable at short notice, and at many of the plants output has already been sold for several months ahead. Re-rollers are finding it impossible to get sufficient supplies either from home producers or from the Continent to ensure continuous running of plants for more than a few weeks ahead. The uncertainty regarding supplies of raw materials is causing anxiety in the re-rolling industry.

CARDIFF.—The tinplate works are maintaining output at approximately 70 per cent. of allotted capacity under the pooling scheme, but shipments last week totalled only 3,685 tons, against 8,887 tons the previous week, and 3,710 tons in the corresponding week of 1936. The inland demand is normal, but because of the slump in exports, stocks have increased from 3,203 tons to 5,179 tons. It is now officially reported that production of tinplate, terneplate and blackplates last year totalled 824,795 tons, compared with 708,234 tons in 1935, and of this output 386,738 tons were exported as against 373,061 tons, and 438,057 tons retained for home consumption and stocks, compared with 335,173 tons. For the first time in the history of the industry the proportion retained for the home market was greater than that exported. Inland requirements of sheets have been a little more active, and blastfurnaces and steelworks are well employed. Prices of steel bars, tinplates and sheets are unaltered.

OTHER METALS

COPPER.—Prices turned easier, the official quotation on Tuesday being £50 6s. 3d. On Wednesday there was a rally to £51 8s. 9d., representing a decline of £2 16s. 3d. on the week. There has been a selling wave of considerable magnitude this week and daily turnovers on the Metal Exchange were on a high level. The market was, however, able to absorb all offerings without undue difficulty—a fact which reveals the fairly strong technical position. The weakening of prices, particularly the slump on Tuesday, was only partly due to the removal of restriction. The American strike movement was an important factor. The market output are reflected in supplies. It is to be expected that even relatively small increases in production will have a marked influence on the statistical deliveries. In December extra-United States copper stocks increased by no less than 10,360 short tons to 192,100 short tons, while United States stocks declined by 10,250 tons to 161,040 tons.

MIDLAND BANK

LIMITED

Chairman:

THE RIGHT HON. R. McKENNA

Deputy Chairmen:

W. G. BRADSHAW, C.B.E.

S. CHRISTOPHERSON

Managing Director: FREDERICK HYDE

Statement of Accounts

December 31st, 1936

LIABILITIES	£
Paid-up Capital ...	14,248,012
Reserve Fund ...	11,500,000
Current, Deposit & other Accounts	488,364,201
Acceptances & Confirmed Credits...	11,054,418
Engagements ...	7,545,855

ASSETS

Coin, Bank Notes & Balances with Bank of England ...	52,941,374
Balances with, & Cheques on other Banks ...	22,092,096
Money at Call & Short Notice ...	28,687,886
Investments at or under Market Value ...	127,892,039
Bills Discounted ...	21,791,113
British Treasury Bills ...	52,622,885
Advances to Customers & other Accounts ...	189,516,488
Liabilities of Customers for Acceptances, Confirmed Credits & Engagements ...	18,600,273
Bank Premises at Head Office and Branches ...	8,891,253
Other Properties & work in progress for extension of the business ...	994,343
Shares in Yorkshire Penny Bank Ltd.	937,500
Capital, Reserve & Undivided Profits of	
Belfast Banking Co. Ltd. ...	1,714,989
The Clydesdale Bank Ltd. ...	3,104,923
North of Scotland Bank Ltd. ...	2,496,738
Midland Bank Executor and Trustee Co. Ltd. ...	428,586

The Midland Bank and its Affiliated Banks operate nearly 2600 branches in Great Britain and Northern Ireland, and have agents and correspondents in all parts of the world.

Head Office:

POULTRY, LONDON, E.C.2

Sales on the London Metal Exchange: 5,750 tons on Monday, against 7,750 tons last week; 4,300 tons on Tuesday, against 9,000 tons last week; 4,100 tons on Wednesday, against 6,750 tons last week. Domestic spot was quoted at 12.27½ cents per lb. in New York on Wednesday, against 12.80 cents a week ago and 11.50 cents a month ago. Wednesday's official closing price for standard cash in London was £51 8s. 9d. to £51 10s., compared with £54 5s. to £54 6s. 3d. a week ago. Stocks of refined copper in British official warehouses at the end of last week, at 45,038 tons, showed a decrease of 178 tons, while stocks of rough copper, at 1,107 tons, remained unaltered.

LEAD AND SPELTER.—After violent fluctuations both metals were on balance slightly easier. In the case of lead Messrs Metal Traders, Ltd., in their last weekly report that as a result of the recent sharp rise in prices very large supplies of old lead have come on the British market. In addition, production of new lead is apparently on the up-grade, while consumption is at present adversely affected by seasonal influences. Spelter—in spite of the improving state of consumption—still suffers from the high current output. According to Metallgesellschaft extra-United States spelter production during the first eleven months of 1936 aggregated 911,386 metric tons, an increase of 6.45 per cent. on the year. The daily rate of output in November was the highest for a number of years. At the beginning of the new year several zinc refineries on the Continent, which had been idle since 1932, resumed operations; hence there is little reason to expect any fall in spelter production in the near future.

Sales of lead on the London Metal Exchange: 2,100 tons on Monday, against 3,250 tons last week; 2,050 tons on Tuesday, against 3,750 tons last week; 2,700 tons on Wednesday, against 2,500 tons last week. The New York quotation on Wednesday was 6.00 cents per lb. against 6.00 cents a week ago and 6.00 cents a month ago. The official closing quotation in London for soft foreign for shipment during the current month was £27 6s. 3d. per ton, compared with £28 11s. 3d. a week ago.

Sales of spelter on the London Metal Exchange: 5,000 tons on Monday, against 4,000 tons last week; 4,050 tons on Tuesday, against 7,500 tons last week; 3,000 tons on Wednesday, against 4,250 tons last week. Wednesday's quotation in East St. Louis was 6.00 cents per lb. against 6.00 cents the week before and 5.45 cents a month earlier. Wednesday's official closing quotation in London for "good ordinary brands" for shipment during the current month was £21 5s. per ton, against £22 15s. last week.

TIN.—Tin has again been neglected. Sales have been on a very small scale, while supplies are showing signs of expansion. The chief reasons for the easiness of tin were on the one hand the fear that the new international tin agreement might lead to the maintenance of high supplies; and on the other, the American strike movement. As tin is much more affected than any other metal by the American strikes—the U.S. automobile and tinplate industries are the largest tin consumers in the world—this market is likely to remain very sensitive and nervous until the position in the United States is clarified.

Sales of tin on the London Metal Exchange: 150 tons on Monday, against 325 tons last week; 200 tons on Tuesday, against 225 tons last week; 175 tons on Wednesday, against 275 tons last week. The New York quotation on Wednesday was 51.10 cents per lb., against 50.95 cents a week ago and 51.90½ cents a month ago. Wednesday's official closing quotation in London for standard cash was £229 10s. to £229 15s. per ton, compared with £231 to £231 10s. a week ago. Stocks of tin in London and Liverpool at the end of last week totalled 1,442 tons, an increase of 297 tons on the week.

OTHER NON-FERROUS METALS.—Among other non-ferrous metals, aluminium ingots and bars for home delivery were again quoted on Wednesday at £100 per ton, and rolling billets at £102 per ton. Nickel, for home and export, was maintained at £180 to £185 per ton. Quicksilver, on the spot, was quoted at £14 6s. per flask of 76 lbs., against £14 5s. a week ago. Chinese antimony was quoted at £64 to £65 per ton ex warehouse, as against £64 to £65 per ton last week. Chinese wolfram for "January-February" shipment was quoted at 33s. 6d. to 34s. 6d. per unit, c.i.f., compared with 32s. 6d. to 33s. 6d. last week. Refined platinum was steady at £9 15s. per ounce.

TEXTILES

COTTON.—Manchester.—Throughout the past week inquiry has continued active, and numerous spinners and manufacturers have booked orders on a free scale. Many producers have strengthened their position and buyers have had to pay full prices. Only minor fluctuations have been occurred in raw cotton rates. Dealings in futures in Liverpool have been restricted owing to the uncertainty concerning the effect of the "loan" cotton to be released by the American Government next month. Trade demand for cotton has been healthy, especially for South American qualities. Forwardings to spinners are of record dimensions.

American yarn quotations have again been raised. An encouraging business has been done, especially in ring beams. Spinners have been able to improve their margins. There has been a little more activity in Egyptian qualities.

The general inquiry in piece goods has been encouraging. From the point of view of buyers, the question of delivery has been more important than price, and some customers have been surprised at the way in which manufacturers have recently extended their order lists. The revival of demand for India has been maintained, and an extensive business was done. Steady buying has again occurred for Java and Singapore, with a few more sales in fancies for China. Shippers to Egypt have displayed more enterprise, and a healthy turnover has taken place for West Africa and South America. Freer buying has been reported in home trade fabrics. It is a long time since manufacturers were in such a strong position to dictate terms of fresh contracts to buyers.

COTTON PRICES.

	1936-37				Corresponding Date	
	Dec. 30	Jan. 6	Jan. 13	Jan. 20	1935	1936
Raw Cotton—Mid. American per lb.	7.04	6.99	7.21	7.16	7.09	6.18
" Sakellaridis Fully Good Fair	10.14	10.06	10.34	10.29	9.01	10.05
Yarns—32's twist per lb.	11½	11½	11½	12	10½	10½
" 40's twist per lb.	11½	11½	11½	12	10½	10½
" 60's twist (Egyptian) per lb.	17	17	17½	17½	16½	16½
32-in. Printers, 116 yds., 16 by 16, 32's and 50's	19 4	19 4	19 6	19 8	18 3	17 4½
36-in. Shirtings, 75 yds., 18 by 19, 32's and 40's	27 0	27 0	27 3	27 6	24 3	24 4½
38-in. ditto, 38 yds., 18 by 18, 10 lb.	10 7½	10 7½	10 8½	10 10	10 8	10 1
38-in. ditto, 37½ yds., 16 by 15, 8½ lb.	9 7	9 7½	9 8½	9 10	9 7	9 1

January 23, 1937

Consuming centres, like Bradford, are quieter, with prices tops slightly in buyers' favour. It is possible to-day to buy average 64's tops at 38-38½d., and w/p 64's at 39-39½d.

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MISCELLANEOUS COMMODITIES

RUBBER.—After again touching 11d. per lb. on Friday of last week, the spot quotation declined in sympathy with the general tendency of commodity prices this week. An important factor has been the continuance of the strike troubles in the United States motor industry. A further bearish influence is the expectation that the International Committee may take active steps, after its meeting next Tuesday, to increase the supply of near rubber. The spot price in New York on Wednesday was 21½ cents per lb., compared with 21½ cents per lb. a week ago and 20½ cents a month ago. Wednesday's official buyers' price for standard ribbed smoked sheet on the spot in London was 10½d. per lb., as against 10½d. on the corresponding day last week. In forward positions, business has been done at 10½d. to 10¾d. for "February" shipment, as against 10½d. a week ago. Stocks in London and Liverpool at the end of last week totalled 74,659 tons, against 76,501 tons a week earlier. A year ago stocks amounted to 161,447 tons.

VEGETABLE OILS AND OILSEEDS.—The market in oilseeds

is quieter; in the absence of demand business is restricted. Linseed is easier in sympathy with wheat and other commodities. Crushers both here and on the Continent, having earlier made substantial purchases of Plate for shipment, are not increasing their commitments at the present stage. The harvest in Argentina appears to be progressing satisfactorily and heavy shipments of new seed are now being made. The quantity afloat for Europe has thus increased to 177,500 tons (including 27,400 tons from India), an advance of 22,000 tons on the week. The balance of the Indian old crop is moving off slowly, but not much remains for export. Favourable reports are to hand of the progress of the new crop, shipment of which cannot commence until the end of April at the earliest. Linseed oil has declined by fully 20s. per ton and consumers are still by no means actively interested.

Cottonseed has taken a decidedly easier turn and demand has fallen off. Cotton oil remains steady, but on a lower level. Reports are current that America is in the market for further supplies of refined oil, but to what extent is not known. A feature has been the strength of palm kernels and palm kernel oil which are 50 per cent. dearer than some months ago. Demand for oilcakes is satisfactory and late prices are maintained.

WHOLESALE COMMODITY PRICES

UNITED KINGDOM: LONDON, January 20th

The prices in the following are revised with the assistance of an eminent firm in each department

CEREALS AND MEAT				POTATOES—				WOOL—			
GRAIN, Etc.—				English King Edward				English Southdown, greasy, per lb.			
				per cwt.				Lincoln hog, washed			
				s. d. s. d.				Queensland, scd. super cmbg.			
Wheat—				0 9 0 9 6				N.S.W. greasy, super cmbg.			
No. 2, N. Man. 496 lb.								N.Z., grey, half-bred 50-56			
Eng. Gaz. av., per cwt.								Crossbred 40-44			
Barley, Eng. Gaz. av. ...								Tops—			
Oats—								Merinos 70's			
Maize, La Plata, landed								64's			
480 lb., Lon. stan. ex mill,								Crossbred 48's			
Flour, Lon. stan. ex mill,								46's			
280 lb.,								MINERALS			
Rice, No. 2 Burma, per cwt.								COAL—			
MEAT—								Welsh, best Ad'ty...ton			
Beef, per 8 lbs.—								Durham, best gas, f.o.b.			
English long sides								Tynes			
Argentine chilled hinds								Sheffield, best house, at			
Mutton, per 8 lbs.—								pits			
English wethers								IRON AND STEEL—			
N.Z. frozen								Pig, Cleveland No. 3, d/d,			
Lamb, per 8 lbs.—								Bars, M'brough			
N.Z. frozen								Steel rails, heavy			
Pork, English, per 8 lbs.								Tin plates			
								METALS—			
								Copper, Electrolytic, ton			
								Sheets (strong)			
								Standard			
								Lead, Eng. pig...			
								Soft foreign			
								Spelter G.O.B.			
								Tin—English ingots			
								Standard cash			
								MISCELLANEOUS			
								CHEMICALS—			
								Acid, citric, per lb., less 5%			
								Nitric			
								Oxalic			
								Tartaric, English, less 5%			
								Alcohol, Plain Ethyl			
								Alum, lump			
								Ammonia, carb.			
								Sulphate			
								Aeneic, lump			
								Bleaching powder, per ton			
								BORAX, gran.			
								Do, powder			
								Nitrate of Soda			
								Potash—Chlorate, net			
								Sulphate, net			
								Soda Bicarb.			
								Crystals			
								Sulphate of Copper, per ton			
								CEMENT, best Eng. Portland, d.d. site,			
								London area, jute sacks, 11 to ton			
								(charged and credited at 1/6d. each) or			
								paper bags 20 to ton (free, non-return-			
								able)			
								4-ton loads and upwards 39/- per ton			
								1 and up to 4-ton loads 41/- per ton			
								S.D. Straits c.i.f., per ton			
								DRUGS—			
								Camphor			
								Japan, refined			
								Ipecacuanha			
								HIDES—			
								Wet salted—Australian			
								per lb.			
								West Indian			

† These prices are for fuel oil for inland consumption—other than for use in Diesel-engined road vehicles—and do not include the Government tax.

UNITED STATES

New York quotations unless otherwise stated

	Jan. 22, 1936	Dec. 23, 1936	Jan. 13, 1937	Jan. 20, 1937		Jan. 22, 1936	Dec. 23, 1936	Jan. 13, 1937	Jan. 20, 1937
Wheat, No. 2, Winter, nearest future, Chicago, per bushel	100½	131½	135	130½	Sugar, Cuban Centrifugals, 96 deg., spot, per lb.	3.32	3.77	3.95	3.75
Maize, nearest future, Chicago, per bushel	60½	103½	108½	107½	Cotton, middling, spot, per lb.	11.95	12.83	13.06	12.98
Oats, nearest future, Chicago, per bushel	28½	50½	54½	51½	Rubber, smoked sheet, spot, per lb.	14½	20½	21½	21½
Rye, nearest future, Chicago, per bushel	55½	110½	113½	108½	Petroleum, Mid-continent crude 33 deg., to 33-90, at well, per barrel	104	104	104	104
Barley, nearest future, Chicago, per bushel	(a)	94	87½	85	Copper, "Electrolytic," Domestic, spot, per lb.	8.45	11.50	12.80	12.27½
Coffee, Rio No. 7, cash, per lb.	6½	8½	8½	9	Copper, "Electrolytic," Export, spot, per lb.	8.67½	11.72½	13.02½	12.50
" Santos No. 4, cash, per lb.	9½	11½	11½	11½	Spelter, East St. Louis, spot, per lb.	4.85	5.45	6.00	6.00
Cocoa, Accra, nearest future, per lb.	5.07	11.15	12.64	12.41	Lead, spot, per lb.	4.50	6.00	6.00	6.00
					Tin, " Straits," spot, per lb.	46.00	51.90	50.95	51.10

(a) Nominal.

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ourselves face to face with forces which if left uncontrolled would result in an upward spiral of costs and prices. The comparative ease with which large profits had been made would then be replaced by the difficulty of avoiding heavy losses, and the rush to get out of commitments would be far more precipitate than the former eagerness to enter into them.

But beyond indicating the new co-operative system of the Treasury, Bank of England and the Big Five, the chairman of the Midland Bank did not commit himself to an expression of opinion on what measures should be taken to prevent the vicious spiral from beginning. Like MR BECKETT and others, he set his face against any rise in money rates; and left it at that. All the bankers want their advances to increase and cheap money to be maintained. But this, by itself, is no safeguard against the vicious spiral. It might easily become the very reverse.

Bankers and economists are at one, however, in their desire to see world trade expand. This would be both a preventive of a runaway boom and a stimulus to our lagging export trades and the Depressed Areas in which they are mainly situated. MR BECKETT, MR EDWIN FISHER of Barclays and MR ORME of Martins rightly emphasised the need to develop this languishing side of our national economy; and MR ORME again expressed the hope that a resumption of foreign lending would accompany it. LORD WARDINGTON, chairman of Lloyds Bank, said we should look ahead and foster our export trade forthwith, not ignore it in our present prosperity.

Now, it is self-evident that the best and least abrupt brakes on the forces tending to set up a vicious spiral of

costs and prices in this country are a relaxation of our import restrictions and a careful control over capital extensions and public or semi-public works of a capital nature. The added stimulus of the growing re-armament programme calls for compensation by damping-down those projects whose initiation would now cause nothing but congestion and a hectic boom in our basic industries. The rise in world prices can be best slowed down and co-ordinated by such modification of trade barriers as will even out wide disparities between national price levels. That would benefit this country; and our invisible exports would rise with our visible exports, as they always do when world trade expands.

Three of the chairmen of the Big Five have declared this week that industry is not yet coming to them for the proportion of advances which it took before the depression. The implications of this are discussed in our Banking Article on page 242. If prosperity is not to turn into a runaway boom, and if we are not to create for ourselves an economic dilemma as acute as that of 1931, the Government and their advisers—official, and, like bankers and economists, unofficial—must evolve without delay an economic policy which looks both to our internal and our external difficulties. It is not for nothing that our bankers' speeches this week have been as much concerned with world-wide economic trends and tendencies as with our domestic problems. In currency relationships, in movements of prices, and in trade, the world is working forward to a new unity. In the last year its progress has been startlingly rapid. This country has everything to gain, and nothing to lose, by encouraging this tendency to the utmost of its power.

What Herr Hitler Ought to Say

WE go to press this week on the eve of one of HERR HITLER's full-dress speeches. The speech will be important, for the Reichstag has been specially summoned to hear it on the fourth anniversary of the FUEHRER's accession to power, and it is being delivered on a Saturday, which is HERR HITLER's day of action—and MR BALDWIN's day of repose. What would we have him say at this juncture of Europe's fate?

Before we can answer this, let us glance for a moment at the setting. Nearest in time we have to note M. BLUM's speech of last Sunday and the concerted German and Italian replies to the British note on arresting the flow of foreign volunteers to Spain.

The French Prime Minister's speech was a masterly combination of firmness and politeness. The speech disclaimed any desire to push the Germans into a deal—repudiated by them in advance—in which they would be required to trade away their political freedom of action in exchange for economic aid. But with still sweeter reasonableness he declined to give away French security *gratis* by supplying Germany unconditionally with French sinews of war. He also declined to abandon the collective system and, specifically, to disinterest himself in the fate of France's friends and allies in Eastern Europe. Indeed, he proclaimed as the characteristic feature of the policy of his Government their "tenacious and unshakable resolve to maintain peace indivisible."

This places beyond all doubt the limitations on Germany's capacity for competitive re-armament. Germany is evidently not going to be equipped, at the expense of other countries, with the means of conquering the world. She cannot have French butter as well as German guns. Germany cannot hope both to outstrip her neighbours in the accumulation of munitions of war in the narrower sense, and at the same time to build up

in the same ratio those reserves of other commodities without which a modern war cannot be waged. Unsupplemented, Germany's total national resources are in fact inadequate for the gigantic task of world-conquest; and it now looks as though Germany were also being disillusioned of her hopes of climbing to ascendancy in Europe by the devious route of making herself mistress of Spain, then of Czechoslovakia, and then of Central Europe.

The German and Italian replies on the question of volunteers are satisfactory only in so far as they suggest that the two Fascist Powers may be genuinely seeking a line of retreat from their policy of surreptitious piecemeal intervention on GENERAL FRANCO's side. Both the new notes welcome the proposal for an immediate stoppage of the inflow of foreign volunteers (with or without inverted commas). They propose that a date shall be agreed after which the flow shall cease, and that effective concerted measures of control shall be taken to ensure that the agreement is observed. True, they go on to propose that the foreign volunteers already fighting in Spain shall be recalled, and that an end shall also be put to financial and propagandist assistance to either party. These counsels of perfection may be interpreted as deliberately "impossibilist" stipulations designed to prevent agreement and so gain still further time for playing the game which the Fascist Powers have been playing hitherto. We believe, however, that the notes are rather to be interpreted as an admission that in Spain the Russians have been a match for the Germans and Italians in arms, and their superiors in the political arts. If this interpretation is correct, the Russians would be well advised to resist the temptation of savouring their success and seeking to improve the occasion. The wise course for Russia is to assist France and England in building a golden diplomatic bridge

over which Germany and Italy may be able to beat a rapid but still dignified retreat.

And what is the moral for HERR HITLER? If we may assume that he cannot hope to conquer Europe in Spain—and cannot hope to conquer her in Central Europe without arousing France to military intervention—then has not the moment arrived for him to come to terms? Is he not bound to lose by persisting in a Four Year Re-armament Plan which apparently cannot bring Germany any gains proportionate to the sacrifices entailed? No doubt coming to terms is harder for the FUEHRER to-day than it is for SIGNOR MUSSOLINI with an Abyssinia in his pocket. But we do not believe it is beyond HERR HITLER's powers to put the case convincingly to his own people. This is precisely his forte; and if he can rise to the occasion it is perhaps within his power to produce the oratorical *chef d'œuvre* of his career.

HERR HITLER's problem is to stop re-arming and to make a genuine peace with his neighbours, while persuading his countrymen that they have already got their money's worth out of the privations he has imposed upon them up to date. For this he could surely make out a plausible case. He has always proclaimed two main aims with manifest sincerity: on the one hand, to aim with Germany that equality of status and influence with the other Great Powers which she lost in the Great War; and, on the other hand, to make Germany the champion and saviour of Europe from the many the menace of Communism. The second of these two aims cannot be achieved until the first has been assured, and it is arguable that—in view of the unwillingness of the ex-victors to disarm—the re-armament of Germany was the only practicable road to the restoration of her equality. But if we grant these propositions, the measure of Germany's re-armament is

the crucial question; for to fulfil its purpose it must be a measure which produces equality without going on to produce war.

This condition is axiomatic; for HERR HITLER, as well as MR BALDWIN, has already declared his conviction that another European war could end in nothing but the destruction of European civilisation. By allowing an armaments competition to ramble into war—as in the end it must if it is not stopped by agreement—the would-be saviour of Europe from Communism would be playing straight into the Communists' hands. The would-be restorer of Germany's equality would be condemning his own country to attain equality of status at zero level.

Why cannot HERR HITLER tell his countrymen on Saturday that Germany's re-armament has, in fact, already attained its purpose? That Germany now stands again on a footing of perfect equality with all the other European Powers? That she will be in no danger of losing this equality by entering into an armaments limitation agreement? Why cannot he say that her national energy and skill will insure her a leading rôle in any European enterprise, whether warlike or peaceful? Why should he not declare that a magnificent field lies before her, if she will take the lead in showing Europe how her peoples may co-operate in beating their swords into ploughshares and exorcising the spectre of Communism by banishing those sufferings and the fears which give it substance? It is in HERR HITLER's power to-day to cry "I am your leader" to the European forces making for peace. If he sincerely took this line, he would have a response of which neither he nor his countrymen would ever repent.

The Great Cities of Britain—II

Glasgow's Industrial Problem

A LARGE portion of the industrial belt of Scotland was scheduled in 1934, under Act of Parliament, as a Special Area. Glasgow is within, but not of, the Area; for the schedule specifically excluded it. At the 1931 Census, the population of the City, which has thus been marked off from the region of which it is the social and commercial centre, amounted to 1,088,000. Thus, it included between one-fourth and one-fifth of the population of Scotland. The Special Area contained rather more than another fourth. Between 1921 and 1931, the population of Glasgow rose by 3.5 per cent., while the population both of the surrounding area and of Scotland as a whole actually declined.

Glasgow stands on the Clyde, about 20 miles from the "Tail of the Bank" at Greenock, where the river widens into the Firth. Along those 20 miles of river are the shipyards from which Glasgow's chief modern title to fame is derived. The Clyde, though it first received the "Queen Mary," is not itself a natural carrier of giant vessels, but has had to be laboriously altered to provide a passable channel. Some of its shipyards are within and some without the city boundaries. The 32,700 persons engaged in shipbuilding and marine engineering in Glasgow comprised the biggest single class of workers specified in the 1931 Census. Both within the city itself, however, and in the surrounding area, much employment is given by many kinds of engineering work, in-

cluding the making of locomotives, electrical apparatus, and agricultural machinery; by the building of bridges, piers and railway stations; and by the production of iron and steel, on which all these industries depend. In

Glasgow alone, such industries (grouped in the Census Report under "Manufacture of Metals, Machines, Implements, etc.") gave employment in 1931 to 105,300 persons. But many other figures testified to the variety of Glasgow's activities. The manufacture of food, drink and tobacco occupied 28,500 persons, the clothing industry 21,400, paper 16,700, textiles 16,200, and woodworking 13,700. The total engaged in commerce and finance was 108,600 and in transport and communication 47,500.

Within Glasgow, in short, are combined a main group of industries more or less directly related to shipbuilding, and a large number of industries which are not so related. This fact goes far to explain the freedom which Glasgow has enjoyed in recent years from the extreme depression experienced in certain parts of the surrounding area which were dependent on one moribund industry. It also explains Glasgow's comparative ill-fortune, judged by conditions in Britain as a whole. In July, 1931, the proportion of unemployment among insured workers in Glasgow was about 27 per cent.; in Glasgow *plus* what is now roughly the Special Area, it was 32 per cent.; in Great Britain as a whole it was 21 per cent. In July,



World Economic Tendencies

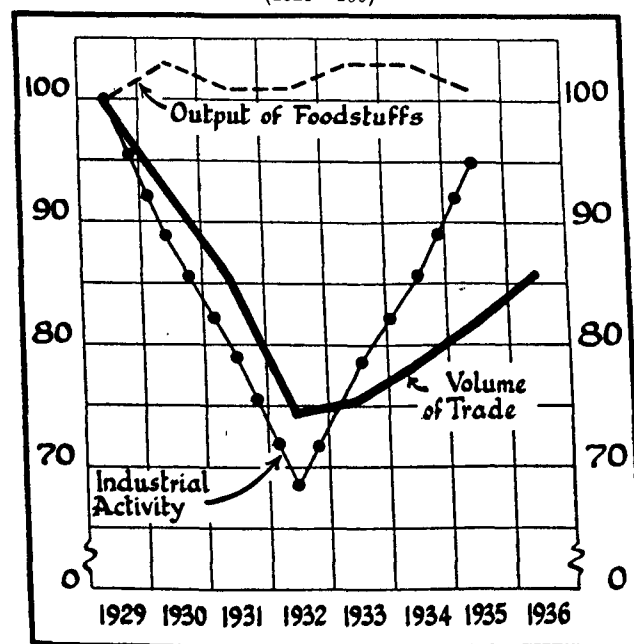
WORLD economic activity is to-day at a higher level than ever before. All countries, however, have not benefited equally from recovery; for an historical review reveals that the past seven years have witnessed far-reaching changes not only in the relative prosperity of nations but also in the economic forces within the various countries. What is the nature and significance of these changes?

In order to throw light on this problem, we have assembled the essential data in convenient form in our Trade Supplement, published for the first time in its revised form with this week's issue of *The Economist*.

Broadly, the purpose of the Trade Supplement is to enable readers to keep abreast of economic changes in the United Kingdom and elsewhere. It contains a general review of the trend of business at home and abroad, followed by comment on the latest developments in the leading British industries and in the more important countries, supplemented by a mass of statistical data. While the comment on economic tendencies at home and abroad has been extended, the principal change has been made in the statistical section.

The new statistical section has been specially designed to provide essential data, not only of changes in individual countries, but also of the trend of world production and trade and of the output, consumption, stocks and prices of leading raw materials and crude foodstuffs. Some of these statistics, such as *The Economist* indices of business activity and the index of advertising expenditure on branded goods in the British Press, are not available elsewhere. In the main, however, the data are drawn from such various, and often little known, sources that they have not, so far, been accessible to the general reader, except as the result of considerable research. The statistics comprise more than 500 series and are drawn from over one hundred sources. Details of the arrangement of these statistical series, as well as of other changes made in its contents, will be found on the first page of the Supplement.

INDICES OF WORLD PRODUCTION AND TRADE (1929=100)



The new statistical series have been carried back to 1929 in order to indicate the economic changes which have taken place since the onset of the world's greatest depression. The havoc wrought by the depression is revealed in the annexed diagram, which shows the course of world trade, industrial activity and output of foodstuffs; as estimated by the League of Nations.

Both world industrial activity and the volume of international trade suffered a headlong decline between 1929 and 1932. From 1932 onwards, however, industrial

activity and the volume of world trade began to expand again. But while industrial activity in 1935 was only about 5 per cent. below the 1929 level and has since exceeded it, the revival in international trade proceeded at a considerably slower rate, an indication of the tendency to self-sufficiency set in motion for strategic or economic reasons. The course of the production of industrial raw materials followed fairly closely the trend of industrial activity, but the output of foodstuffs actually increased during depression. While the increased output of foodstuffs could only be sold at considerably lower prices, and therefore caused difficulty to the farmer, it nevertheless mitigated the disastrous social repercussions of the slump among industrial workers and largely explained the marked rise in real wages in Great Britain during the depression.

The incidence of the depression and of the subsequent recovery on the various countries of the world has been far from uniform. Industrial countries suffered from a severe contraction of production and from unemployment, while the population in agricultural countries had to accept a marked reduction in the monetary value of their products, and, hence, in their standard of living. The course of industrial activity in some of the more important countries is shown in the following table.

INDICES OF INDUSTRIAL PRODUCTION

	(1929=100)		
Country	1932	1935	1936
Austria.....	64.3	79.6	83.2 (Jan.-Oct.)
Belgium.....	69.1	80.6	78.3 (Jan.-Sept.)
Canada.....	58.1	81.3	87.5 (Jan.-Oct.)
Chile.....	87.0	120.1	125.4 (Jan.-Nov.)
Czechoslovakia.....	63.5	69.9	77.6 (Jan.-Oct.)
Denmark.....	91.0	121.0	124.7 (Jan.-Nov.)
Estonia.....	78.3	106.4	120.1 "
Finland.....	83.3	125.0	132.4 (Jan.-Sept.)
France.....	68.8	67.4	70.4 (Jan.-Nov.)
Germany.....	53.3	94.0	105.0 (Jan.-Oct.)
Greece.....	100.9	140.7	131.0 (Jan.-June)
Hungary.....	76.9	76.9	127.4 (Jan.-Sept.)
Italy.....	66.9	91.8	Not available.
Japan.....	97.8	141.8	146.9 (Jan.-Sept.)
Norway.....	92.7	105.1	113.9 (Jan.-Oct.)
Netherlands.....	62.3	66.3	68.7 (Jan.-Sept.)
Poland.....	53.9	66.4	71.4 (Jan.-Oct.)
Spain.....	88.4	86.9	Not available.
Sweden.....	...	119	12.8 (Jan.-Nov.)
United Kingdom.....	83.5	105.7	114.1 (Jan.-Sept.)
United States.....	53.8	75.6	86.9 (Jan.-Nov.)
U.S.S.R.....	183.4	293.4	362.3 (Jan.-Aug.)

In the majority of industrial countries the depression reached its lowest level in 1932. Some countries, including the United Kingdom and most of the other countries which left the gold standard in 1931-32, have not only reached, but surpassed, the pre-depression level of activity. But in the United States, the volume of industrial production last year was still appreciably below the 1929 level. In Japan, industrial activity declined only slightly during the depression, while the U.S.S.R. continued to make rapid progress.

During the past few months, however, world recovery has tended to become more general. The expansion of industrial activity has reached a stage where the world's output of primary products can once more be sold at remunerative prices. Indeed, prices of raw materials and crude foodstuffs have taken a strong upward turn, and in some cases are again approaching, or have already risen above, the 1929 level.

The implications of the rising trend of prices are very far-reaching. The volume and value of international trade, for example, may be expected to increase in the immediate future. The decline in the value of world exports of primary products and semi-manufactured articles between 1929 and 1935, amounting to some £1,500 millions, indicates the scope of the changes in international trade which will be facilitated by a further rise in prices. Moreover, the improvement in the purchasing power of primary producing countries should be accompanied by a considerable expansion of trade in manufactured articles. Many fetters still hamper the exchange of commodities between countries and are likely to prevent the proportion of world production which enters international trade from reaching its former level. But in spite of this serious handicap we may expect a considerable expansion of international trade during the next few years.

A Road and Rail Controversy

1: The Road Transport Case

Should road transport adopt the railway system of charging "what the traffic will bear"? The question affects every transport user; and the answer may have far-reaching repercussions on the future relationship of the two services. The following article summarises the views of an expert in road transport. The railway reply will be given in a subsequent article.

No feature of modern life is more typical than the daily increase in the volume of traffic carried on the roads, and no problems are more acute than those to which road transport has given rise. Humanitarian considerations demand a sharp and lasting decline in the loss of life. Efficiency requires an improvement in the making and maintenance of roads. It is no less needful for the sake of economy that the waste of energy and resources entailed by the lack of co-ordination among the different providers of transport facilities should be eliminated. Action has already been taken; road transport has been subjected by statute to stringent regulation, and restrictions have been imposed by the licensing system. The wider problem of the relation between road and rail transport has been investigated by the Salter Committee; but there still remain issues which provoke much controversy, and of these none is more debated or more important than the relative charges made by road and rail for the carriage of commodities.

Closer co-ordination between road and rail goods transport must follow from the licensing of the road haulage industry, and the use of this system to maintain an equilibrium between supply and demand, favourable to the sellers of road transport facilities. The crux of the problem lies in charges, and it has been contended that, because the theories of road and rail rates are different, co-ordination can only be achieved if road transport adopts the railway system of charging or *vice versa*.

Road haulage charges are determined by competition, for the industry cannot for long quote rates either below the haulier's costs of performing a particular piece of work or above the cost to the trader of doing it himself. There is thus not much room for a rates classification. The argument of the road interests is that, if railway rates were made to correspond to their "cost of service," an automatic division of function would be obtained by which the trader would naturally send his traffic by the cheaper agent.

Railway rates are based on a classification, by which traffics are graded into 21 classes, roughly according to their value in relation to their weight. The argument is that consignments must be charged according to "what the traffic will bear"; all must cover the direct costs involved in their movement, but the contribution towards overheads will be greater from high-value than from low-value traffics. Low-value traffics are carried for less than they would pay if they covered their full costs, and high-value traffics pay less than they would if the low-value traffics were not carried.

This classification system can only work effectively under a monopoly. Where there is competition, the high-value traffics, charged more than their full costs, are the most vulnerable, and from this arises the complaint that the road haulage industry has skimmed the cream off the railway business. There has, therefore, been a tendency to undermine the classification system by granting exceptional rates and, since 1933, "agreed charges" to meet road competition. At the present time, only 31 per cent. of railway freight revenue is derived from traffics carried at standard rates.

This tendency for rail rates to fall where the traffic is competitive is shown in the increasing length of the average haul of merchandise rather than in the average receipts per ton. The average receipts per ton for mer-

chandise and livestock fell only from 17s. 6½d. in 1923 to 17s. 5½d. in 1935, but the average length of haul rose from 84.1 miles to 104.5 miles. For minerals and merchandise the receipts per ton were 5s. 1½d. and 5s. 3½d. in the two years, and the length of haul 54.2 miles and 63.8 miles, while for coal, coke and patent fuel the receipts per ton were 3s. 7½d. and 3s. 7½d., and the length of haul 42.4 miles and 42.2 miles.

Since the existing localisation of British industry is in part the result of the railway rates structure, the railways' suggested solution of the rates problem is for road hauliers to base their rates on the railway classification. The hauliers contend, however, that this is impracticable, since under it they would lose business to traders' own vehicles, and each of the 26,000 operators would tend to concentrate on the highly-rated traffic and avoid the low-rated.

Is there, in fact, a difference between road and rail rates corresponding to the divergence in theory? A study of the figures suggests that, in practice, road and rail rates are such as to give *much* the same average net return *per load* for all classes of traffic. The fact that road rates are based on costs does not imply that the rate per ton is the same for all commodities; there is, in practice, a natural classification system for road rates based, not on the value of the commodity transported, but on a number of factors which affect the costs, such as bulk, the number and frequency of consignments, and the ease of handling, loading and packing.

The following table analyses the railway position as far as possible:—

RAILWAY RESULTS, 1935

	Receipts per ton (excl. Free-hauled)	Average Receipts			Average Wagon-load at Starting Point	Average Length of Loaded Wagon Haul	Wagons (Loaded and Empty) per Wagon Forwarded
		Per Loaded Wagon-mile	Per Loaded Wagon Forwarded	Per Wagon-mile Loaded and Empty*			
Merchandise	17 5½	5.467	2 9 0	4.557	2.92	107.6	154.9
Minerals, etc.	5 3½	9.011	2 7 2	4.957	9.53	62.8	117.8
Coal	3 7½	9.063	1 14 6	4.532	10.11	45.7	91.4
Average.....	6 4	6.898	2 2 3	4.605	7.10	73.4	121.1

* Based on an estimate of 50 per cent. empty wagon-miles for coal traffic and 45 per cent. empty for minerals and classes 1-6.

† Average loaded wagon-miles per wagon forwarded.
‡ Classes 7 to 21, and livestock.
§ And merchandise classes 1 to 6.
|| Including coke and patent fuel.

The difference between the receipts on a wagon-load and on a wagon-mile basis for the different categories of traffic on this showing is surprisingly small, in view of the difference in the receipts per ton. The explanation lies in the variations in the loading factor obtained. It is not more profitable to haul merchandise many more miles than minerals or coal, even though a greater return is shown. Coal is relatively cheap to haul compared with merchandise, and, moreover, the annual loss of £800,000 by the railways on collection and delivery charges is almost entirely attributable to merchandise traffic, on which it averages 4d. per ton. Thus the net return per wagon-load does not vary greatly for the different classes of railway traffic, and it would appear that in practice rail rates are nearer to "cost of service" than might be inferred from the average rate per ton.

If the railway rates classification does correspond reasonably closely with "cost of service," then the co-ordination of road and rail rates can be achieved without sacrificing the railway rates structure. It might be modified to secure a better division of function between road and rail, in the direction, probably, of increasing the rail rates for short-distance and cross-country work and reducing them for main-line trunk services. Road transport is, in general, better suited than rail for cross-country work, and the main-line trunk routes give the railways the best net return. The danger is that the much-needed co-ordination of road and rail transport may be delayed by the exaggeration of the difficulties involved in bringing the two rate systems into line.

Notes of the Week

The Air Programme.—On Wednesday Mr Simmonds, Conservative Member for a Birmingham division, moved a resolution in the Commons urging the inadequacy of our air strength, and calling for an acceleration of the Government's expansion programme. He declared that of the 71 new squadrons due by March 31st under the 1935 expansion programme (to a total of 1,500 first-line machines), only 26 complete squadrons were ready; and he explained that many of those ready were only half-manned, giving a false impression of completion. At the current rate of progress, the programme would be one or two years in arrears by the time the 1935 expansion had been carried out—to say nothing of the extra 250 first-line machines of the 1936 additional programme. Our factories were hopelessly congested, deliveries were much in arrear, and primary supplies of materials were inadequate. Mr Simmonds urged the need for a reserve of such materials. Captain Balfour, seconding the motion, proposed that we should buy foreign aircraft for the immediate future.

Sir Thomas Inskip, Minister for Co-ordination of Defence, said the strength of the new programme depended on the number of reserves behind first-line machines—there were large numbers of such reserves—and on the striking power of the various machines and squadrons. Squadrons had been re-equipped with later types of heavier armed, faster machines; the numbers of such machines per squadron had therefore been modified; more medium and heavy bombers than fighters and light bombers were now being provided. Eighty-seven squadrons had been formed, 13 of which were "one-flight" squadrons only; 100 would be formed by March 31st, when the 124 of the programme should be ready. Of the 100, 22 would be on a one-flight basis. The remaining 24 should be ready by July. The time-lag of which Mr Simmonds spoke could not, to the best of the Minister's knowledge, be more than three or four months. Mr Churchill then declared that of the 100 squadrons to be ready by March 31st, 22 would be of one-flight only, with perhaps three officers apiece only, instead of 18 or 19. Reckoning full squadrons, he estimated we should be 46 short of 124 squadrons by the end of March.

Migration in the Empire.—One of the signs of returning prosperity is a revival of interest in migration to the Dominions. Parliamentary debates on the Empire Settlement Bill, however, have lacked spirit. Experience during the depression has saddened many enthusiasts, while those who still preach migration cannot evade the powerful facts that tell against it—the fall in the birth-rate, the mechanisation of farming, and the restriction of primary production. Several Opposition critics of the Bill asked why the matter should be regarded as urgent. Its urgency is administrative rather than economic. The existing Empire Settlement Act expires next May, and the Government wish to prolong its machinery lest they should be found unprepared when economic forces again produce a need for large-scale migration. In view of the advice they have received (both from Lord Astor's Committee and from the Malcolm MacDonald Interdepartmental Committee) that emigration to the overseas Empire is most unlikely to return to the pre-depression scale, the Government show an extraordinary optimism, or excess of precaution, in setting a maximum of £1,500,000 to the amount to be spent under the Act on migration schemes in any one year; for the peak figure in past experience was only about £1,250,000. At the same time, however, they are taking powers to contribute up to 75 per cent., instead of 50 per cent., to the cost of assisted migration schemes. The Dominions Secretary reported in the House that the Canadian and New Zealand Governments were not yet ready to welcome assisted migrants, and that inquiries among the Australian states

by the Commonwealth Government had elicited positive replies only from Queensland and South Australia. There has been, it is true, an ebullition of interest in migration in New South Wales, where opinion is crystallising round the idea that the migrants should be skilled industrial workers, and that with men must come capital. Mr MacDonald himself stressed the manufacturing as opposed to the agricultural needs of the Dominions, rightly adding that as our own industry revived we could spare few skilled industrial workers to go overseas.

Meanwhile, General Smuts has been predicting a great future for South Africa as a populous and important state. Hitherto the Union has not ranked among the chief immigrant countries of the Empire. The prosperity of the Rand, however, has provided a new stimulus, and the inflow of European migrants has created difficult problems of its own. Dr Malan's motion for the exclusion of Jews was opposed by the Government; but the latter immediately introduced their own Bill regulating by individual licence the immigration of non-British subjects. The Government admitted that the Bill was intended to check Jewish immigration. If anti-Jewish feeling, indeed, is growing strong in South Africa, prevention of immigration may be a lesser evil than action against the Jews inside the country.

Canada: a Judicial Committee Ruling.—As we go to press the Judicial Committee of the Privy Council in London has ruled as invalid five Acts passed by the Parliament of Canada. The Acts were passed to give force to Mr R. B. Bennett's New Deal proposals of 1935; and appeals were made to the highest Court of the Empire on Constitutional matters by certain Canadian Provinces. These Provinces had already received negative judgments on their appeals to the Supreme Court of the Dominion; and they therefore exercised the right which still remains to them, despite the Statute of Westminster, 1931, to appeal on matters affecting their State rights to the Judicial Committee in London. By itself this is an interesting legal and constitutional point; for the Irish Free State's position is officially that of Canada, and Mr de Valera has gone so far as to abolish all rights of appeal to London; and the recent case of Western Australia reminded both the Dominions and ourselves that the functions of the Judicial Committee within the Commonwealth have not yet been fully clarified.

The appellant Provinces of Canada in the present case objected first, and unsuccessfully, before the Canadian Supreme Court that the Dominion Parliament had no powers to pass the Acts of which complaint was made. They took their stand on the rights accorded them by the Constitution of 1867. The Acts were to establish Dominion systems of unemployment and social insurance on British lines, labour exchanges, national marketing of primary and necessary products, and a Dominion Trade Commission. Lord Atkin, delivering judgment in five of six appeals, ruled invalid the Weekly Rest in Industries Act, the Minimum Wages Act, and the Limitation of Hours Act, though the Dominion Parliament urged they were implementations of international conventions. Lord Atkin said the Parliament should only legislate on provincial matters by co-operation with the provinces. It is interesting to note that the Judicial Committee upheld the Canadian Supreme Court's approval of the legislation prohibiting preferential rebates and selling at unreasonably low prices to eliminate competitors; but it ruled *ultra vires* the Natural Products Marketing Act. The system of Dominion standard marks for produce complying with

Dominion standards was approved. It is impossible to say, as yet, how much of Mr Bennett's New Deal stands up to these final legal decisions.

Mr Runciman in Washington.—The President of the Board of Trade was careful to explain when he left this country for America that his journey was concerned exclusively with his private affairs, and that though he would visit Washington it would be merely of courtesy, however, have apparently necessitated considerable excursions into public affairs. To judge by the reports, Mr Runciman and various members of the American Administration have been engaged on the first stage of negotiations for a trade treaty between the United States and the United Kingdom. These talks are still necessarily in a very preliminary stage and have apparently progressed no further than an exploration of the general basis, if any, of such a treaty. It is earnestly to be hoped that the later and more detailed stages will be reached as soon as possible, for few things could give greater encouragement to the movement for freer trade than an agreement between the world's two greatest commercial nations. It is as well, however, to realise the limited scope of such a treaty. According to American law it must be reciprocal; that is, the concessions offered by either party must be approximately equal. But on the British side there are two very large obstacles to any really far-reaching reciprocal agreement. In the first place, American sales to the United Kingdom are very much greater than British sales to the United States, and if the British Government were to pursue the policy it has followed in all its other agreements, it would insist that one of the principles of the new treaty should be a nearer approach to balance between imports and exports. This could only mean that America would be asked to give much larger concessions than she would receive.

But though this difficulty could be cleared away, it is a little difficult to see what large concessions to American trade could be given. Any attempt to reduce duties on American agricultural products would be blocked by the terms, and by the whole theory, of the Ottawa treaties. Reductions of duties on American manufactures, such as automobiles, would be resisted on the ground that the British industries which would be affected are vital for national defence. These difficulties have been realised in America, and it has been suggested that the conclusion of a treaty would be of such great value that the British Government should regard it as a matter of high policy. But even in the realms of the highest policy it is a little difficult to imagine the Government abandoning either British and Dominion agriculturists or the domestic motor manufacturer. An Anglo-American Trade Treaty would indeed be of the greatest value. But it would be myopic if Britain merely concluded an agreement with America for its moral effect rather than for its practical influence on the course of Anglo-American relations, economic and otherwise. We hope the negotiations which Mr Runciman has initiated will not prove one more illustration of the severe limitations which the British Government's policy imposes on its own freedom of action.

Dockyard Dismissals.—Whatever the events which led to the summary discharge of five dockyard workers, unheard and undefended, the Government does not seem to have handled the episode in a way calculated to dispel uneasiness. The Admiralty began by refusing to make any further statement. Questioned in the House, the First Lord disclosed that his lips were sealed in the interests of public policy; but at least he admitted that the dismissed men had been given no chance to vindicate themselves before a body of Civil Servants (including some members of departments other than the Admiralty) which had reviewed their case. The steps

taken by the Leader of the Opposition and the trade unions to ventilate the matter further echoed a considerable body of anxious opinion. That sabotage in the Services should be rigorously prevented, and that publicity would be injudicious, are propositions to which most people would agree. But the fact remains, and the speeches of the First Lord and the Prime Minister in Tuesday's debate on the vote of censure did nothing to remove it, that to deprive men of their livelihood on Secret Service evidence, without any opportunity to defend themselves, is contrary to the liberty of legal redress inherent in democratic practice. Subversive activity cannot be tolerated; the machinery of Secret Service espionage cannot be made public; *salus populi suprema lex*. But some method of hearing appeals against summary dismissals *in camera* would do much to persuade public opinion that justice was as adequately protected as possible in difficult circumstances.

Palestine Reservists.—Some warmth of feeling was generated in the House of Commons, on Friday of last week, by the failure of some 500 of the Army Reservists who were taken from their civilian employment, last summer, to serve in Palestine, to secure reinstatement in their former employment. It is true that some 300 have found other work, and that steps are being taken by the War Office and the Ministry of Labour to secure employment for the remaining men. Nor can it be presumed that all these men would have retained their jobs, if they had not been drafted abroad, since in many cases the work they had was temporary. Nevertheless, there was a feeling in the House, last week, that the responsible authorities might well have made more satisfactory arrangements to ensure to the Reservists the reward of security. At a time when much is heard of the inability of the Army to secure all the recruits it needs, the equitable obligation on employers to see that service abroad is not a handicap is reinforced by the argument of expediency—*pour encourager les autres*.

White Waltham.—A dangerous Parliamentary storm was just averted this week by the Government's decision to override the desire of the Air Ministry to establish a "shadow" aircraft factory at White Waltham, near Maidenhead. The Ministry's policy was defended by Sir Philip Sassoon on the ground that the site was conveniently accessible from the "parent" firms in Coventry and Bristol. Members of Parliament fiercely assailed his argument; they claimed that it was illogical and unfair to plant what would virtually be an industrial town of some 25,000 inhabitants in an agricultural area, when there were Special Areas already equipped with the necessary facilities, amenities, and skill.



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Complaints came from Tyneside, South Wales, and Lancashire, whose spokesmen were not slow to point out the anomaly of such a decision by a Government who had previously appealed to employers to locate their enterprises, wherever possible, in the Depressed Areas. Last Wednesday, Mr Baldwin announced that the Ministry, recognising the "wider considerations" involved, would seek a new site in Lancashire. So long as Depressed Areas remain, it will generally be agreed that, even when other things are equal, the balance ought to be weighted in their favour. And in this case other things were not equal, for there were obvious technical and strategic advantages in the establishment of a new aircraft factory in an old-established industrial area, far removed from London, from London's river, and from the North Sea. It is true that, in the long run, industrial location must be determined by the cost and accessibility of the factors of production. Efficiency on these counts alone would have decided against the White Waltham project.

L.C.C. Election Campaign.—Although County Council elections are not held until the first week of March, the campaign for the control of the London County Council has already been launched. The reason for this early start is that principles are at stake which affect a far wider circle than London ratepayers. For 27 years before 1934 the Municipal Reform Party governed London on the principle that low rates were the criterion of good policy. Since March, 1934, however, the Labour Party, led by the Rt. Hon. Herbert Morrison, have been in control; and they have adopted a policy of extending public services, sometimes even in defiance of the National Government. Whatever party had won in 1934, an increase of rates would have been inevitable, in view of the falling rateable value of the county. The real question which is now to be decided is whether Londoners feel that they have received value for their additional contributions. During their term of office the present rulers have made a determined effort to abolish slums. In 1935-36 a record total of 2,750 flats were built, and it is anticipated that even this figure will be doubled in the current year. A three-year education plan provides for the modernisation and overhaul of all schools. Waterloo, Chelsea and Wandsworth bridges are being rebuilt, London's exit to the west and other main thoroughfares are being improved. Town planning to prevent haphazard development has been applied to the whole County area, and £2,000,000 has been offered to acquire open spaces for a Green Belt beyond. The ratepayers of London, whatever their views may be on county politics and finance, certainly cannot accuse their elected representatives of inaction.

United Front?—The executive committee of the Labour Party did not permit the picturesque assets of Sir Stafford Cripps' personality to outweigh the liabilities involved in his rebellious alliance with the Communist Party and the I.L.P. in the new Left Front. The Socialist League, which was with difficulty led astray by its leader into this new venture, has been disaffiliated. Its members have been asked to choose between loyalty to the Labour Party and wandering in a sparsely populated wilderness of Marxism. There seems little doubt of the upshot: the doctrinaires will continue to regard the "bourgeois" Labour Party as the "real enemy" of the working classes; a few individuals will prefer the exciting leadership of Mr Maxton, Mr Pollitt and Sir Stafford Cripps to the constitutional respectability of Mr Attlee, Mr Greenwood and Mr Dalton. But the great majority of Socialists, including most of the members of the indicted League, will realise that the future of Social Democracy, as they conceive it, must rest with the organised mass of workers, with the Labour Party and the Trade Unions. The decision of the many-sided Labour Movement has been consistently given against the Communist

solution in every possible way. And the Labour party itself is bound to enforce its policy, without regard to the rank or ability of the dissentients.

Railway Wages.—The Associated Society of Locomotive Engineers and Firemen have chosen a rather roundabout way of accepting the inevitable with dignity. A few weeks ago, the Railway Staff Tribunal rejected their claim for higher wages and shorter hours, because the railway companies could not afford it, and because it was more extensive than the claim advanced jointly by all the railway unions, and refused, in July, 1936. The delegate conference of the Society has formally disapproved of the findings of the Tribunal, and has instructed its executive committee to reopen negotiations with the railway companies. The negative end of such negotiations is not in doubt. Inevitably, the drivers and firemen will have to associate themselves with the other railway unions in the preparation of further claims, to be presented next July. They should find encouragement in the fact that this was the line of action suggested by the Tribunal. Indeed, the Tribunal went further: they forecast that it might be financially possible in the summer of this year to restore the last quarter of the cut made in wages in 1931.

A Coal Strike Threat.—The decision of the Mineworkers' Federation to take a national strike ballot over the dispute at Harworth Colliery Notts., raises issues curiously similar to those involved in the present labour troubles in the United States. A manifesto issued by the Federation last week insisted upon the right and duty of miners to join their own democratic organisation, and not to be forced into unions under employers' control or influence. The proposed national strike will be directed against what is described as "the last remaining stronghold" of the Industrial Union; and the leaders of the Federation complain of the drafting-in of large bodies of police to support the organised employers in Harworth district. Freedom of organisation must be maintained, for without it, trade union recognition and the wider liberty of the subject would be deprived of meaning. But a national strike in the coal industry would be a drastic step with direful consequences. The trade unions of the United Kingdom have won great concessions since 1931, with virtually no resort to the strike weapon. Will this peaceful progress, which has contrasted so markedly with events elsewhere, be permitted to continue unbroken?

Floods and Strikes.—Widespread floods are becoming an annual illustration of the need for strong Federal control of the American national economy. This year the floods have come rather earlier than usual and have produced greater havoc. The area mainly affected so far has been the middle valley of the Ohio between the western side of the Alleghany mountains and the Mississippi. Great cities such as Cincinnati and Louisville have been inundated, cut off from the rest of the country and threatened with famine, fire and pestilence. There have been the usual stories of levees being blown up and vast areas deliberately flooded in order to protect the lower valley. The flood waters have not yet reached the Mississippi itself, but preparations are being made for a very serious emergency when they do. The Ohio-Mississippi river provides an almost perfect illustration of the helplessness in such matters of the States. From where the Ohio leaves the mountains until the Mississippi is close to its delta, the river never ceases to be the boundary between two or more States, none of which is consequently either able or willing to undertake the responsibility of flood control. The violence of Nature has distracted attention from the growing violence of Man in the automobile strike. It is impossible yet to see which side is gaining an advantage in that struggle.

The Administration is being drawn in gradually, and the recalcitrance of General Motors Corporation is compelling it to take the workers' side, even if Mr Roosevelt were not already inclined, by political philosophy and electoral gratitude alike, to favour Mr Lewis's bid to "organise" the industry.

Alexandretta.—At the meeting of the League Council at Geneva this week, settlements have been achieved for both the Franco-Turkish dispute over Alexandretta and the Polish-German dispute over Danzig. There is a specific likeness between the two problems. Both of them are concerned with a port of one nationality and a hinterland of another—with a strong neighbouring Power of the same nationality as the port, and a weak minority in the port whose interests have been in danger of being sacrificed in a deal between the other parties. France, however, has come out with more credit than Poland; for, while the Poles have placated the Nazis by abandoning the non-Nazi German element in Danzig to its fate, the French have persuaded the Turks to agree to terms which give fair measures to the non-Turkish as well as to the Turkish element in Alexandretta.

It is now agreed that the district of Alexandretta and Antioch shall be under the sovereignty of the Syrian Republic; and the sovereign Power is to have control over the district's foreign policy and customs. On the other hand, the district is to be demilitarised under a guarantee treaty between Syria, Turkey and France; and it is to enjoy a thorough-going local autonomy; and Turkish is to be the principal official language. This language question was the last obstacle to agreement for the Turks demanded that the official language should be Turkish exclusively. It is now settled that there should be a second official language to be determined by the League Council, which will naturally designate the Arabic language. There is also to be a resident League High Commissioner; and no change is to be made in the status of the territory without the Council's approval.

—and Danzig.—While the best features of the post-war regime in Danzig have thus been introduced into the new regime for Alexandretta, the League Council, at this same session, has accepted, with small modifications, a Polish proposal for giving the Danzig Statute a further precarious lease of life by robbing it of its redeeming features. There is still to be a League Commissioner at Danzig, but he is not to be Mr Lester, and he is not to exercise any authority. The Danzig Senate is still to declare its intention of abiding by the terms of the constitution, but this is not to prevent it from depriving the non-Nazi Danzigers of political and civil rights, and keeping them in prison. In fact, the Danzig Statute is to become a façade behind which, during Hitler's good pleasure, Poland will enjoy her economic treaty rights in a Nazified Danzig in exchange for having arranged for the complete Nazification of the Free City. This Polish policy is as short-sighted as it is ungenerous; but it has a formidable precedent in the sacrifice of Abyssinia. M.M. Delbos and Eden showed some dislike of allowing the League to be exploited in this fashion. They have insisted that the new High Commissioner is to report whether the execution of his duties is, in fact, possible.

The Political Crisis in Japan.—This week, there has come to a head in Japan a political crisis which has been brewing ever since the Japanese Army ran amok in Manchuria in the autumn of 1931—if we are not to carry the story right back to the revolution of 1868. Ever since Japan first "went Western," there have, in fact, been two major political forces in the country—

the fighting services on the one hand and big business on the other. From the time of the Washington Conference to 1931, big business was in the ascendant. Since 1931, the preponderance has lain with the Army, as it lay during the Great War. The Army has now pushed its ascendancy over the Government to a point at which big business has openly rebelled in the Diet. The Japanese Army's policy resembles Herr Hitler's in being bound to bring financial ruin on big business, even though it may have a remote chance of conquering a great empire for the Army.

On the 21st of this month, Mr Hirota's Ministry was fiercely attacked in the Lower House for its subservience to the Army. Thereupon, the Diet was suspended, the Ministry resigned, and, on the advice of the Elder Statesman, Prince Saionji, the Emperor entrusted the task of forming a new Ministry to General Ugaki. At the moment of going to press, it is still uncertain whether the General will succeed; for the crux of forming a Ministry in Japan is the constitutional right of the fighting services to insist upon the Ministries of War and Marine being filled only by active members of the respective services, who are agreeable to their comrades in arms. This right gives either service a veto over the formation of any cabinet. General Ugaki is not *persona grata* with his fellow-soldiers, who have not forgotten that, as War Minister in a Minseito (Liberal) Cabinet, he once reduced the Army's strength. If on this account the Army now refuse to allow General Ugaki to fulfil his mission, they will be compelled in effect to take over the Government themselves. Only so can they carry out their avowed programme of huge budgets unbalanced by vast military expenditure, with a view to sweeping wars of conquest. This Japanese crisis is thus momentous both for Japan and for the British Empire. Nowadays, the Japanese fighting services are by no means Anglophil.

Germany and a Portuguese Colony.—At the outbreak of the rebellion in Spain, the Foreign Minister of Portugal paid a hurried visit to London to see Mr Eden. It was then reported that he had come to impress on the British Government his country's unwillingness to have any Portuguese colony bandied about by the Great Powers as a bait to attract Germany within the net of general European negotiations. At the same time he made it plain that Portugal, itself something approaching a totalitarian State under Professor Salazar's financial dictatorship, would not tolerate a proletarian Spain. This accounts for the persistence with which Britain's oldest ally has backed up the military and commissariat aid which the German and Italian totalitarian States have given to General Franco. Now this week comes a highly circumstantial report from



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Berlin that the Portuguese and Germans have signed an agreement whereby Germany receives payment for arms, etc., supplied to Portugal, by economic exploitation of Angola.

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It is reported that the well-known I.G. Dye Industry, and several iron and steel and engineering works, are presumably to exploit mines, deposits of potash, etc., in Angola, free of charges, selling or transforming the material for use in Germany. Thus, against whatever Germany sends to Portugal, she will receive proceeds in Reichsmarks or in free foreign currencies: a consummation which Dr Schacht devoutly wished in public recently. It is said that, in such circumstances, political sovereignty over the exploited area is not important. For the time being, that is true. But German industry will need to find the capital to exploit Angola; and at a later date, the political orientations of Portugal and Germany may be found to conflict; in which case sovereignty of Angola may play a big rôle. Incidentally, the Government of the Union of South Africa must be viewing this latest advance of German influence with some misgiving. It was only the other day that they regulated the status of the Nazi Party in South-West Africa. Angola is contiguous with South-West Africa. It is also a good strategic position commanding the route to the Cape, should Britain ever have to back completely out of the Mediterranean.

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A Revival of German Investment.—The German Institute for Business Research estimates the total amount of capital investment for extension and replacement last year at Rm. 13,500 millions. As the following table shows, investments during 1936 practically reached the post-war peak of 1928:—

	Investments in Rm. millions	Per cent. of Total falling to	
		Public	Private
1928	13,758	59.7	40.3
1932	4,247	63.5	36.5
1936	13,500	72.3	27.7
1933/1936	38,357	71.0	29.0
1926/1929	50,312	61.6	38.4

Total investments in the four years of Germany's industrial rationalisation (1926 to 1929) were considerably higher than those in the first four years of the Nazi regime. But the share of public investments increased from 59.7 per cent. in 1928 to 72.3 per cent. in 1936—a notable increase of State activity. The influx of foreign loans amounting to Rm. 4,781 millions from 1926 to 1929 largely helped in financing the rationalisation, which enormously increased Germany's industrial capacity. This rationalisation in turn facilitated the rapid production of armaments in the last three years.

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From 1933 to 1936 Germany received no new foreign loans. Private capital issues were negligible. Public works bills, later known as re-armament bills, replaced the hitherto normal methods of financing. In fact, all private

The British and Polish Trade Bank A.G., Danzig

Paid-up Capital: D. Gulden 5,000,000.—
Reserves: D. Gulden 3,527,571.57

Chairman: Sir William Grenfell Max-Muller,
G.B.E., K.C.M.G.

Vice-Chairman: Józef Kozuchowski.

Joint Managers: Stanisław Pawłowicz and
Philip Frederick Rann.

Assistant Manager: Aleksander Kowalski.

The Bank was formed to facilitate Exports and Imports
from and to Poland, including Danzig.
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capital issues were, and still are, prohibited. Only thus was the Government able to manage and employ the capital market to consolidate the dangerous mass of short-term debt, amounting to Rm. 4,200 millions at the end of 1936. Excluding tax remission certificates, mortgage debentures, and municipal debentures, German capital issues have developed as follows:—

	Public Loans	Private Loans	Bonus Shares	Public Loans as per cent. of Total
(In million marks)				
1928	663	294	1,339	28.9
1932	248	10	150	60.9
1933	71	2	91	43.3
1934	75	4	143	33.8
1935	1,636	3	156	91.2
1936 : 10 months...	1,937	48	379	92.9

The table needs no comment. During the first ten months of 1936 private capital issues increased to 427 million marks, largely due to the reconversion of the Stahlverein and the Commerz und Privatbank into private concerns, and to the reconstruction of the three most important German shipping companies. Now the German Press announces pending issues of nearly Rm. 100 millions of private industrial loans. The capital is to be raised for the erection of plants for producing oil from coal under the Four-Year Plan. It is to be raised as follows: Rm. 10 millions by the Chemische Werke Essener Steinkohle A.G.; Rm. 22.4 millions by the Mühlheimer Bergwerksverein; Rm. 24.5 millions by the Hoesch-Köln Neussen A.G., Dortmund; and Rm. 10 millions by the Krupp A.G. There are also smaller issues for new staple fibre plants in Thuringia, and for extension of copper production. Thus private capital issues are expected to increase rapidly. In fact, the Government is just about able to finance the current re-armament programme proper; but the financing of the raw material production programme must be left to industry and the private capital market.

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An Electricity Supply Grievance.—A number of comments and criticisms of the working of the Electricity Supply Act of 1926 have reached us from an expert correspondent. The writer admits the undoubted efficiency in planning and administration of the Grid scheme under the Central Electricity Board, but suggests that the financial arrangements made between the Board and the companies and municipalities who own stations are inequitable. The whole cost of output, including that of electricity retained by the owners and electricity taken by the Board, is initially charged to the Board. The Board in most cases recharges the owners with costs "as they would have been if the Act had not been passed." Thus, it is alleged, the Board pays only for the additional fuel, oil, water and repairs necessitated by the working of the Grid; no contribution is made by the Board for the payment of interest, depreciation, debt-redemption or management. In this way, it is contended, the Board enjoys "free use" of the owners' plant, regardless of the shorter life of plant under intensive Grid operation.

* * *

It is true that the interlocking of stations under the Grid scheme makes it unnecessary for companies and municipalities to maintain spare or reserve plant. But the recharge made to owners by the Board includes interest, depreciation and other charges on so-called "ghost" plant, available under the Grid in times of stress. It is also true that, when special plant has to be set up for Grid purposes, the Board does bear the capital cost. Moreover, owners have not so far suffered any actual loss, since their extra running costs are met by the Board. But the loss will be felt, it is claimed, when the time comes to renew plant, which will come sooner than it would have done under non-Grid operation,

because plant is more intensively used. The provision of the 1926 Act, that owners may then claim temporary relief, merely complicates and postpones the problem.

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There are two main obstacles to the redress of this alleged injustice which is stigmatised by our correspondent as "Nationalisation without Compensation." The Central Electricity Board cannot give any compensation, or make any contribution to capital costs, without a legislative amendment of the financial restrictions laid down in 1926. Moreover, it is pointed out, a minority of owners of supply stations do not lose by the existing arrangement, since they accept the Board's charges on area tariffs which, in their cases, "are less than those calculated under independent or non-grid costs." They are not anxious, therefore, to see any change effected. If the implications of this criticism are correct, if the Board is using private plant without making an adequate payment, and if the more efficient owners are suffering, while the less efficient relatively benefit, our correspondent's complaint deserves consideration in the proper quarter.

* * *

Declining Population.—The attention being paid to the future course of the population of the country is constantly on the increase. The latest evidence of this is the interesting paper read by Mr. F. J. C. Honey to the Institute of Actuaries last Monday. Mr Honey has attempted to make a more rigorous estimate of probable changes in the next few decades than has yet appeared. Estimates of this kind depend, of course, on the assumptions made. Mr Honey has made what appear to be the conservative assumptions that the present trends of change both in fertility and in mortality will be continued. The results he reaches are not notably different from those obtained by other statisticians. He has not extended his estimates further than the year 1971, and he predicts a population for Great Britain in that year of 38,492,000. At first sight this conclusion would seem to refute the alarmists. But first appearances are deceptive. The figure relates to Great Britain, while most other estimates have been for England and Wales. Secondly, it is common ground that the rapid fall will come more than thirty years hence. If Mr Honey's figure be compared with Dr Enid Charles's three alternative estimates, and rough correction made for the population of Scotland, it will be found that Mr Honey's figure for 1971 is only slightly higher than the lowest of Dr. Charles's. But this lowest estimate of Dr Charles, when continued, indicates a population of only 4,400,000 for England and Wales in 2035. It would seem to be a pity that Mr Honey did not continue his estimate a little further to confirm, or refute, this alarming forecast. Mr Honey's paper contained a number of interesting reflections on the effects of a declining population. In particular, he suggested that, owing to changing age distribution, the total funds of life insurance companies in this country may soon be reaching their peak, and that the growing proportion of elderly people in the population will lead to a steady increase in claims, while the thinning ranks of younger men will produce a steadily falling volume of new business. Changes of this sort are much more imminent than the fall in the total numbers of the population, which is still a generation ahead.

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Shipping Recovery Continues.—The expansion of world activity and commerce, discussed on page 226, is revealed by the latest returns of laid-up shipping tonnage in this country, published by the Chamber of Shipping. At the beginning of this year only 192,800 net tons of British shipping was unemployed, compared with 423,200 tons a year ago and over 2,000,000 tons in 1932. A third of this total consists of vessels which have

been laid up for more than a year and are relatively inefficient, while a further 45,000 net tons consists of tankers, subject to an international restriction scheme. Thus it is literally true to say that the problem of unemployment in shipping has been solved. But since the world's commerce is now on the upgrade, and as new vessels cannot be built at short notice, there may soon be a problem of scarcity. Moreover, as freight rates have already risen above the average for 1929, the shipping subsidy has proved self-liquidating. The index of freight rates of the Chamber of Shipping, which is used as a sliding-rule for the subsidy, was 104.2 (1929 = 100) in October, 104.3 in November, and 127.5 in December. Hence, the Board of Trade decided last week that no subsidy payments should be made for voyages, or parts of voyages, carried out in 1937, "unless and until the fact is established that the average level of freight rates for the year is less than the average for 1929." But although freight rates may show a seasonal decline during the slack season, the average level for 1937 is unlikely to be lower than in the pre-depression years.

* * *

Ship Valuations for Insurance.—The first lesson learnt by the student of insurance is that a policy is a document of indemnity and nothing more. Later on he learns that every marine policy is something quite different from an indemnity because in case of loss it undertakes to pay an agreed sum irrespective of the actual value of the article. It deals not in true values, but in insured values; and if that insured happens to be the greater of the two, then the assured gets something greater than an indemnity. The difference is most noticeable in policies on hulls, which are usually effected for twelve months and carry the same insured value throughout the period, without reference to changes that may be taking place in the value of tonnage. The anomaly, in fact, goes further than this, since the insured value may remain unchanged for years even though a shipping slump may have succeeded a boom, and for technical reasons marine underwriters are more concerned to maintain the insured value at a high figure than to correlate it to the true value. This practice has been seriously criticised by the Courts, and a committee was recently appointed to consider the matter. It now reports that, while there is no evidence of ships having in recent years been thrown away for the sake of a too high insured value, it would nevertheless be better if underwriters insisted in their policies on a dual valuation. That means one figure payable in the event of a total loss and another figure up to which partial losses may be paid. This method was introduced some years ago, but it has never been popular with shipowners. In view of the recent rise in the value of tonnage it is not

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at the moment a matter of urgent importance. Theoretically, the single valuation system is indefensible, but whether it is really so objectionable in practice may be questioned.

More Road Passenger Vehicles.—The Fifth Annual Report of the Traffic Commissioners in Great Britain shows that, for the second year in succession, the number of road passenger vehicles in use has increased. In 1930 the number of omnibuses and coaches in use was 52,648. The Road Traffic Act of that year placed all omnibus and motor-coach services under the control of the Traffic Commissioners, and their total declined in 1931, by nearly 14 per cent., to 46,230. Subsequent changes have been as follows:—

Year ended December 31st	No. of Vehicles Licensed	Passenger Journeys (Millions)	Passenger Receipts (Millions)	Vehicle Miles (Millions)	Receipts per Vehicle Mile
1931	46,230	5,269.5	58.4	1,318.9	10.68
1932	46,458	5,344.9	58.2	1,323.7	10.61
1933	45,393	5,424.0	58.1	1,313.0	10.67
1934	45,785	5,722.1	60.0	1,345.8	10.77
1935	46,437	6,031.5	62.1	1,381.4	10.85

The increase in the number of vehicles mainly reflects the development of municipal bus undertakings, particularly the substitution of buses for trams and the inauguration of services for new housing estates. The total number of operators has, however, decreased by 433 during the year, to 5,313. Absorption of the smaller operators by the large undertakings continues (see *The Economist*, July 18, 1936, page 112), but out of 5,313 operators some 4,896 still own fewer than ten vehicles. The figure of 6,031.5 million road motor passenger journeys (to which must be added 3,971.4 million passenger journeys on trams and trolley-buses) compares with 1,699.1 million (longer) passenger journeys by rail transport. The total passenger revenue by road in 1935 was £62,100,000 for omnibuses and coaches, plus £22,100,000 for trams and trolley-buses, compared with £61,100,000 on the railways.

British Crops in 1936.—That the weather did not deal kindly with the arable farmer last year is evident from a study of the Agricultural Returns of England and Wales, issued by the Ministry of Agriculture recently. With the exception of mixed corn, beans and root crops, yields were generally below average in 1936. In the following table, the acreage figures relate to the June census in each year, while the production figures for 1936 are still provisional:—

PRELIMINARY CROP STATISTICS								
Crop	Estimated Total Produce		Acreage		Estimated Yield per Acre			
	1935	1936	1935	1936	Average of 10 years 1926-35	1935	1936	
	'000 Tons	'000 Tons	'000 Acres	'000 Acres	Cwt.	Cwt.	Cwt.	
Wheat	1,623	1,378	1,772	1,704	17.7	18.3	16.2	
Barley	656	663	792	819	16.3	16.6	16.2	
Oats	1,138	1,080	1,418	1,420	15.8	16.0	15.2	
Mixed corn	71	75	93	97	15.7	15.3	15.4	
Seeds hay*	1,795	1,674	1,386	1,339	26.9	25.9	20.9	
Meadow hay†	4,842	4,733	4,643	4,689	19.7	20.9	15.3	
Beans‡	93	93	133	121	16.4	13.9	13.4	
Peas‡	31	31	42	46	14.8	14.8	8.2	
					Tons	Tons	Tons	
Potatoes	2,879	2,814	463	457	6.4	6.2	8.2	
Turnips and swedes	4,590	5,579	493	448	11.7	9.3	12.5	
Mangolds	4,567	4,885	250	245	18.7	18.3	19.1	

† Hay from clover, sainfoin and grasses under rotation. ‡ Hay from permanent grass. § For stock-feeding or seed.

Under many headings the yield per acre last year was lower than in 1935, but the decline, as a rule, was distinctly moderate.

A 15 per cent. drop in wheat production is traceable to a 4 per cent. fall in acreage and a substantial decline in the yield. A slight increase in the area under oats was more than offset by a reduction in the yield per acre, the total output being consequently 5 per cent. smaller than in 1935. In the cereals group barley made the best showing, the slight fall in the yield being insufficient to counteract the effect of an increased acreage. June rainfall was favourable for the growth of hay, but the continuance of wet weather during July seriously hampered harvesting, and the crop was consequently badly damaged in many districts. The area under root crops was reduced last year and, except in the case of mangolds, production was lower than in 1935.

Britain's Fish Supplies.—The latest Monthly Return of Sea Fisheries gives details, by volume and value, of British takings of fish during the twelve months to December 31st last; and thus makes it possible to estimate how the deep-sea fishing industry fared during 1936. The table below shows that, while British takings of white, or demersal, fish were heavier last year than in 1935, the aggregate value of the catch suffered a reduction of 3½ per cent., due to a sharp decline in prices realised for the principal varieties. However, in the depressed herring industry, an increased supply was absorbed at better prices than in 1935:—

Category	Quantity		Value	
	1935	1936	1935	1936
	Cwts. '000	Cwts. '000	£ '000	£ '000
England and Wales:—				
Cod	5,554	6,522	3,475	3,555
Haddock	1,410	1,599	1,588	1,531
Hake	429	465	1,047	978
Plaice	522	553	1,294	1,309
Soles	83	81	493	485
Total Demersal*	11,397	12,637	10,954	10,601
Herrings	2,654	2,858	868	1,212
Total Pelagic*	2,950	3,175	1,002	1,390
Scotland:—				
Total wet fish	5,506	5,065	3,852	3,788
Great Britain:—				
Total wet fish	19,854	20,876	15,808	15,719

* Including other items not separately specified.

Supplies caught by British fishing vessels are supplemented by purchases from overseas. Imports of fresh and frozen fish into the United Kingdom as a whole totalled 1,648,000 cwts., valued at £2,507,000 last year, against 1,874,000 cwts., valued at £2,545,000 in 1935. On the

other hand, the bulk of the herrings caught by British drifters are exported abroad. Total British exports of this fish were a little lower, at 3,768,000 cwts. last year, compared with 3,786,000 cwts. in 1935, but realised £2,653,000, against only £2,402,000 in the preceding twelve months.

Rubber Supplies and Prices.—Owing to the rapid increase in consumption and prices, the International Rubber Regulation Committee decided last month to revise its previous allocation of quotas for the first half of 1937. Instead of allowing exports at the rate of 70 per cent. of assessed capacity during the first half of 1937, the Committee then decided to permit exports at the rate of 75 per cent. of assessed capacity during the first quarter, and at the rate of 80 per cent. during the second quarter of 1937. Notwithstanding this increase in supplies, the price of rubber continued its sharp upward trend. The lull in the upward movement, noticeable recently, is almost entirely due to the dispute in the United States automobile industry. Realising that prices might continue to advance, the International Rubber Committee decided this week to provide for a further increase in supplies during the third quarter of the current year, by raising the export quota of the restricting countries to 85 per cent. of assessed capacity during that period. In view of the fact that output cannot be increased at short notice, the policy of the Committee is to be commended. But as current quotations, at about 10½d. per lb., are already well above the price at which efficient producers can operate at a reasonable profit, a still more liberal policy might, with advantage, have been adopted. The Committee is meeting again on March 16th. If the recent increases in quotas fail to arrest the advance of prices during the intervening period, the Committee would be well advised to consider following the example of the copper producers by suspending restriction altogether for the time being.

Wholesale Prices Checked.—The world advance in wholesale prices has at least received a check, and the past fortnight's movements have been irregular. In England, the complete *Economist* index number has risen by 0.4 per cent., but the primary products index has fallen by 0.5 per cent. This divergence is mainly due to technical reasons, and does not indicate an increase in prices of manufactured goods, with the exception of cotton yarn and cloth. In the United States, our primary products index number has fallen by 3.0 per cent., while the complete Irving Fisher index number has fallen by 0.5 per cent. The French wholesale price index number is slightly higher than a fortnight ago.

SEPTEMBER 18, 1931 = 100

SEPTEMBER 1937								
Date	The Economist Indices			Price of Gold (sterling)	U.S.A., Irving Fisher	France, Statistique Générale	Italy, Milan Chamber of Commerce	Germany, Statistisches Reichsamt
	British Complete Index (sterling)	Primary Products						
		British (sterling)	American (dollar)					
1932								
July 27th 1933	99.5	103.5	84.1	136.9	88.3	91.3	88.5	88.1
July 26th 1934	100.1	129.6	124.7	145.7	100.9	89.7	86.2	86.6
July 18th 1935	109.5	124.8	136.7	162.4	113.2	81.4	83.2	91.1
July 31st 1936	112.7	129.7	146.2	165.6	120.2	75.9	88.2	93.5
1936								
Jan. 29th	118.1	131.7	145.7	165.6	121.8	82.3	...	95.5
Feb. 26th	117.4	132.8	145.0	166.0	120.7	85.2	...	95.5
Mar. 25th	117.4	133.9	144.3	165.8	119.6	85.2	...	95.5
Apr. 29th	117.3	132.8	143.2	165.8	118.2	85.0	...	95.5
May 27th	115.5	130.1	140.5	164.3	117.7	85.2	...	95.5
June 24th	116.2	133.2	147.0	163.2	119.8	84.1	...	95.5
July 22nd	118.7	140.4	157.2	163.4	120.6	86.6	...	95.5
Aug. 19th	119.7	141.9	163.2	162.7	121.9	88.8	...	95.5
Sept. 30th	121.8	144.5	159.6	165.0	121.8	96.4	...	95.5
Oct. 28th	123.6	145.7	161.1	167.1	122.5	105.1	...	95.5
Nov. 11th	125.0	148.9	167.8	167.7	123.7	105.3	...	95.5
Nov. 25th	126.3	150.9	172.0	167.2	124.8	106.9	...	95.5
Dec. 9th	128.2	157.0	179.5	166.7	125.6	108.9	...	95.5
Dec. 30th	131.3	163.9	187.3	166.7	128.8	113.0	...	96.6
Jan. 15th 1937	133.8	165.1	190.2	166.6	131.5	115.3	...	96.6
Jan. 27th	134.2	164.2	184.5	167.1	130.8*	115.5*	...	96.6

* These figures relate to Jan. 20th.

This tendency for wholesale prices to react is on the whole healthy, for last autumn's advance had been very rapid. So far the decline is more marked in the United States than in England.

The irregularity of the past fortnight's movements in British prices is confirmed by the divergent movements of the group index numbers. There was a definite increase in "other foods," due to advances in tea, coffee, cocoa, butter and coco-oil. Most of the other groups were slightly lower.

The Economist Index

(1927 = 100)

	Sept. 18, 1931	Dec. 30, 1936	Jan. 13, 1937	Jan. 27, 1937
Cereals and meat...	64.5	86.4	88.2	88.3
Other foods	62.2	65.6	65.2	67.8
Textiles	43.7	67.5	69.4	69.2
Minerals	67.4	95.4	98.0	97.2
Miscellaneous	65.8	81.2	82.3	82.2
Complete index	60.4	79.3	80.7	81.0
1913 = 100	83.1	109.1	111.0	111.4
1924 = 100	52.2	68.5	69.7	70.0

Many leading primary products have fallen in price during the past two weeks. They include wheat, maize, Australian wool, hemp, jute, non-ferrous metals and rubber. Higher prices are recorded in the case of barley, oats, meat, cotton yarn and cloth, flax, coal, Swedish timber, and petrol. These increases are additional to those in "other foods" group, which have already been mentioned.

A World Sugar Conference.—It was announced in Geneva on Wednesday that Mr Ramsay MacDonald, President of the Monetary and Economic Conference of 1933, and Dr Colijn, Chairman of the Conference, had agreed that a new international conference should be called this year to consider the production and marketing of a single commodity—sugar. It will be held in London, probably in April. The announcement comes as no surprise to the industry. As long ago as July, 1935, a White Paper, issued by the British Government, declared the latter's belief that the industry could be set on an economic basis only by international agreement; and their intention to invite the sugar-exporting countries of the Empire to make a joint endeavour to reopen negotiations. Subsequently, the non-Empire countries established unofficial contact, through a committee, with the British Government. And, last but not least, sugar prices started to rise before the end of 1936. Within the past month, prices on the London terminal sugar market have risen by as much as 20 per cent., and they were further marked up on this week's news. Undoubtedly, agreement should be more readily obtainable in 1937 than in 1933, but the task will be far from easy. It is true that world consumption has exceeded production during each of the last four seasons, and visible stocks have been reduced by nearly 50 per cent. since 1934-35. But a considerable surplus of capacity still exists; and the world's consuming markets are so closely protected, in the interests of domestic producers, that the "free" world market covers little more than 10 per cent. of total production.

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United States

Administrative Red Tape

WASHINGTON, January 18.—The President's proposals for simplifying and strengthening the executive branch of Government have not received the attention they merit. His special message to Congress was fully reported in the newspapers, but the public has read little about them. The President has talked often in the past about his administrative problems. Having held office most of his adult life, he is a professional public servant, with a professional enthusiasm for his own problems. During his first term, he found himself beset by enormous administrative difficulties. The more than one hundred Government agencies were constantly getting into each other's way. Important and parallel functions could not be co-ordinated, and the President was repeatedly absorbed in plans for new administrative arrangements. But administrative problems are not "news." The public likes to assume that the men on the job are masters in their field.

The President was always seeking a way to simplify the functions of the Administration, while at the same time he was multiplying them many times. His efforts were not marked with success. The most deserved criticism of the Roosevelt Administration during its first term was its disorganisation. Part of this can be laid to the President himself for being unable easily to delegate authority. Anyone familiar with the work in the Departments at Washington will have heard the laments that arose of the endless delays in reaching decisions, because they had been reserved by the President to himself. The finest experts in the land rushed to Washington with the launching of the New Deal. Working for small pay, and under great pressure, they zealously mapped out innumerable plans for the betterment of the country. But one by one most of their hearts were broken, and they returned again to private life.

The history of Roosevelt's first term will never be adequately written without a full chapter about the idealism which became enmeshed in Governmental red tape, and was choked to death. For a while the Government had at its disposal the finest assortment of talent that ever assembled in a national capital. The President has been criticised for disregarding the Civil Service in his first term, without acknowledgement that the type of public servants who rallied to him was superior to anything that a Civil Service could provide. Since the campaign, the President has been quoted as expressing relief that the Republicans did not attack him where he admitted he was weakest, for the inefficiency of his Administration. It is characteristic of him to acknowledge the weakness, and to begin his second term by advocating sweeping changes to eradicate it.

Reform of the Executive

The proposals themselves can be summed up in the reduction of executive Departments to twelve, and the

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enlargement of the Cabinet to include a Portfolio of Public Works and one of Social Welfare. The Interior Department, so different from the Home Office in Great Britain and the Ministry of the Interior in France, is to be cut down. It will become the Department of Conservation, charged primarily with the administration of natural resources. Presumably, however, it will continue to administer territorial possessions and Indians. But the long duel between Secretary Ickes and the Relief Administrator, Mr Hopkins, over public works, will not occur again. The new Minister of Public Works, who will probably be Mr Hopkins, will have complete charge of Government expenditure in his line.

The President accepts boldly the Landon programme for Civil Service reform, another characteristic gesture. He is ready to include in the Civil Service every Government employee (with a few exceptions in the lowest grades) up to the Under-Secretaryships, where policy-making begins. But the President has not quite pleased the Civil Service reform specialists, because he proposes to put the Service directly under his own control, instead of under an independent Commission as at present. The argument against this is that a future President, intent on paying political debts with Government jobs, might manipulate the Civil Service.

Liberal Criticisms

The greatest opposition to the proposals is to the loss of independence by such bodies as the Federal Power Commission and the Inter-State Commerce Commission. Liberals are not unwilling to have them controlled by Mr Roosevelt, but looking back to the regimes of Harding and Coolidge, they wonder what progress could have been made, if the Commissions had been subject to their dictation. They admit the cogency of the President's argument that his proposals give to the executive branch of the Government the strength and effectiveness which under the Constitution it ought to enjoy. But they are not so much enamoured of logic as they are fearful of possibilities in the future.

One basic reform proposed by the President is the abolition of the Comptroller-General's Office. Mr McCarl, who had the post at the hands of Congress under most explicit terms of independence, built up the office to be a fourth branch of Government. Before the Treasury could hand over funds for spending by the Departments, he exacted of them the most detailed statement of how it was to be spent, and then took upon himself to determine whether the plans were consonant with the legislation which appropriated the money. Not only did this give him a veto over the President in his own branch of the Government; it consumed an unconscionable time, and hampered the Administration on repeated occasions. It also won for Mr McCarl the eulogies of all enemies of the New Deal.

At one time he was mentioned as a possible opponent of the President last year. Those who wanted a watchdog sniffing at the President's expenditure will oppose the abolition of Mr McCarl's office, although his own term has expired. But since most legal experts agree that the Constitution allows for no such powers, Mr Roosevelt will probably have the very deep satisfaction of seeing the Office closed. The President has had many blue prints of constitutional reforms on his desk since he first came into power. He has often announced these to the Press, and it now seems likely that he will see some of his plans made law.

Deadlock in the Motor Strike

NEW YORK, January 19.—Negotiations for the settlement of the strike in the General Motors plants appear to have broken down. Some of the plants occupied by stay-in strikers have been evacuated. Complete details of a very confused situation are unobtainable, but the outlines are clear enough. A majority of the workers are unorganised; the organised minority are divided among the Federation of Labour Unions, the United Automobile Workers (C.I.O.) and the Company Unions. The U.A.W., which is alleged to number about 15 per cent. of the workers, is probably the largest single organised group. It is obviously difficult to negotiate under such conditions. While the U.A.W. claim to have increased their membership since the strike began, well-informed persons state that they have lost members; and that a majority of the strikers are "professionals." In any case, the Company Unions probably comprise a majority of all the workers. It is impossible, however, to get a clear picture of what is going on.

Federal Control of Child Labour

Few American topics are more misunderstood in England than the question of child labour in the United States; the opinion that child labour is widely prevalent is accompanied by the impression that it was abolished by N.R.A. and restored when N.R.A. ended. This opinion is balanced by the horror, often expressed by returning Americans, at the prevalence of child labour in London. Child labour in the United States has been subject to State control, and is defined, either by specific laws governing factories, or in the regulations for compulsory school attendance. As a result, there is considerable diversity. Broadly speaking, minors under 16 years of age are not often employed in the United States, but industrial child labour does exist in parts of some Southern States; and children are generally "employed" on the family farm in all agricultural areas. The proposed Twenty-second Amendment to the Constitution reads as follows:—

"The Congress shall have the power to limit, regulate and prohibit the labour of persons under 18 years of age."

This Amendment was originally submitted in 1924, under the Coolidge Administration. Since then, it has had a chequered history, having been defeated and ratified successively by a number of States; it has now been ratified by 25 States; and ratification by 11 more States is necessary for adoption. The President has addressed letters to the Governors of these States urging ratification. New York State has not ratified this Amendment, yet Governor Lehmann, in urging ratification on the State Legislature, offered the opinion: "It is very unlikely that Federal standards would be as strict as those we now have in our State." Whether the adoption of the Amendment would give Congress exclusive jurisdiction and so necessitate the lowering of State standards would presumably be left to the Courts.

Uncertainty in Banking Circles

The steep rise in commodity prices seems to have been checked within the past few days. It is rumoured that consumers have resisted increases. There has also been a small rise in short-term interest rates; the New York bankers are uncertain about action which may be officially taken to reduce excess reserves. It is now six weeks since quasi-official despatches forecast such action, but no action has been taken. The consequence is a kind of nervous apprehension in the banking system; this shows itself in erratic markets for Government securities. General business continues at a high level, and shows no adverse effects of the strike as yet. It is reported, however, that the Pacific Coast is beginning to feel the pinch of the protracted maritime strike.

France

Treasury Needs and Revived Business

PARIS, January 28.—Social disturbance has died down. The Communists, at their national Congress, expressed Radical-Socialist doctrines in which Marxism had only a very small place, as an ideal for some remote future. The whole country wholeheartedly supports the foreign policy of M. Blum. In Parliament the minority is divided and powerless. The Cabinet thus appears stronger than ever. The experts, however, show great anxiety. The financial needs of the Treasury are vast and importunate, while the benefits of a revival of business—even when admitted—appear more like a long-term speculation.

It seems that the attraction of French funds abroad, combined with a certain internal grudge against the so-called Socialist Government, constitute an obstacle for the French capital market which could only be surmounted by foreign assistance, a breakdown abroad, or by a long and persistent recovery of business. The latter hope was expressed by M. Blum himself in his speech at Lyons.

Rising Prices

The rise in wholesale prices does not appear to have been as regular in January as during the preceding months, in consequence of the decline in foreign raw material prices and of the stability in the prices of French foodstuffs:—

French Prices	1913=100				
	Jan. 2	Jan. 9	Jan. 16	Jan. 23	
General wholesale index	500	501	510	511	
National products	528	528	534	537	
Imported products	449	454	468	466	
Foodstuffs	514	517	527	527	
Raw materials	488	489	497	498	

Deposits in the public savings banks, which had constantly increased till 1932, have since then regularly declined. The withdrawals were moderate during 1933 and 1934, and practically nil in 1935. But they were very large in 1936, at nearly Frs. 5,000 millions. It seems that the rise in prices, and the re-stocking of raw materials, as also the revival of business, have contributed to cause withdrawals, notably by small depositors who had been attracted during the deflation by rates of interest much higher than those of the banks.

The Direction of Foreign Trade

During 1936 the United Kingdom still stood at the head of France's list of foreign clients:—

Country	In millions of francs			
	French imports from	1935	French exports to	1936
Belgium	1,400	1,614	1,815	1,865
U.K.	1,579	1,798	1,615	1,911
U.S.A.	1,788	2,534	718	877
Germany	1,738	1,771	1,051	667
Italy	404	212	596	137

Switzerland, Holland and Argentina follow Germany, in that order. The figures of French trade with Italy are included above to show the exiguous dimensions of the recovery after the abandonment of sanctions.

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Coal Mines

Production in the French coal mines during December totalled 3,923,827 tons, in 23 working days, against 3,536,912 tons in November (21 working days), and 3,994,936 tons in December, 1935 (22.3 working days). Average daily production was therefore 170,600 tons, against 168,400 tons in November and 179,000 tons in December, 1935. For 1936 as a whole, production in the French mines was 46,146,600 tons, against 47,106,800 in 1935. The production of coke in the coke plants of the coal mines was 3,926,800 tons, against 3,893,600 tons in 1935.

Germany

The Motives of Foreign Policy

BERLIN, January 26.—The Reichstag will meet for a one-day session on January 30th. It was announced last week that Herr Hitler would reply to Mr Eden's statement in Parliament of January 19th; and it is likely that M. Blum's later address will also be dealt with. Neither of these utterances was favourably received. Mr Eden was criticised because he treated Germany as the one obstacle to a European settlement. It is realised that the German attempt to reveal Russia as the real offender has failed in Great Britain. Mr Eden's greatest offence, however, is his claim that every European State is "a potential partner in a general settlement." This old British theory of the "indivisibility of peace" is here described as M. Litvinoff's invention. Mr Eden's opinion that the alternative for Europe does not lie between Right and Left dictatorships is particularly unpalatable. Months before Signor Mussolini, Herr Hitler denounced Democracy as a preliminary stage towards Communism. In reality, however, the "ideological" motive of German policy is artificial. The main motive is to isolate Russia from France.

Law Reform

A new law to restrict the sale of agricultural land is announced. The effect is to apply generally the Nazi principle that land is not merchandise to be freely bought and sold. Permission to transfer land will be refused if the transaction is contrary to any material public interest. The Minister of Justice announces that the Civil Code is not, as was expected, to be revised. The Code is condemned as a mere relic of the past. A "reaction against individualism" will be the principle underlying the new system of private law; but this will be embodied, not in a Code, but in separate legislative acts. These will embrace personal and family law, the law of communities, associations, corporations and estates, and the law of real estate.

Speaking on the Four-Year Plan, Herr Wagner declared that high prices for raw materials must be accepted as a fact, but that means will be found to prevent any decline in the standard of living. Recent balance sheets indicate that many concerns, in particular in the steel-coal group, have sufficient liquid resources to invest in new raw material plant; but some of the pulp-paper companies, which will produce materials for the substitute textiles, are not so well off and will presumably have to borrow.

Foodstuffs, Employment and Production

Butter and fat cards are now everywhere in use. The regulations are not, however, strictly observed, since there is (in Berlin at least) an adequate supply of butter. Eggs and some other foods are still scarce and may be had only by householders who consent to buy things they do not require. A slight decline in employment was seasonal and occurred mainly in the building trades. The output of coal in 1936 increased by 13½ million tons, compared with 1935. The production of lignite increased by 10½ per cent., to 161,340,000 tons. The exports of German tubes, details of which have been published

because of the new international agreement, have risen from 94,210 tons in 1934 to a record total of 366,950 tons in 1936. In 1935, the chief customers were British India, with 32,200 tons, the United States with 17,200 tons, Holland, Argentina and Brazil. The British market was almost entirely lost, and the German delivery fell from 33,200 tons in 1931 to 1,500 tons in 1935.

Increase in Export Trade

Imports in December totalled Rm. 367 millions, Rm. 11 millions more than in November; the main increase was in raw materials. Exports totalled Rm. 457 millions, Rm. 35 millions more than in November; the main increase was in manufactures. The export surplus for 1936 was Rm. 550 millions, against Rm. 111 millions in 1935. Exports increased by nearly Rm. 500 millions. The export of manufactures rose by nearly Rm. 500 millions.

Imports		Millions of marks	
		1935	1936
Livestock and foodstuffs		1,435	1,499
Raw and semi-manufactured		2,315	2,321
Manufactured		408	397
Total		4,159	4,218
Exports			
		1935	1936
Livestock and foodstuffs		96	88
Raw and semi-manufactured		862	878
Manufactured		3,312	3,802
Total		4,270	4,768

Reich revenue from taxation in December was Rm. 1,216 millions, against Rm. 967 millions in December, 1935; and in the first nine months of the financial year the yield was Rm. 8,585 millions, against Rm. 7,190 millions in the same months of 1935. Of the increase Rm. 1,263 millions was derived from direct taxation and taxes on business. Money last week was plentiful.

The Revision of State Frontiers

By a law "Concerning Greater Hamburg and Other Territorial Readjustments," Altona with Wandsbeck, Harburg-Wilhelmsburg and a number of other Prussian communes have been incorporated in the State of Hamburg. In return Hamburg has ceded to Prussia Cuxhaven and a number of other communes. The State of Lübeck goes to Prussia, with the exception of two communes in Mecklenburg; Wilhelmshaven has been ceded by Prussia to Oldenburg; the Rhineland enclave of Birkenfeld, belonging to Oldenburg, goes to Prussia, and the Oldenburg district lying between Holstein and the Bay of Lübeck to Prussia. By far the most important of these changes is the union of Hamburg and Altona, with populations of 1,130,000 and 242,000 respectively.

Palestine

The Cost of Police and Defence

JERUSALEM, January 16.—The Government of Palestine has now issued a statement of Government finance for the first half of the fiscal year, April, 1936, to April, 1937. This covers nearly the whole period of the Arab General Strike, which came to an end early in October. The figures show a decline in revenue compared with the corresponding period in 1935, from £P3,000,000 to £P2,000,000. The principal fall was in Customs, where it amounted to over £P600,000. Government expenditure for the half-year showed an increase, compared with the corresponding period in 1935, of nearly £P250,000; this was due to the higher cost of the police, amounting to over £P100,000, and of the defence forces. Nevertheless, the finances of Palestine still seem healthy. The Government has kept intact its large surplus of over £P6,000,000, which, paradoxically, was slightly increased during the six months under review. This was partly because, during the troubles, it was impossible to carry out the large programme of public works, for which the Budget of 1936-37 had provided.

A Boom in the Orange Trade

The most recent figures of non-Government finance in Palestine strengthen confidence in the recuperative powers of the country. In October, immediately after the end of the strike, imports showed an increase over the previous month of 44 per cent., while exports amounted to £P129,000, against £P72,000 for the previous month, and surpassed the figures of October, 1935. The export of oranges, which is the principal item in Palestine's foreign trade, is expected to rise considerably this year; up to the middle of January it was 30 per cent. higher than last season. The events in Spain have helped Palestine in the competition with her greatest rival in European markets. The annual export of oranges rose from 99,000 tons in 1933 to 224,000 tons in 1935; during the same period, exports from Spain fell from 904,000 tons to 689,000 tons. Great Britain is still the principal importing country for Palestine citrus fruit; but the League of Nations' attempt to propagate the idea of better nutrition in all countries should help to secure larger markets for the fruit in many countries of Europe, where the consumption of oranges is still woefully small.

Business Confidence Maintained

Deposits in the Palestine banks rose slightly during the period of the crisis, April to October, 1936; and the deposits of the Credit Co-operative Societies amounted to nearly £P3,000,000. The value of advances made by the banks to their customers rose from six and a half to seven and a half million Palestine pounds during the period. On the other hand, owing to reduced business activity, the amount of bills discounted fell by about 25 per cent.

The consumption of electric power during recent months has been steadily rising. The figures for September and October, 1936, showed an increase of between 25 and 35 per cent. compared with the same months in 1935. A similar indication of confidence is furnished by the figures of the registration of new companies in Palestine during the last quarter of 1936. In those three months thirty companies were formed, with an aggregate capital of £P238,000. During the same three months, seven Palestinian companies increased their share capital by over £P100,000. The largest increase was that of the Arab Bank, from £P45,000 to £P105,000, which suggests that the Arabs are developing fresh enterprise.

There were fears some months ago of a recurrence of violent unrest in the spring, after the orange season was over; but although there is still great tension between the two communities, there is now less apprehension. The fact that the Arab Committee finally decided to give evidence before the Commission suggests that they are prepared to wait for the decision of the British Government, which is not likely to be announced before the summer.

Argentina

Transport Co-ordination

BUENOS AIRES, January 20.—The Message to Congress announcing the Government's intention to buy gradually, and within the limits of its resources, the privately-owned Argentine railways, which accompanied the Bill for the purchase of the Córdoba Central Railway, was for the purchase of the Córdoba Central Railway, was probably more a declaration of principle than an indication of an imminent sweeping change. The idea that the railways should be operated solely in the public interest, and not as a means of profit, was clearly expressed. Railway transport, the Message said, should have to bear only those tariffs necessary to pay the cost of material and rolling stock.

The Federal Transport Co-ordination Bill, which has now passed the Senate, provides for the creation of a Committee comprising: a President of Argentine nationality, appointed by the Government for four years and

eligible for re-election; the President of the National Roads Board; the Director-General of Ports and Navigation; the Director-General of Railways; the Administrator of the State Railways; and one representative each from the railway companies and the motor transport companies. The Bill stipulates that permission must be obtained from the Committee for the running of motor services in or between Federal territories, or between these and the Provinces, or between the Provinces and the Federal capital. The Committee will co-ordinate transport by land and water; and must approve all rates for the carriage of goods and passengers. The Minister of Public Works stated that the object of the Bill was not to protect exclusively the interests of railway capital invested in Argentina, but to contribute to the return of general prosperity. The railways, however, constituted so important a part of the public services that it was the duty of the Government to safeguard them against disaster.

The Recovery of Business

Cash revenue for 1936 amounted to 961,073,222 pesos, against 892,193,681 pesos in 1935. Revenue from credit operations was lower than last year (204,092,975 pesos compared with 312,322,848 pesos). Expenditure fell to 1,164,431,643 pesos against 1,212,994,303 pesos in 1935. The General Budget for 1937, excluding special accounts, anticipates an expenditure of 983,383,197 pesos, of which 833,932,197 pesos will be met out of general revenue and the remainder out of bond issues.

Exports for 1936 were valued at 1,652,448,641 pesos, against 1,569,349,057 pesos in 1935, an increase of 5.3 per cent. The largest increase was in the value of wool exported, which rose by 36,007,800 pesos, or 31.2 per cent. Grain shipments in 1936, compared with the two previous years, were as follows:—

(In Metric Tons)

	Wheat	Maize	Linseed	Oats	Rye	Barley
1934...	4,670,814	5,497,190	1,408,574	495,979	103,950	538,188
1935...	3,914,506	7,018,582	1,875,407	393,619	245,880	403,151
1936...	1,619,049	8,388,216	1,557,524	170,596	136,737	232,527

Maize shipments increased, while the shipment of other grains fell considerably, because maize, being a late-sown crop, was unaffected by the drought of 1935. The weather has been favourable for agriculture, and there are prospects of another record maize crop.

Thus, the end of 1936 saw the State finances in a sound position. A strenuous attempt was being made to regulate the growing trade on road and rail within the Federal districts. There was virtually a boom in the trade in wool. This satisfactory state of affairs was coupled with the expectation that the export of maize, already of record dimensions, would increase considerably during the coming year.



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Letter to the Editor

The Boom and the Budget

TO THE EDITOR OF THE ECONOMIST

SIR,—In your leading article this week you argue that further recovery will require a substantial increase in bank advances, but must not be allowed any more cash. You imply that I agree with this. You infer that a substantial increase in bank advances, unaccompanied by any increase in cash, will cause a heavy fall in gilt-edged securities and a rise in the long-term rate of interest; which is not indeed a necessary inference (since buyers for the banks' investments may be as readily forthcoming as they would be for a new issue), but is probable in the actual circumstances. Thus you wind up with the old conclusion, which I was particularly concerned to dispute in my *Times* articles, that, if the principles of "sound finance" are observed, recovery is bound to raise the rate of interest. May I try to define the issue more precisely?

In the first place, I am not convinced by your forecast that an increase will be required in the amount of bank advances up to the 1929 level. The quantity of deposits is considerably above the 1929 level (£2,210 millions, compared with £1,789 millions), and, unless the market, becoming alarmed about the prospects of the gilt-edged market, gets keen on keeping liquid, this quantity of deposits ought to support a larger national income. Thus, whilst some further increase in advances is quite likely, I doubt the need for so large an increase as the £137 millions which you forecast. This is borne out by Mr Edwin Fisher's very interesting analysis of bank advances which you publish in the same issue, from which it appears that only about a third of bank advances are taken by productive industry, merchants, etc., or applying his percentages to the banks as a whole, say £305 millions, of which the increase you forecast is about 45 per cent. Moreover, we are probably through the period of recovery at which the demand for bank advances, as distinct from new issues, is keenest, namely, when working capital is being increased and repairs and renewals are being carried through but increased cash profits are not yet to hand.

Nevertheless, since my calculations involve some doubtful factors, I am ready to admit that you may conceivably be right about the demand for advances; or, at any rate sufficiently right for the problem under discussion to reach significant dimensions. But if so, surely it must be advisable to allow some increase in the basis of credit? It cannot be wise to put on the brake at that stage and in

that way. Even your extreme hypothesis only requires an increase of £15 millions in bank cash.

For consider the nature of the two alternatives. If you force the banks to sell their investments, your policy is to reduce the price of gilt-edged securities until someone with idle cash is induced to part with it in exchange for them, thus placing cash which was idle at the disposal of the new borrowers. The other alternative is to leave the quantity of idle cash unchanged and to supply new cash to the borrowers. The former increases the velocity, and the latter the quantity, of the circulation. But to suppose that the former course prevents prices from rising is a fallacy. Prices are a function of the degree of activity. They can only be checked by reducing the activity, i.e. by not making the new advances; though to make them at the expense of the rate of interest will, of course, impair future activity. Thus your policy is the historic one—of not checking the boom, but of making sure that it is followed by a slump. Since you cannot intend this, could not the argument be reconsidered?

Yours etc.

J. M. KEYNES.

King's College,
Cambridge.

[If we have misrepresented Mr Keynes's views, we are sincerely sorry; we wrote no more than that he took "the same general line" as other economists who have written on the subject of monetary policy.

Mr Keynes himself is scarcely accurate in his statement of our own views. Nowhere in our leading article of last week can justification be found for the belief that we advocate either the deliberate increase of interest rates to moderate the boom, or even a rigid limit on the expansion of bank deposits. On the contrary, we pointed out that, were it not for the threatened Defence Loan, the dilemma of the banks (whether to increase deposits or to sell investments) "could doubtless be surmounted by a practical compromise", i.e. by some increase in deposits (but not enough to breed a wild rise of prices) and by some sale of investments (but not enough seriously to affect the gilt-edged market).

The point to which our argument was directed was that the issue of a large Defence Loan would rule any such compromise out of court and face us with the blunt alternative of an extravagant expansion in the supply of money or a sharp rise in interest rates. Mr Keynes nowhere mentions the Defence Loan. But is it not the crux of the problem? Without it, he and we both agree that the problem is soluble. With it, would Mr Keynes still be confident of avoiding a dangerous boom without raising interest rates?

The technical points raised in Mr Keynes's letter are referred to in our banking leader on page 242.—ED. *Econ.*]

Books and Publications

National Income in the Trade Cycle

THE importance of the nature of the production and distribution of the National Income has never been more widely recognised than to-day. Problems of nutrition, public finance, market analysis and trade cycle theory depend largely on statistical measurements of the income and consumption of various social groups; of the output of various industries and services; and of the accumulation of fixed and working capital. Mr Colin Clark's new book* is likely to be the standard work in this field for many years to come. In his "National Income, 1924-31," Mr Clark proved himself to be a keen and able statistician. In his present work he has been able, not only to give more accurate statistical estimates, but also to extend the range of their application. This book is a statistical reference book of inestimable value to the economist, and, in addition, it provides material for the economic historian and the economic theorist. In its breadth of interests Mr Clark shows himself to be a real social philosopher.

In his estimates of wages, salaries and incomes from property in the years 1924-35, Mr Clark mainly follows

* "National Income and Outlay." By Colin Clark. Macmillan and Co., Ltd. xix, 304 pages. 12s. 6d.

the method of his previous book, but also makes full use of the census of 1931. He estimates that money wages fell by no more than £150 millions between 1929 and 1932, and had by 1935 exceeded their 1929 level; while salaries showed even greater stability. Profits and interest fell sharply in 1931-33, but were greater in 1935 than in 1929; while rents rose without interruption throughout the whole period. Wages to-day absorb a slightly higher percentage of the national income than before the war; but there has been a distinct shift from profits to salaries, owing to the decline in the numbers of independent workers. "The working and lower-salaried classes do not enjoy a more equal distribution in the sense of their having a greater share of the national income . . . but within the wealthier classes, the distribution of income is somewhat more equal."

To arrive at his estimates of incomes Mr Clark examines in detail the net product of agriculture and industry, making full use, not only of the censuses of production of 1924 and 1930, but also of the Import Duties Acts Inquiries of 1933 and 1934. One of his most valuable new contributions is his analysis of costs and profits in various industries in 1930, 1933 and 1934. In a later chapter he carries the analysis further by estimating output per worker employed in various branches of economic activity, both before the war and in recent years.

The rôle of the State and of Local Authorities in effecting changes in the distribution of income is well illustrated by the analysis of the amount and incidence of direct and indirect taxation. On general grounds, however, Mr Clark's treatment of Government income may be open to criticism. Following English tradition, interest payments on the National Debt and other "transfers" are excluded from the total of the National Income, but indirect taxes are added in, on the ground that they are in the nature of monopoly profits, which have to be included in the value of output as a whole. An alternative method would be to treat the State in exactly the same way as a public company as regards receipts and expenses, and to include in the National Income the "true" budget surplus or deficit, after account has been taken of all capital items. Mr Clark does not, it may be noted, regard death duties as capital receipts, or the cost of warship or aircraft construction as capital expenditures.

In the last third of the book Mr Clark deals with a number of general questions, relating to the accumulation of capital, the rate of economic progress and the variation of prices and costs in the present trade cycle. His well-known figures for the output of capital goods are revised and brought up to date; and a valuable new technique is developed for relating investment to total income, and the rate of profit per unit of output to the price of capital equipment. Estimates of savings are, however, far less easy to make. Working and middle-class savings, which pass through savings institutions of various kinds, and net savings of public authorities are fairly easy to determine, but no reliable estimates are available for the savings of the wealthy. Mr Clark works out figures for company savings by applying the results of *The Economist's* sample of industrial profits. He takes the percentage of profits (after debenture payments) placed to reserve, as given in the sample, and multiplies by his own figures for the total national profits and interest. Here he appears to make a slight error, as the relevant percentage is merely the proportion of profits before debenture payments placed to reserve. This would involve a change of some 10 per cent. in his figures, which would also presumably include all or part of the total of trading losses which he calculates separately. Mr Clark gives convincing evidence that, at the present time, the contributions of the wealthy to national savings are almost entirely in the form of insurance premiums and death duty payments. Indeed, in recent years, there is evidence that the rich have been living on their capital.

It is impossible in the space of a review more than to touch on some of the most striking of Mr Clark's results. Mention must, however, be made of his fascinating analysis of Gregory King's estimates of the National Income in 1688, and of his useful summary of various estimates made during the last eighty years. Perhaps his most startling conclusions are those of the last two chapters. His final sentence, indeed, epitomises the challenging character of the whole book:—"There remain yet to be discovered the laws determining the rate of economic growth of particular communities, and the amount of capital invested seems to be an effect rather than a cause."

Shorter Notices

"The Law of Peace." By C. van Vollenhoven. Macmillan. 261 pages. 10s. 6d.

Professor van Vollenhoven, the distinguished Dutch expert on Indonesian customary law and interpreter of his fellow-countryman Grotius, is little known in this country outside the legal profession. This is a translation of his last book, written a year before his death (in 1933), and addressed to the general student of international affairs. The book is named after that part of "International Law" which ought to be its predominant part, the Law of Peace. This comprises the body of international legal rules governing the relations of nations in times of peace, including rules for the prevention of wars, and for the re-establishment of peace once war has broken out. The book traces the history of the Law of Peace from 1150 to 1932. It is a study of positive international law as it really existed and governed

the conduct of nations. This comparatively short book (261 pages) gives no more than the main conclusions of a laborious piece of research into historical fact.

The array of evidence, thus derived from the study of positive international law, tellingly suggests that lasting peace can only be established if human society is deliberately organised for the purpose of preserving international peace. Legally, this implies the establishment of an impartial supranational authority, capable of legislation, judicial proceedings and administration (including international executive forces, such as an international police). It is Professor Vollenhoven's distinctive contribution to international law that he argues this thesis on the basis of positive law, with no reference to moral or natural law.

Professor Vollenhoven considers Article 11 to be the pivot of the League Covenant. He maintains that this Article involves a legal (and not only a moral) obligation on the part of the League to stop any war once it breaks out without wasting time in determining who is the aggressor. It is the League alone which may legally use force in the international sphere, just as national police may alone do so in a local brawl. Only the League, therefore, ought to possess arms on a vast scale, while individual States should be disarmed to the level necessary for internal security. Professor Vollenhoven is, of course, realistic enough to be fully aware of the political difficulties of such a programme. But he is anxious to state clearly what legal stipulations and what actual conduct are necessary to ensure a reign of peace. In short, Professor Vollenhoven is not only an excellent jurist but also a first-class historian who displays a shrewd political instinct, and combines with it a fervent desire for peace and a keen international spirit.

To Mr Horsfall Carter, who translated the book from the French, a special word of praise is due. He has given us a model translation of a very important book.

"Statistical Year-Book of the League of Nations, 1935-1936." Allen and Unwin. 339 pages. 10s.

The new League Statistical Year-Book gives, as in previous years, a general view of the most important phenomena of a demographical, economic, financial and social order. Most of the data it contains are carried down to the end of 1935, and in other cases include also the first quarter of 1936. The tables in which they are presented facilitate, in so far as is possible, comparisons between one country and another. They relate in particular to the following matters: territory and population; labour conditions (unemployment, employment, wages, hours of work); production (agricultural products, dairy products, fisheries, minerals, metals, chemical products, electricity, etc.); indices of world production of raw materials; indices of industrial production; international trade and balance of payments; transport (merchant shipping, railways, air traffic); public finance (budgets, public debts); banks and currency questions (circulation, reserves of gold and foreign assets, exchange rates, discount rates, bank deposits, share prices, yield from bonds, issues of capital, etc.); prices (wholesale and retail price indices, prices in gold francs). Various improvements make the Year-Book even more complete than in former years.

Books Received

Essays in the Theory of Employment. By Joan Robinson. Macmillan. 255 pages. 8s. 6d.

The Economic System in a Socialist State. By R. L. Hall. Macmillan. 259 pages. 7s. 6d.

Foreign Exchange and Foreign Bills. By W. F. Spalding. Pitman. 329 pages. 10s. 6d.

King-Hall Survey. By Stephen King-Hall. Newnes. 215 pages. 6s.

Official Publications

The following may be obtained from H.M. Stationery Office, Adastral House, Kingsway, W.C.2.

The Social Consequences of the Economic Depression. International Labour Office (Studies and Reports). P. S. King. 364 pages. 7s. 6d.

Local Government Financial Statistics, England and Wales, 1934-35. Part I.—Poor Relief. 6d. net.

Collective Agreements. International Labour Office (Studies and Reports). P. S. King. 6s.

World Statistics of Aliens. International Labour Office (Studies and Reports). P. S. King. 10s. 6d.

MONEY AND BANKING

The Problem of Bank Credit

A WEEK ago we pointed out that for the London clearing banks alone advances had risen during the year ended November, 1936, by £89 millions. We suggested that if this expansion continued, either the banks would be forced to realise some of their investments or there would need to be a further expansion in bank cash. We showed that if the latter alternative were adopted, an increase of only £15 millions in bank cash would probably be sufficient to bring about the desired result, and that such an increase would not be incommensurate with the annual increase that had actually occurred during recent years.

Since our article was written, this question of the supply of banking credit and the uses made of it has been taken up by some of the bank chairmen at their annual meetings. Our general comments upon their speeches will be found in a leading article on page 221, but some of the points made are germane to our present examination of banking policy. For example, Mr Beckett, the Westminster Bank chairman, declared himself wholeheartedly in favour of cheap money, and roundly stated that at present there was no shortage of bank credit. Mr McKenna, of the Midland Bank, expressed a more guarded view. He foresaw certain dangers, one of which was the growth of a speculative bubble based upon bank loans. He made the pregnant suggestion (to which we shall return later), that the banks should concert measures for the restriction of loans required wholly or mainly to finance speculation. He also made the point that only one-third of last year's increase in the Midland Bank's loans represented new industrial or commercial borrowing. Rather less than one-third was due to further special loans to local authorities, and the balance had been taken by professional and private customers.

This question of the proper volume and distribution of bank credit is also discussed by Mr J. M. Keynes in a letter which is printed on page 240 of this issue. We may here conveniently begin by accepting Mr Keynes' point that British industry is to-day not the main borrower from the banks. Mr Fisher's analysis of Barclays Bank loans, 34 per cent. of which go to private and professional borrowers, makes that clear, and Mr McKenna's speech confirms this view. On the other hand, Mr Fisher has shown that the banks are playing an unexpectedly significant part in the financing of the building boom, while Mr McKenna implies that the official control over the issue of municipal long-term loans has thrust on the banks an important share of the financing of public works. Private and professional borrowing, of course, covers a multitude of sins, which the bankers are often not in a position to detect, let alone pass judgment upon. This makes it a little difficult to accept Mr Keynes' low estimate of the amount of bank credit involved in the industrial recovery or of the amount of the further increase still to be expected; and we notice that Mr Keynes himself is not entirely convinced. On the other hand he has certainly made one fundamental point, namely that during the upward phase of the trade cycle there are both a varying demand for bank loans and a varying tendency to repay them. In the earlier stages of revival, repayments are in excess of new loans, as borrowers regain their solvency and are able to liquidate their debts. Bank advances therefore contract, as happened in 1932-33. During the next stage fresh borrowing becomes the greater influence, and the total of loans expands. Mr Keynes now suggests the existence of a third stage, during which bank loans are again repaid, but this time out of increasing profits and

the proceeds of new capital issues. This suggestion is hardly borne out by the history of past periods of industrial activity, or indeed by the experience of last year, when, in spite of rising profits and an active new issue market, advances increased rapidly. Again, as a matter of current practice rather than theory, we are inclined to envisage a period of fresh borrowing to finance the growing activity of the re-armament industries.

Mr Keynes also discusses our two alternatives of a realisation of bank investments or an increase in bank cash and deposits, as a means of satisfying any new demand for bank loans. Bank deposits are not uniform, and it is misleading to base arguments entirely upon their aggregate size. Some, to quote Mr Keynes' words, are idle, in the sense that their owners regard them as savings, while others are active in the sense that they are continually being drawn upon and transferred from one owner to another. Mr Keynes' point can here be expressed very simply. If the banks sell securities for "idle" cash, then there is an automatic reduction in "idle" deposits. The banks now, by hypothesis, make fresh advances, which on the whole create "active" deposits. Conversely, if the banks have fresh cash pumped into them, so that they do not have to sell investments, then the increases in advances and active deposits take place without the reduction in their investments and in idle deposits. As a matter of economic theory, and quite apart from any reactions, which under the first alternative would follow a fall in gilt-edged prices, we suggest that the second alternative is the more calculated to provoke a rise in prices. For under it the idle deposits would remain in existence, and there is always the possibility that some of them might awaken and become active.

If this is a fair summary of the general banking position to-day, how ought banking policy to be directed? We can assume, as part of the data of the problem, that we are at a mature stage of the trade revival, and that we are committed to heavy re-armament expenditure, some of which may be financed by borrowing. If the decision is to borrow, it is unlikely that the authorities will choose the horn of the dilemma which involves higher interest rates.

In these circumstances, ought private demands for bank credit to be rationed? And, if so, by whom and on what grounds? Mr McKenna has already made the suggestion of concerted bank action to check borrowing by private individuals for the purpose of speculation on the Stock Exchange; and Mr Keynes prefers some form of rationing as an alternative to higher interest rates. Rationing, however, is too crude a term to employ; and it might be neither practicable nor desirable to draw Mr McKenna's rigid line between speculative and other borrowing. The better word to use is "discrimination," for that is what bankers are already doing every day of their lives. In assessing each application for a loan, a banker has regard to his knowledge of the customer, to the collateral offered, and very often to the purpose of the loan. Even in the case of a running overdraft, the banker watches that the customer keeps within his limit, and also sees that money is regularly coming into the account as well as going out.

Bankers should, it is suggested, go a stage further and agree to judge new applications by the national interest, as well as by the canons of banking practice. Obviously where a customer requires a further loan to finance the completion of a legitimate project, that should not be denied. Loans connected with re-armament or other work of national importance must equally be

granted. On the other hand, when it is the case of starting a new enterprise, the banker should look ahead and satisfy himself that there will be room for that enterprise, and a demand for its products, not only under the boom conditions of to-day, but also under such conditions as may well prevail in two or three years time. This is even more important than Mr McKenna's proposed discrimination against loans for speculation.

Such a development of banking practice would in no sense be revolutionary. It would, however, be a real safeguard against the dangers of expansion of the credit base which may be needed to float a defence loan on the crest of the trade cycle. It would be less brutal than the alternative of a sharp rise of interest rates, and to that extent we agree with and, indeed, are elaborating Mr Keynes' thesis. On the other hand, we do not regard a slight stiffening of interest rates with quite the same feelings of dismay as Mr Keynes. Interest rates are now so low that they could rise some way before they would be as high as they have been in many periods of sustained activity.

Financial Notes

The Outlook for the Franc.—The raising of the French Bank rate from 2 to 4 per cent. on Thursday came at the end of a period of heavy pressure on the franc that it did nothing to alleviate. The spot rate has been consistently held by the French Control at Frs. 105.15, but the three months' rate has been fluctuating outside Frs. 3 discount until frequent official intervention brought it back again. The outward flow of funds from Paris that this denotes is directly attributable to growing rumours that the pegged rate for the franc was to be brought down to its lower statutory limit corresponding to about Frs. 112 to the pound. The pressure was relieved somewhat on Wednesday owing to the rumours that a loan was to be raised in London. The next day it was understood that the loan would take the form of a £50 millions 3½ per cent. credit, for three months, with the right to renew for two further periods of three months. The loan is to be to the French railways, but it will assist the Treasury indirectly. Presumably, the three London houses which are believed to be arranging the loan have obtained the necessary safeguards that the sterling needed for its repayment will be forthcoming. A loan of this size may afford no more than temporary relief and may not rule out the possibility of a drop in the franc to its lower statutory limit.

The Norwegian Bank Rate Increase.—The recent increase from 3½ to 4 per cent. in the Norwegian Bank rate was not entirely unexpected. It may partly have been intended as a corrective to the recent boom on the Stock Exchange, particularly in shipping shares, and partly to check the present building boom, but it was also intended as a corrective against currency hoarding. Between January 1 and November 30, 1936, bank deposits fell from Kr. 2,854 to Kr. 2,669 millions, while the note circulation rose from Kr. 334 to Kr. 406 millions. This is indicative of hoarding as well as of more active trade, and it was felt that a stiffening of money rates was required in order to attract funds back to the banks. One cause of hoarding has been the new tax on bank deposits imposed by the Labour Government, which even on small deposits was at the minimum rate of 0.4 per cent. of the size of each deposit at the end of the year. The tax is deducted at source, and for some small depositors has been greater than the amount received by them in interest during the year. It is understood that this tax has now been modified so as to apply only to interest on the bank deposits, but in the meantime it is easy to see why deposits have been shrinking. Generally speaking, trade is sound, but some bankers feel that a small country like Norway, with a limited supply of capital, requires a higher bank rate than is necessary, say, in London.

The Foreign Exchanges.—Apart from the movement of the franc it has been a relatively quiet week in the foreign exchange market. The dollar has been fairly active from time to time, but rates have shown little variation. The extremely prosperous conditions in Sweden, due largely to the rising prices for timber, were reflected by the unusual strength of the Swedish exchange rate, which though remaining at its official level of Krs. 19.37-19.42, was consistently bid. There was also a strong selling movement in Swiss francs and Argentine pesos. This is attributed to German demand, and more particularly to the fact that the latest date for returning foreign holdings to Germany under the new penal law, is February 1st. As the German Government is in need of sterling and dollars, it was arranged that the holders should transfer their funds into these currencies in their own names, so that the Reichsbank does not appear in any of the transactions. It is understood that it is only in Zürich and Buenos Aires that German funds are still held in quantity, holdings in other centres having been transferred after the passing of previous and less drastic laws.

The Money Market.—Conditions in the money market have been extraordinarily quiet during the past week. The reason is not hard to find. The amount of Treasury bills secured by the market last Friday was no more than 24 per cent. of the tender, of which the best that can be said is that it was substantially more than the previous week when the allotment was only 5 per cent. Consequently the market has been starved of bills and unwilling to sell the few it had to the banks. Rates accordingly remain at their minimum.

	Jan. 7, 1937	Jan. 14, 1937	Jan. 21, 1937	Jan. 28, 1937
Bank rate	2	2	2	2
Clearing banks' deposit rate	1	1	1	1
Short loan rate:—				
Clearing banks	1-1*	1-1*	1-1*	1-1*
Others	1	1	1	1
Discount rates:—				
Treasury bills	1/2	1/2	1/2	1/2
Three months' bank bills	1/2	1/2	1/2	1/2

* Loans against Treasury bills and other approved bills and British Government securities within six months of maturity; 1 per cent. Treasury Bonds and other gilt-edged stocks within six months of maturity; and other collateral respectively.

As next week's tender is being raised from £30 millions to £35 millions, some improvement in the situation is expected. Outside competition is always impossible to estimate, however, and in view of the large balances that must be accumulating in London from such prosperous countries as Canada, South Africa and the Argentine, it will probably continue to be heavy.

The Bank Return.—The increase of £1.8 millions in the note circulation is a normal development for the end of the month. It accounts for the corresponding fall in the Reserve.

Bank of England					
	Jan. 29, 1936	Jan. 6, 1937	Jan. 13, 1937	Jan. 20, 1937	Jan. 27, 1937
	£ mill.	£ mill.	£ mill.	£ mill.	£ mill.
Issue Department:—					
Gold	200.5	313.7	313.7	313.7	313.7
Note circulation	397.1	462.7	455.0	450.5	452.3
Banking Department:—					
Reserve	64.0	51.4	59.0	63.6	61.8
Public deposits	15.9	13.5	12.4	13.6	12.1
Bankers' deposits	106.0	110.2	106.7	100.3	98.4
Other deposits	36.7	38.4	38.3	37.6	38.4
Government securities	80.0	93.3	83.2	74.9	78.6
Discounts and advances	18.8	14.4	12.5	8.9	8.0
Other securities	14.0	21.1	20.8	22.1	18.7
Proportion	40.3%	31.7%	37.4%	42.0%	41.4%

The slight falls in both public and bankers' deposits are such that may occur in the normal course of events. The only other movement is a change-over of about £3½ millions between Government and other securities.

THE STOCK EXCHANGE

"Gearing" and the Investor

WHEN industrial recovery swells to boom, and increased dividends and bonuses are like British victories in the Seven Years' War ("We are forced to ask every morning what victory there is, for fear of missing one")—in such an epoch Income seems a small thing beside Capital Appreciation, and every man is his own tipster. But the instability of company profits is universal and eternal; and to forecast changes in earnings and dividends is an indispensable part of the technique of every serious investor, whether the times be good or ill.

For the last four years, British industrial profits have been rising, almost without interruption. A blind man, with a pin and *The Stock Exchange Official List*, can hardly have gone wrong. But the obvious has now been largely discounted, and a period may be approaching when *selectivity* will command a higher premium. The modern investor has at his command an intelligence service far more detailed and scientific than that of pre-war days. Government returns, index numbers of prices and production, the pronouncements of statesmen, bankers, company chairmen and economists—all reveal the strength and direction of prevailing winds, both in industry as a whole and in individual industries. But before the investor in ordinary shares can translate this invaluable information into orders to buy or sell, he must consider one factor which is all too often overlooked—namely, the incidence of a given movement in total profits on the percentage earnings and dividends of an equity share.

Most British companies have debenture and/or preference capital, as well as ordinary capital; and a rise or fall of x per cent. in aggregate profits, consequently, will *never* raise or lower the residual equity earnings in exactly the same proportion. If two companies each increase their net profits from £100,000 to £150,000 (i.e. by 50 per cent.), but one has fixed charges of £10,000 and the other has fixed charges of £80,000, then the available *ordinary* earnings of the one will rise from £90,000 to £140,000 (i.e. by 56 per cent.), while those of the other will advance from £20,000 to £70,000 (i.e. by 250 per cent.). If the fruits of recovery are passed on to the companies' proprietors, the holder of 100 ordinary shares in the second company will obtain a larger increment of income, and a more than proportionate rise in capital value; for market prices will tend to discount, not merely the increased immediate rate

of dividend, but the prospect of more rapid increase in the future. To the relationship between rigid and flexible capital requirements the term "gearing" is commonly applied in Britain; in America it is usually known as "leverage." Both terms are apt and self-explanatory. The ancient philosophers agreed that, given a fulcrum and a lever of requisite length, a child could move the earth. It is even more certain that, by varying the leverage between fixed and equity capital, a modern company board can so alter the dynamics of its ordinary shares that changes in equity earnings are quite disproportionate to changes in total earnings.

The investor has only to glance down *The Stock Exchange Official List* to realise that there is no sort of uniformity in the matter of "gearing," in British company practice. Austin Motors, Imperial Chemical Industries, and Staveley Coal and Iron, for example, are all well-managed, prosperous and progressive concerns, which stand in the front rank of their respective industries. But debentures and/or preference shares account for 83 per cent. of Austin's total issued capital (at nominal value), for only 32 per cent. of Imperial Chemical's, and for none whatever of Staveley's. Austin's capitalisation is "high-g geared," Imperial Chemical's is "low-g geared," and Staveley's is "non-g geared." A given percentage increase in *total* profits means more to an ordinary shareholder in Austin than in I.C.I., and very much more than in Staveley.

In practice, as all investors know, industrial profits are seldom stable for two years together. Earnings are affected by the trade cycle, by the differing experience of separate industries within a single cycle, and by the vicissitudes of individual company fortunes within a single industry. Successful investors—and their advisors—endeavour to take account of all three factors in framing their policy. Should they not include "gearing," also, as a fourth factor? In the table at the foot of this page we have set out the relevant data for eight representative British companies, whose activities cover a wide range of industries, and whose capitalisation illustrates every stage between "high-gearing" and "no-gearing." We invite our readers to relate the respective percentage increases in total earnings and equity earnings, in the latest as compared with the most depressed recent year, to the gear ratio of each company.

The conclusions are most striking. Whether the total

"GEARING" OF BRITISH COMPANIES

Company (and Month when Accounts compiled)	Lever Bros. (Dec.)	Allied Newspapers (Dec.)	Austin Motor (July)	Vickers (Dec.)	Bass, Ratcliff (Sept.)	Imperial Chemical Industries (Dec.)	J. & P. Coats (Dec.)	Staveley Coal and Iron (June)
Issued Capital in Latest Balance Sheet (£'000)	5,430 52,870 8,500	3,500 6,750 2,000	1,084 2,900 622	3,225 8,364 4,105	3,851 1,360 2,236	Nil 22,725 49,194	Nil 5,500 14,750	Nil Nil 3,385
Percentage of Total Capital entitled to	Fixed Income 87 Variable Dividend 13	84 16	83 17	74 26	70 30	32 68	27 73	Nil 100
Date of	Worst Recent Year 1930 Latest Year 1935	1931 1935	1932 1936	1932 1935	1932 1936	1931 1935	1930 1935	1932 1936
Total Profits earned before Debenture service	Worst Year 6,177 Latest Year 7,202	446 833	525 625	702 1,101	649 849	3,408 6,707	1,810 2,006	219 380
Amount of "Fixed" Payments* (£'000)	Worst Year 5,323 Latest Year 4,989	325 519	320 259	591 591	272 265	1,583 1,591	330 330	Nil Nil
Earned for Ordinary Capital (£'000)	Worst Year 854 Latest Year 2,213	121 314	205 366	111 510	377 584	1,825 5,116	1,480 1,976	219 380
Percentage of Total Profits taken by "Fixed" Payments	Worst Year 86 Latest Year 69	73 62	61 41	84 54	42 31	46 24	18 17	Nil Nil
Changes (% in Latest, as compared with Worst Year, in...)	Total Profits + 17 Ordinary Earnings + 159	+ 87 + 160	+ 19 + 79	+ 57 + 360	+ 31 + 55	+ 97 + 180	+ 11 + 13	+ 74 + 74

* Including, in some cases, amounts provided for debenture redemption.

† Including preferred ordinary.

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movement in profits has been large or small, the discrepancy between aggregate earnings and equity earnings has been greatest in the highest "geared" companies. Between 1932 and 1936 the ordinary earnings of Austin and Staveley increased by almost the same percentage (79 against 74), but this result was secured by an increase of only 19 per cent. in Austin's profits against one of 74 per cent. in Staveley's. A recovery of 11 per cent. in J. and P. Coats's total earnings increased the ordinary stockholders' earnings by 13 per cent., while a recovery of 17 per cent. in Lever Brothers' aggregate profits raised the earnings of the fortunate ordinary shareholders by no less than 159 per cent. Both Lever Brothers and Austin have reduced their fixed interest burden in recent years by debenture conversions, and this has tended to heighten the contrast from the ordinary shareholders' viewpoint; while recent increases in the fixed capital of Allied Newspapers have had the opposite effect. The most spectacular showing of all has been made by Vickers, which has combined a particularly high proportion of prior charges to total profits, in its worst recent year, with a relatively rapid rate of subsequent recovery in aggregate earnings. Several of the companies in our list have yet to disclose their results for 1936; and as profits have presumably continued to rise, the effects of "gearing," in their case, will appear still more striking in a few months' time.

The figures suggest an obvious moral for the investor. Other things being equal, it is good policy to buy "high-g geared" shares when profits are rising and to sell them speedily when profits begin to fall. At the moment, the prospects of the American market are of special interest to British investors. Are typical American equities more, or less, "highly geared," than British equities? And how can "gearing" best be measured? These questions will form the subject matter of subsequent articles in *The Economist*.

Investment Notes

Easier Markets.—It is an eternal puzzle to the layman why Stock Exchange terminology should associate market uneasiness with easier markets. The paradox has been much in evidence this week, when the industrial share markets and some of the more speculative sections have shown the same recessionary symptoms as have been observable in the gilt-edged market ever since the turn of the year. The reaction has gone far enough to be clearly recorded by Stock Exchange altimeters. The Actuaries' Index of 178 ordinary shares, for example (December 31, 1928 = 100) has fallen from 91.6 on November 17, 1936, to 90.5 last Tuesday; and *The Financial News* index of thirty market leaders (July 1, 1935 = 100), which reached a peak of 124.9 on November 18th, is now 122.5. There has been something more than a change of mood in a market which at present sees little right where recently it saw nothing wrong. For the first time the generality of operators, as distinct from the forward-looking few, are deeply wondering whether the twin pillars of recovery—low interest rates and advancing industrial profits—are eternal. No one believes that there is the slightest probability of any deliberate official attempt to raise interest rates; and no one denies that, if there were the same economic environment to-day as three or four years ago, the authorities could proceed to take the necessary steps to preserve cheap money by a new broadening of the basis of credit. But even the bankers who have been at pains, this week, to deny the present existence of a state of boom in industry have given the impression that they fear its imminence.

Under such conditions, the market frankly does not like the prospect of a re-armament loan. And if the view gains ground that the Government can and will finance its requirements by a series of funding issues, of moderate size, rather than by direct action, the partial recovery in gilt-edged prices which now seems overdue may come about. It still remains to be seen, however, whether

The Economist's forecast—made many months ago—that the autumn of 1936 might see the peak point of industrial share values, will not come very near the mark. A further increase in disclosed company earnings is, of course, inevitable during the next few months, but share market prices have already discounted it. The market, indeed, is quick to react when published results do not come up to its more optimistic expectations, as is shown by its reception of the Thomas Tilling dividend this week. The course of market values will, in fact, be governed during the next few weeks and months mainly by expectations of the figures which will be disclosed a year hence. And the speculative operator is inclined to attach increasing importance to the probable effect of rising prices, labour pressure, and the competition of rearmament demand for available industrial resources.

* * *

Foreign Bond Chronicle.—The statement that some £20 millions has been received by bondholders during 1936, through the activity of the Council of Foreign Bondholders may be open to various interpretations. No investor, however, will challenge the qualitative assertion that the Council's work has become increasingly fruitful and essential as the capacity of the debtor countries to pay has improved. It has achieved a more equitable settlement with Bulgaria and Greece, who for long had made the merest token payments. It would be false to assume that debtor countries as a whole are yet treading the path of rectitude. Numerous South American States and Provinces—including Colombia, Costa Rica, Ecuador, Mexico, Paraguay and Peru—have made no overtures to resume debt payments, although their economic position generally is improving. These States are doubtless more attracted to Wall Street than to London, as a source of new capital. For this reason, bondholders will welcome the evidence of greater co-operation between the bondholders' organisations in the two centres. The liaison between the several Euro-

pean creditors' committees has always been close, and has been reinforced during 1936. But co-operation on the two sides of the Atlantic might well be strengthened. Important discussions on the Brazilian debt service are to be held before next September, and there are several features in the 1934 Debt Plan which call for reform. That consideration applies with even greater force to the basis of Chile's payments. It is widely believed that New York is wholly opposed to the application of as much as 50 per cent. of the specific revenues to repurchase of debts, and this case, put in co-operation, must impress the debtor. Bereft of legal sanctions for the prosecution of their claims, bondholders can protect their rights only through a solid investment opinion represented by all the creditors' organisations working in concert.

* * *

Japanese Credit.—No mere Western investor can hope to unravel the paradoxes in Japan's political situation. But their repercussions—the assassination of the Prime Minister last February and the resignation of the Cabinet less than a year later—prove one thing at least to the investor—that the Army is an increasingly turbulent factor in Japanese politics. It has burdened the Japanese "extraordinary" Budget with ever-increasing armaments demands; industry has felt the consequences in higher taxation; and savings on the internal debt which were obtained through conversion operations last year are but partial compensation for the rapidly increasing debt charges since 1932. How is the external bondholder affected? It is customary to assume, since Japan's external debt represents a relatively small proportion of the whole, that Japan has neither desire nor incentive to default, and this reasoning is still broadly true. But the tax now levied on Japanese holders of external debt—though it does not, of course, apply to other nationals—leaves only an external breach open for any future saving. In any event, the risk of budgetary and political developments is bound to produce rather wide price fluctuations in Japanese issues. The present Cabinet crisis may be "solved" sooner or later, but the realities of the Far Eastern situation cannot inspire full confidence in investors seeking remunerative openings for foreign investment.

* * *

Sheep and Goats.—The full report of the Securities and Exchange Commission on the feasibility and advisability of the complete segregation of the functions of dealers and brokers contains a considerable amount of useful material on conditions in American stock markets. The general conclusions of the reports were known some time ago; the Commission found that the combination of the two functions led to a conflict of interest which might involve abuse, and that floor trading by members exerted an undue influence on prices, incited public speculation, produced disorderly markets and interfered with the effective fulfilment of the brokerage function. Statistical evidence is produced in the report to show that floor trading was principally centred in active stocks and tended to accentuate rather than smooth out fluctuations in prices. The specialist is particularly favoured with chances to exploit his position, but the report found that since the enactment of the Securities Exchange Act of 1934, at any rate, there had been practically no manipulation of the market by specialists. During the period reviewed, specialists were found to trade against the trend more often than with it and in moderately active and inactive stocks in relatively greater degree than in active stocks. The evidence suggested, therefore, that the specialist, acting as broker for others and as dealer on his own account, had not taken advantage of his opportunities for abuse, but, in contrast to the floor dealer, had definitely contributed to the making of a continuous and orderly market. The conclusion drawn by the Commission is that control of markets must be developed gradually and not by immediate legislation. The report is valuable, not only for its examination of this particular issue, but also for the picture it gives of the conduct of stock markets in America.

New Company Registrations in 1936.—The annual total of company registrations compiled by Messrs Jordan and Sons, Ltd., invariably gives a valuable clue to the level of new enterprise and the penetration of limited liability into private businesses. The total of 13,742 companies registered in 1936 is the highest recorded, and though the "original" capital of £158,221,238 has been exceeded, it is some £21,500,000 above the preceding year. Original capital, it may be noticed, is not synonymous with issued capital, particularly for a public company which begins its official life as a £100 private company. For the second time, however, public company registrations, of which there were 418, with a capital of £49,359,643, are lower both in number and in capitalisation. Private companies continue to rise steadily, with 13,324 companies, or 97 per cent. of the total. Comparisons from 1933 onwards are given in the following table:—

Years	Public Companies		Private Companies		Totals	
	Number Registered	Capital	Number Registered	Capital	Number Registered	Capital
1936	418*	49,359,643	13,324	108,861,595	13,742	158,221,238
1933	339	39,857,395	11,054	64,888,361	11,393	94,545,556
1934	446	69,761,622	12,029	73,778,784	12,475	143,540,406
1935	430	64,870,733	12,673	81,763,377	13,103	136,634,110

* This includes 107 "Companies Limited by Guarantee" and "Associations Not for Profit" without Share Capital.

There are twenty companies with original capitals of £1,000,000 or more, against fourteen companies, the largest single registration being the £6,500,000 of Union Cinemas. Among the individual groups, land and building provides both the largest number and the largest capital. The investment, finance and banks group is a close second. The importance of building activity is apparent in the year's totals. If builders and brick and cement makers are added to the land and building group 2,587 companies result, with original capital of £35,113,348, or 22 per cent. of the total. It is consoling, perhaps, to mark the appearance of British Air-Raid Shelters, Ltd., in a year which has also witnessed the formation of 115 aircraft companies.

* * *

Insurance Share Index.—Each quarter of 1936 saw our insurance share index at new high levels. The index closed the year at 5,111, compared with 5,060 at the end of September and 4,952 at the end of March. The 1936 yearly index is calculated at 5,031, compared with 4,497 for 1935 and 3,406 for 1929. The movements of the 24 component shares are given below:—

	1934	1935	1936	Mar. 31, 1936	June 30, 1936	Sept. 30, 1936	Dec. 31, 1936
Alliance	2,208	2,316	2,525	2,478	2,478	2,520	2,562
Atlas	3,452	3,667	3,968	4,063	3,905	3,936	3,968
Caledonian	4,820	5,032	5,464	5,535	5,221	5,535	5,787
Commercial Union	4,449	4,694	4,870	4,789	4,789	4,789	4,690
Employers' Liability	2,355	2,405	2,540	2,567	2,658	2,522	2,619
Equity and Law	3,733	4,670	5,909	6,071	6,160	6,205	6,339
General Accident	10,165	12,099	14,716	14,266	14,132	14,932	15,199
Gresham Fire	4,651	5,166	5,016	4,762	4,381	4,762	4,667
Guardian	3,272	3,487	3,793	3,692	3,737	3,763	3,846
Legal and General	10,068	11,735	13,716	13,771	13,552	14,098	14,754
Life Assn. of Scotland	3,186	3,667	3,832	3,780	3,923	3,994	3,994
London and Lancashire	4,873	5,039	5,676	5,462	5,539	5,577	5,462
London Assurance	2,687	2,996	3,293	3,081	3,495	3,493	3,468
North Brit. & Mercantile	4,984	5,395	6,975	6,815	6,879	7,134	7,134
Northern	2,149	2,364	2,597	2,627	2,686	2,567	2,537
Phoenix	1,970	2,089	2,177	2,199	2,199	2,148	2,080
Prudential	3,195	3,387	3,669	3,549	3,597	3,597	3,597
Royal Exchange	4,204	4,805	5,499	5,360	5,606	5,606	5,545
Royal	2,828	3,129	3,366	3,398	3,333	3,419	3,398
Scottish Life	3,708	4,382	4,761	4,494	4,494	4,494	4,494
Scott. Union & National	4,732	4,996	5,490	5,472	5,520	5,620	5,768
Sun Fire	3,088	3,271	3,316	3,422	3,333	3,333	3,289
Sun Life	2,632	2,972	3,375	3,325	3,426	3,325	3,577
Yorkshire	3,401	3,575	4,091	3,865	4,020	4,071	4,020
Average	4,025	4,497	5,031	4,952	4,965	5,060	5,111

Last quarter's advance, however, results from a handful of sharp individual advances, like the Sun Life and Legal and General. Pluses and minuses, in fact, were exactly counter-poised, for 10 indices were up, 10 down and four unchanged.

Company Notes

Investment in Glasgow.—It has been said of the Scottish Stock Exchanges that they are in close enough touch with London to miss none of the bargains, but sufficiently remote to distinguish between a cheap share and a rank speculation. But the Glasgow Stock Exchange is much more than a mere winnowing house. It could not have become the largest among the associated Country Stock Exchanges on its dealings with London alone. Its market in local shares, in fact, is of the highest importance. The official list of the Glasgow Stock Exchange provides the clearest commentary upon the city's industrial development (which we discuss in a leading article on page 223); its rivalry with Bristol as a colonial port after the Union, its establishment of a textile industry, and its subsequent development as the world's greatest builder of ships, coupled with the growth of a local coal and steel industry. But many of the concerns whose shares enjoy a free Glasgow market also interest a far wider circle of investors.

* * *

Some Glasgow Companies.—To represent Glasgow's economic diversity by a dozen companies or so may be cavalier, but the selection at least emphasises the interest of English investors in famous concerns beyond the Border. *John Brown*, indeed, is a world-famous shipbuilding concern, while *Yarrow* is famed for boilers and destroyers. *Fairfield*, also, builds destroyers and marine machinery. Heavy industry may be justly represented by *Covilles*, which became the premier steel producer of Scotland through the acquisition of Steel Company of Scotland, and Lanarkshire Steel. Assuming normal preference dividend only had been provided in 1935, the ordinary earnings would have represented 13.4

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per cent. on the capital. The way is now cleared for dividends on the £1 ordinary shares, now standing at 31s. 3d. *Clyde Valley Electrical Power* supplies a large Glasgow hinterland exceeding 1,000 square miles. This concern has the impressive record enjoyed by all power companies, but its earnings suggest a closer link with industrial conditions than many companies would claim. *J. and P. Coats*, although actually centred at Paisley, is a Glasgow company in essence. This is a popular share among large and small investors, and greatly favoured by unit trusts. With the improvement in the company's world market—particularly America—investors may hope that last year's fall in earnings will be reversed. Among the Colonial companies, *James Finlay*, with its associated tea-growing companies, is probably best

Company and share denomination	Earned for Ordinary		Ordinary Dividend		Price of Ordinary	Yield (%)
	Previous year	Latest year	Previous year	Latest year		
Brown (John) (6s.)	(%) Nil	(%) 29.9†	(%) Nil	(%) 16.4†	S. d. 39 0	£ s. d. 3 7 0
Clyde Valley Electric (11)	8.2	8.3	8	46 0	3 10 0	
Coats (J. & P.) (11)	14.7	11.8	13.4	10	54 0	3 14 0
Coltess Iron (15s.)	21.7	27.1	15	18.5	67 6	4 1 6
Finlay (James) (11)	13.0	10.5	12.4	10	68 0	2 19 0
Fleming Reid (11)	21.7	26.8	17.1	20	103 3	3 17 6
Hurst Nelson (11)	4.2	6.9	3.4	61	40 0	3 2 6
Linen Thread (11)	9.3	13.6	6	84	37 6	4 13 6
Yarrow (11)	23.5	27.1	10	15	77 6	3 17 6

known. Textiles are represented by *Fleming Reid*, who cater for the knitter, and by *Linen Thread*, whose latest profits of £325,438 show an increase of £63,785, and comfortably cover the 8½ per cent. dividend. Finally, overland transport is represented by *Hurst Nelson* and *North British Locomotive*. The former has made satisfactory progress, but larger railway equipment orders, particularly from abroad, are essential to restore full prosperity. The majority of typical Glasgow shares are apt to feel depression and prosperity in somewhat extreme form. But, as the last three years have abundantly shown, this very fact heightens their immediate appeal during recovery. For its long-period implications we commend investors to a study of our leading article on an earlier page.

Richard Thomas Questions.—The first instalment of the financing of the large-scale development programme of Richard Thomas and Company (which was described in a leading article on page 368 of our issue of November 21, 1936) has been carried out this week. The plans, which were explained by Sir William Firth at the meeting on Monday, comprise the construction of a complete new American-type plant at Ebbw Vale—a steelworks, strip mill, sheet mill and finishing plant—and the modernisation of the Redbourn plant. Their financial aspect is a little staggering. The Ebbw Vale plant will cost £7,500,000, and the Redbourn modernisation £1,000,000. Further, the company proposes to convert its existing debentures (or redeem them in cash) and to pay off the £1,600,000 bank overdraft. This involves a total outlay of £11 millions. Towards this sum the company has therefore issued this week £7 millions of 4 per cent. debenture stock at 99½, and has offered ordinary shareholders new shares, at 13s. 4d. each, in the ratio of two for five. The fixed interest debt will thus be increased from £1½ millions to £7 millions, and the share capital from £6½ millions to £7½ millions. Even this spectacular operation, however, is insufficient to cover the whole cost of the scheme, and a balance of £1,940,000 will remain to be found, either by a new

issue at a later date or from allocations out of profits. A debenture issue of this size, with the gilt-edged market in its present temper, could hardly have been easily absorbed. The issue price offered no encouragement whatever to the stags, and about 73 per cent. of the issue was left with the underwriters. Nor did the provision for optional conversion of the debenture stock into ordinary shares at a 200 per cent. premium carry any immediate attraction for the market at a time when the shares commanded a premium of only 125 per cent. The first step in the financing has thus achieved an indifferent success.

The prospects of this bold programme, in fact, are difficult to assess. Sir William Firth showed unexpected assurance in presenting a blue-print of the profit prospects for the next three years. In 1939-40 the group is expected to earn £2,500,000 (equivalent to nearly 26 per cent. for the ordinary shares), compared with a close estimate of £1,450,000, for the year ending March 31st next, which is itself nearly double the profit of 1933-34. The attainment of this striking estimate depends upon a number of factors, and not all of them are under Sir William's control. The technical claims of cost reductions from the American continuous strip mill process are doubtless valid. But to justify these claims the mill must work to capacity, and this exceeds half of the group's present sheet and tinplate capacity and is equal to the group's whole production in 1935-36. It represents one-fifth of the national capacity, and could meet the demand for sheets from the motor trade (for which it is peculiarly suited) twice over. The erection of a plant of this size in an industry which is still working far below capacity will require an industrial adjustment, and might involve difficulty. Will the Richard Thomas "old type" mills close down? Will the group's share of the total market be increased by one-half under agreement? Or will a period of unregulated competition arise?

Only under the second of these alternatives would the profit estimates be realised. If demand were steadily to grow, such agreement might well be reached. But if demand is affected, sooner or later, by cyclical influences, it would be more difficult to envisage the maintenance of such an agreement. If price-cutting were to result, Richard Thomas would enjoy an important technical advantage, but profit margins might be reduced for a considerable period. The same argument applies somewhat more strongly to the group's 50 per cent. expansion of its ingot capacity. Here, the medium-term prospect is surely a little uncertain. The future does depend upon the board's successful handling of this rapid expansion programme. Meanwhile, the ordinary shares, at 13s. 7½d., yield 6 per cent. on last year's dividend, and over 7½ per cent. on the expected 15 per cent. dividend for the current year. They will be subject to an upper peg of 20s., for at that price debenture holders will exercise their options. But the present price suggests a somewhat cautious market view of the prospects for the next three years.

Woolworth and Rising Prices.—Mr. W. L. Stephenson's remarks to F. W. Woolworth shareholders at the end of last week could not have been more frank and revealing. The company, which earned £5,854,335 in 1936, is faced with a special problem of rising costs in its context of a low maximum selling price. Last year's increased profits were achieved through a considerably expanded turnover, for both rising costs of stocks and operating involved a moderate reduction in profit-margins. Since trading profits increased by 10½ per cent., therefore, the volume of sales made considerably greater progress than the profit figures would suggest. The chairman recognised the two factors as complementary consequences of recovery. But the margin for "play" between costs and selling prices is obviously less for a 6d. chain store than for others with higher maximum prices. Although the board does not anticipate a rise in the prices of manufactured goods which would seriously affect the company's range of

stocks, it was made plain that it would (and, incidentally, could) raise the selling price limit if necessary. The directors would evidently be reluctant to contemplate such a break with tradition, but there is no reason to suppose that it would affect profits—unless it were for the better. It has worked advantageously, for example, in the United States and the Irish Free State. For 1937, the company is sheltered from part of a further rise in costs by substantially increased year-end stocks, but turnover in this business is so rapid that forestalling can have only a minor influence on profits. The market has professed its concern this week at the spread of anti-chain store publicity, but it seems likely that the expectations of further capital bonuses, to which the chairman referred, will prove the more potent factor. At 84s. 4½d., the 5s. shares yield £3 11s. per cent. They seem proof against a moderate rise in prices of manufactured goods.

U.S. Steel Corporation.—The increasing number of British investors who are now holders of United States Steel common stock will be fully satisfied by the Corporation's preliminary statement of net earnings for 1936. The total—\$50,525,684—is equivalent to \$2.90 per common share. There could be few more spectacular illustrations of the high-gear nature of recovery in the steel industry, for net earnings in 1935 were still no higher than \$1,146,708, equivalent to a mere 32 cents per \$100 7 per cent. preferred share. A comparatively short time should elapse, however, before the preferred shares receive their full dividend arrears, for the latest payment of \$1.75 leaves \$9.25 per share outstanding. A clue to 1937 earnings is provided by the level of operations. For 1935 these averaged 38.8 per cent. of capacity. Activity increased last year to 59.4 per cent., and the current level, which is still expanding, represents 75 per cent. of capacity. It would appear, however, that no effective increase in prices was made in 1936. The common stock has advanced from 46½ last year to its present "high" of 93½, and the news, within the last fortnight, that the Corporation will spend \$60 millions in the next few months on new equipment and modernisation, has acted as a further fillip. The current quotation appears to discount future earnings confidently but not, perhaps, excessively.

Investment Trust Progress.—Is the grey uniformity of modest improvement in investment trust results at last being broken? Certainly, brighter recovery reports are no longer such rarities. The time-lag between industrial earnings and trust dividends is being reduced, and directors have enjoyed both opportunity and incentive for switching from stable into "recovery" stocks. From the large number of recent reports, the six companies included in the following table give a representative impression:—

Company	Appreciation (+) or Depreciation (-) of Portfolio		Ordinary Stock				Price	Yield (%)
			Earned		Dividend			
	Pre- vious Year	Latest Year	Pre- vious Year	Latest Year	Pre- vious Year	Latest Year		
Metropolitan	−3	+8	12.5	13.8	11	12	300	4.00
Great Northern	+15	+28	5.3	7.5	3	5	166½	3.00
Traction and General Sec. Scottish United..	−7	+7	12.2	13.6	11	12	277½	4.32
General Consolidated..	−10	+4	0.6†	3.5†	Nil	Nil	55	Nil
London Stockholders*	−0.5	+7	7.5	8.9	5	6	140½	4.40
	−15	+?	0.2	2.5	Nil	Nil	17/6*	Nil

* £1 shares.

† After charging one year's preference dividend.

Four companies have raised their dividend, maintaining the same margin of earnings. Although *Second Scottish United* has not yet resumed ordinary payments, all preference arrears are now extinguished. The improvement recorded by *London Stockholders* is, relatively, one

of the best of recent weeks, though ordinary stockholders must still exert patience. The entire earnings have been conserved. Comparison of total revenues reveals that, while *Metropolitan* and *Traction and General* show an advance of 2 per cent. only, the remaining companies can claim increases of 11 per cent. or more. In every case market portfolio values exceed book totals, whereas only one trust in the previous year showed an appreciation. Five of the companies give an analysis of their holdings, which reveal an increase, consistent if not large, in the proportion of ordinary shares now held. In part, this is due less to actual changes in the portfolio, than to the rise in equity shares generally. A return of moderate activity in trust stocks is illustrated by a considerable number of small debenture issues, and by the formation of a new company. Current yields, however, show no general disposition to discount substantial dividend increases.

Cable and Wireless Estimates.—The estimates for Cable and Wireless put forward in *The Economist* of last week (page 185) must be slightly revised in an upward direction. By an arithmetical error, the average monthly index of "traffic" last year was taken as 72.7, instead of 74.4. On the latter basis, it may be estimated that the value of net traffics increased by approximately £50,000. Maintaining all our other estimates unchanged, therefore, we reach the conclusion that the net revenue of the holding company may be increased by £250,000 to £275,000, which would bring the available total to, say, £1,260,000. This sum would cover rather more than sixteen months' dividend on the reduced preference capital, or about 1.6 per cent. on the "A" ordinary stock, assuming normal preference dividends. Our conclusions on the respective merits of the two securities are unaffected by this small adjustment of earnings estimates.

Gas and Electricity Dividends.—The results of important gas companies which are now appearing may be somewhat inconclusive as to the trend of the industry, but they provide no background for optimism. The full implications of the maintenance (as for seven years past) of the *Gas Light and Coke* ordinary dividend at 5½ per cent. must be judged when the full accounts are available. *South Metropolitan Gas*, on the other hand, have again reduced their distribution by ¼ per cent. to 5½ per cent. This decline is not large in itself, but similar reductions have occurred at intervals since the payment of 6½ per cent. in 1930. This lower dividend itself requires a transfer of £30,000 from the Special Purposes Fund to revenue. The quantity of gas sold rose by ½ per cent., but the proceeds were some £30,000 lower at £2,736,322, and the rise of £43,000 in total revenue, at £3,941,042, was due to increased rentals and by-products revenue. Manufacturing expenses at £1,885,631 are 3 per cent. higher, illustrating the vulnerability of the industry to rising coal costs. The outlook for this particular undertaking is further clouded by the price dispute which arose last autumn. The problem of granting lower rates for large consumers, to meet the competition of

Investment For Appreciation

by L. L. B. ANGAS

Author of *Coming Rise in Gold Shares* (Feb. 1931); *Coming English Boom* (Sept. 1931); *Coming Rise in Wall Street* (Apr. 1933); *Coming American Boom* (Aug. 1934), etc., etc.

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electricity, must be reconciled, by all gas companies, with the maintenance of the domestic consumer's goodwill. Among the first electricity dividends, *Yorkshire Electric Power* maintains its ordinary distribution at 8 per cent.

* * *

Rand Ore Reserves.—The Rand mines show few striking changes in their ore reserves at the end of 1936. But to this general statement several important and interesting exceptions can be traced in the comparative table on page 278. East Rand Proprietary shows an increase of over 750,000 tons and a slight raising of values. Including the additional tonnage locked up in shaft and safety pillars, the increase amounts to no less than 1,500,000 tons. Durban Deep also records an increase in quantity, although values show some decline. Gains of important extent have also been registered by Brakpan and Daggafontein. On the reverse of the medal, Randfontein recorded a drop of 838,000 tons in quantity and 0.4 dwts. in value, and a sharp fall in the shares resulted. But this fall—like the rise in East Rand—can be considered excessive. South African Lands appears in our table for the first occasion. The company had developed 1,542,210 tons of ore averaging 6.18 dwts. over 49.78 inches at the end of 1936. Vogelstruisbult, which started preliminary crushing at the end of November, reports ore reserves fully developed "based on a pay limit calculated to conform approximately to existing conditions in respect of gold price and working costs" at 927,000 tons, averaging 5.6 dwts. over a stopping width of 37.4 inches.

* * *

Ashanti and Bibiani.—The Ashanti Goldfields report, writes our Mining Correspondent, suggests the approach of stabilisation rather than rapid progress. During the year to September last, an increased tonnage of ore produced a lower average yield at a slightly reduced cost. The fall in the extraction to 91.21 per cent. from 92.7 per cent. in 1934-35, and 92.7 per cent. in 1933-34 is, however, slightly surprising. Net profits amounted to £964,120, only £9,580 higher than the previous year. But since £30,720 previously reserved for depreciation on gilt-edged was written back, the amount available is increased to £1,084,400 against £1,006,720. A total dividend of 95 per cent. has thus been paid against 85 per cent. Ore reserves now stand at 1,458,030 tons, averaging 20 dwts. This shows an increase of 308,800 tons and a trifling improvement in value. Results in the outlying properties have not fully confirmed encouraging indications, but the ore position will allow an increased tonnage of better grade to be treated this year. The round 100 per cent. which some shareholders looked for last year, might thus be achieved, but if it were the shares would yield no more than 5 per cent. The associated Bibiani undertaking has made less than the expected progress. The revised estimate of ore reserves is 2,049,300 tons value 30.8 dwts., an increase of 343,100 tons in quantity and a decrease of ½ dwt. in value. Owing to delay in obtaining machinery, it is unlikely that the 30,000 tons treatment plant can be ready in less than eighteen months.

* * *

West Rand Investment Trust.—This Trust, whose formation was recently announced amid active share dealings in developing gold mines, is likely to see the official light of the London Stock Exchange early next week. The Trust will have an issued capital of £3,000,000 in 10s. shares, with £1,000,000 capital in reserve. These 6 million shares will be subscribed by

finance companies in the Anglo-American Corporation group at 15s. per share. The latter include the parent company, Rand Selection, Consolidated Mines Selection and New Era Consolidated. The Trust will acquire the following principal holdings:—

	Present Value	Approximate Total Value
550,000 Western Reefs.....	4 5/8	2,285,000
210,000 West Witwatersrand..	18 1/2	3,820,000
200,000 Libanon.....	36/6	365,000
200,000 Venterspost.....	50/9	508,000

These holdings, with a current value of nearly £7 millions, will be transferred below their current market prices and the preferential rights of the vendors to subscribe for additional shares in West Witwatersrand go with them. Finally the new company will retain £850,000 as working capital, to subscribe for new issues and enter into new business. The market anticipates dealings to open on the basis of 22s. 6d.-25s. Holding companies are so much the natural order of mining finance that investors will probably accept that newcomer as gladly as all its forerunners. It has the advantage, at any rate, of centralising the Anglo-American group's interest in the new field, and its spread should interest the mining speculator.

* * *

Company Results of the Week.—The results of 36 other companies, including *Westinghouse Brake* and *Tilling and British Automobile Traction*, are analysed on page 280, and are discussed on page 279 under the heading, "Shorter Company Comments."

* * *

Company Meetings of the Week.—On later pages of this issue will be found the reports of the following company meetings:—Midland Bank, Westminster Bank, National Provincial Bank, District Bank, The National Bank, Union Bank of Australia, Hungarian Commercial Bank of Pest, National Discount Company, Union Discount Company of London, Joseph Nathan, Richard Thomas, F. W. Woolworth, and Nigel Van Ryn Reefs. A leading article on page 221 discusses the bank chairmen's addresses to their stockholders. The Right Hon. R. McKenna pointed out to Midland Bank proprietors that the rise in advances was not entirely due to more active industry, as local authorities and private individuals each took about one-third. At the Westminster Bank meeting, the Hon. Rupert Beckett discussed various methods of meeting the bill for armaments, and came down on the side of increased taxation. In referring to the danger of gilt-edged investment depreciation, Sir Sidney Peel assured his hearers at the National Discount meeting that the great majority of their securities were short-dated. At the National Provincial Bank meeting, Mr Colin Campbell discussed assistance for the Special Areas in relation to the necessity for developing overseas connections. Sir R. Noton Barclay, addressing District Bank shareholders, alluded to Lancashire's continuous adjustment in counteracting the loss of much of her cotton export trade. At the National Bank meeting Mr Michael J. Cooke referred to the possibility of peak activity being reached in certain industries. Sir William Goschen, addressing Union Discount shareholders, declared that a *de jure* fixation of currencies was vital for a permanent restoration of world trade. Shareholders of Joseph Nathan and Company learned that the Glaxo Laboratories had again shown satisfactory advance both in trading and profits. Sir William Firth's outline of the Richard Thomas development programme is discussed on page 248. Mr. W. L. Stephenson's frank remarks at the F. W. Woolworth meeting are discussed on the same page. At the Union Bank of Australia meeting, Mr Hugh D. Flower alluded to the increased demand for banking accommodation resulting from better trade and rising values of primary products. Mr Philip Weiss disclosed that the valuation of securities by the Hungarian Commercial Bank of Pest took no account of last year's advances in Stock Exchange quotations. At the Nigel Van Ryn Deep extraordinary meeting, Mr Richard Humble explained the purposes of the increase in the authorised capital.

THE WEEK IN THE MARKETS

THE STOCK EXCHANGE

SETTLING DAYS

TICKET: FEBRUARY 2 ACCOUNT: FEBRUARY 4

THE account has ended with even less enthusiasm than it started. The bank chairmen singing their optimistic strains in unison, have not stirred the industrial market. Gilt-edged have made no response to their general belief that the time to damp down the boom is not upon us. Commodities have shown that they can react as well as advance. There is in every part of the "House" a much more chastened spirit than that of a month ago, and the public investor has so greatly reduced his interest in the markets that, after the post-bags have been cleared by 11 o'clock, the floor has presented an appearance of sub-normal activity.

Gilt-edged were at least offered the sop of "No Armament Loan" from a section of the press, but this rumoured official wink produced hardly a nod. With the open alternative—perhaps "supplement"—would be the better word—of increased taxation, the market is no better pleased. The rest of its sagging tendency was attributable to fear that the banks might throw out their large holdings if advances increased further (as one chairman hinted)—thus ignoring the possibility of an expanded credit base—and to the somewhat unlikely hypothesis that the Exchange Account was disposing of gilt-edged acquired from the transfer of £65 millions of gold to the Bank in December. Old Consols led the fall with a drop of 1 point in December, and 2½ per cent. Funding were specially depressed. No section of the Trustee market escaped the consequences of the fall, which was resumed, after a partial rally, on Wednesday and Thursday.

In the foreign bond market, German issues opened higher, and were again supported in mid-week, in expectation of a mollifying statement from Herr Hitler at the week-end. Brazilians improved sharply at first on the Santos Sevens coupon payments, but profit-taking was quick to follow. Japanese bonds (whose outlook in the light of the Army's political strength is discussed on page 246) became steadier, and Chinese loans advanced further.

Although the shadow of a strike was removed over the week

end, home rail stocks did not maintain their opening firmness. Southern deferred were an early feature, and were still bought after the rest had turned tail. The poor traffics, coupled with the enfeebled condition of the gilt-edged market, affected marginal and prior charge stocks alike in mid-week. In the Argentine market, B.A. Great Southern advanced 1½ points on the largest traffic for years, and took the rest of the stocks with it. Cordoba issues recovered sharply after the hasty selling at the end of last week.

Uncertain movements characterised the industrial market. Some of the American shares, particularly U.S. Steel (on the earnings shown on page 249) made headway in mid-week. John Brown were in demand on the eve of the share bonus announcement. Hadfields and Projectile and Engineering found buyers, but falls in Tube Investments and Stewarts and Lloyds, to mention only two examples, coupled with the disappointing Richard Thomas issue, showed that the iron and steel market was in poor form. Electrical equipment and motor shares were generally lower, and the Tilling dividend was found particularly disappointing. Linen Thread improved on the results, and O.K. Bazaars on the dividend, but Harrods reacted and bank shares were a distinctly dull feature.

Textiles relieved the general uncertainty with a fairly active week, but the miscellaneous leaders showed as many small losses—in shares like Metal Box and Turner & Newall—as rises, among which British Oxygen were probably best.

Oil shares opened with renewed attention for Trinidad shares, while V.O.C. advanced sharply on the strike settlement. Business became sub-normal, however, and although there was faithful investment support for the leaders, Trinidad issues fell out of favour.

The decision of the International Committee to increase the rubber quota to 85 per cent. for the third quarter produced a short-lived rise in the commodity and in the shares. This was not maintained on Wednesday and Thursday. Tea shares produced unwonted firmness on the opening days, on the firmness at the auctions, but profit-taking checked the advance.

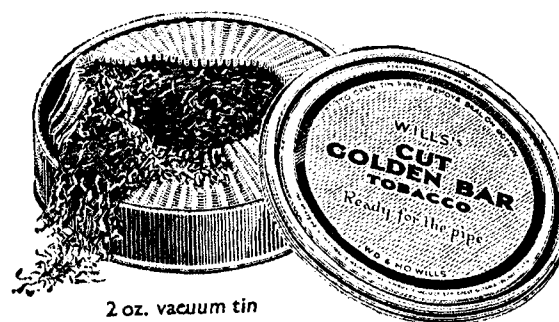
Kaffirs opened firm, but almost immediately sentiment changed to selling, checked for a time by more settled conditions on Tuesday. West Witwatersrand and Western Reefs again provided a feature at first, but the whole market turned lower from Wednesday onwards. Roan Antelope responded to the quarterly profits figures, but did not maintain their rise, and "Jungle" gold shares also lost ground.

GOLDEN MOMENTS

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SLUMP AHEAD IN BONDS

A critical examination of the outlook for American bonds (and common stocks) under managed money. (Similar principles apply in England.)

By L. L. B. ANGAS

Author of "The Coming American Boom" 1934

Internationally known investment consultant

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"FINANCIAL NEWS" MARKET INDICATORS

	Jan. 21	Jan. 22	Jan. 25	Jan. 26	Jan. 27	Jan. 28
Approximate total of bargains recorded in S.E. List	10,430	11,050	13,170	10,090	10,495	10,875
Corres. day 1936	11,802	11,401	13,713	Closed	13,184	11,828
SECURITY MOVEMENTS						
Index of 30 Ordinary Shares (July 1, 1935 = 100)	123.7	124.0	123.9	123.4	123.0	122.5
Index of 20 Fixed Interest Securities (1928 = 100)	135.2	135.1	134.9	134.7	134.6	134.0

Highest 1936: Ordinary Shares 124.9 (Nov. 18); Fixed Interest 138.8 (Feb. 10).
 Lowest 1936: Ordinary Shares 107.4 (Jan. 2); Fixed Interest 136.2 (Sept. 23).
 Highest 1937: Ordinary Shares 124.8 (Jan. 4); Fixed Interest 136.6 (Jan. 4).
 Lowest 1937: Ordinary Shares 122.5 (Jan. 28); Fixed Interest 134.0 (Jan. 28).

ACTUARIES' INVESTMENT INDEX

Two new indices are now available, and are included below in our usual monthly table of fixed interest securities; one is for 4 per cent. Victory Bonds, and the other for 3½ per cent. Conversion Loan and 4 per cent. Consolidated Loan combined. The price index for 178 industrial ordinary shares stood on Tuesday last at 90.5, against 90.8 a month ago and 84.4 a year ago. The yield is higher than either a month or a year previously, the respective figures being 3.71, 3.68 and 3.50 per cent. A selection of the component indices follows:—

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)			Yield (%)		
	Year Ago (Jan. 27, 1936)	Month Ago (Dec. 29, 1936)	This Week (Jan. 26, 1937)	Year Ago (Jan. 27, 1936)	Month Ago (Dec. 29, 1936)	This Week (Jan. 26, 1937)
Fixed Interest:						
2½% Consols	152.2	150.9	147.3	2.93	2.95	3.03
4% Victory Bonds	122.7	121.1	119.8	...	...	...
3½% Conv. and 4% Cons.	...	...	...	...	...	...
Loans	133.9	132.2	131.1	...	...	...
Misc. Indust. Debs. (17)	125.4	125.6	124.8	3.93	3.93	3.98
Misc. Indust. Preference (44)	121.3	122.5	120.4	4.26	4.23	4.31
Ordinary:						
Insurance Companies (24)	137.0	135.1	132.0	3.09	3.16	3.24
Coal (7)	98.8	119.9	116.4	4.09	3.18	3.21
Cotton (6)	46.5	52.4	56.0	2.08	2.01	1.87
Oil (5)	85.0	97.4	102.3	2.68	2.85	2.65
Electric Supplies (10)	132.0	157.0	159.5	3.51	3.46	3.80
Home Rail (4)	71.7	86.6	84.3	1.47	1.20	1.26
Breweries & Distilleries (21)	143.8	157.7	149.7	3.84	4.00	4.22

NEW YORK STOCK EXCHANGE

PRICES on Wall Street trailed downwards from the middle of last week to the middle of this, with the broken-off motor strike negotiations and the widespread floods as the major disturbing factors. Motor and steel issues were naturally in the most sensitive position, but merchandising and industrials were almost as greatly affected in mid-week. On Wednesday came the signs of a recovery, and steel issues took the lead despite the estimate of *Iron Age* that steel mill activity was down to 75 per cent. of capacity compared with 81 per cent. last week. Encouragement was derived from the improvement in U.S. steel earnings, which exceeded expectations. Utilities suffered a setback from their recent modest improvement, the ending of the T.V.A. conference by the President being taken as evidence of his sympathy for Mr. Lilienthal's whole-hogging devotion to the full development of the original plans for distribution to consumers, and of his rejection of a compromise solution with private suppliers through a common power pool. High-grade bonds have been slightly depressed on the anticipation of impending sales by the banks if reserve requirements are increased further, but in mid-week there was a reversal of this movement.

ADVICE ON AMERICAN STOCKS

Recognizing the demand of both private investors and financial institutions in Europe for first-hand advice regarding American securities and the cyclical trend of the American Stock Market, Major L. L. B. Angas of 301 Park Avenue, New York City, who is now established as Investment Counsel in America, is prepared to accept enquiries regarding this service.

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PUBLICATIONS: Coming Rise in Wall Street (Apr. 1933). Coming American Boom (Aug. 1934). The American Boom Begins (May 1935). Investment for Appreciation, etc.

	Jan. 20, 1937 (Close)	Jan. 27, 1937 (Close)	Jan. 28, 1937 (Latest)
1. Rails & Transport			
Atchafson	751	731	731
Balt. and Ohio	231	221	221
B.M.T.	511	501	501
Can. Pacific	161	151	151
Ches. and Ohio	67	65	64
Gt. Nthn. Ry. Pl.	44	43	42
Illinois Central	251	231	231
N.Y. Central	491	411	411
Nor. Pac.	291	281	281
Pennsylvania R.R.	421	411	411
Southern Pac.	491	461	461
Southern Ry.	271	271	271
Union Pac.	1301	1291	1291
Greyhound Cp. New	161	151	151

2. Utilities and Communications

	Jan. 20, 1937 (Close)	Jan. 27, 1937 (Close)	Jan. 28, 1937 (Latest)
Am. Waterworks	271	261	261
Cwealth & S'tern	31	31	31
Cons. Gas of N.Y.	461	461	461
Edison	181	181	181
Col. Gas & Electric	251	251	251
Elec. Bond & Share	131	121	121
Nat. Pwr. and Lt.	321	311	311
North American	371	351	351
Pac. Gas & Electric	521	501	501
Pac. Lighting	521	511	511
Pub. Service N.J.	121	121	121
Stan. Gas & Elec.	71	71	71
United Corp.	161	151	151
United Gas Imp.	181	181	181
Am. Tel. & Tel.	821	801	801
Int. Tel. and Tel.	121	111	111
Western Union	781	781	781
Radio B Pref. New	...	...	...

3. Extractive and Metal Industries

	Jan. 20, 1937 (Close)	Jan. 27, 1937 (Close)	Jan. 28, 1937 (Latest)
Am. Rolling Mills	351	331	341
Beth. Steel	771	771	771
Beth. Steel Pref.	1251	1251	1251
Republic Steel	861	881	921
U.S. Steel	1461	1491	1461
Alaska Juneau xd	141	141	141
American Metal	621	591	601
American Smelting	951	911	901
Anaconda	541	531	521
Bahn Aluminum	441	431	431
Cerro de Pasco	691	671	681
Int. Nickel	631	621	621
Kennecott	601	581	571
Patino Mines	151	141	141
Texas Gulf Sulph.	501	401	401
U.S. Smelt.	891	861	861
Vanadium Corp.	311	301	311
Atlantic Refining	321	341	351
Phillips Petroleum	511	521	521
Shell Union	281	281	271
Shell Union Pref.	1041	1041	1051
Socoxy Vacuum	161	171	181
Stand. Oil Calif.	451	451	451
Stand. Oil N.J.	691	691	701
Texas Corp.	511	511	541

4. Manufacturing

	Jan. 20, 1937 (Close)	Jan. 27, 1937 (Close)	Jan. 28, 1937 (Latest)
Briggs	561	551	551
Chrysler	1231	1191	1201
Electric Autolite	411	411	411
General Motors	681	681	681
Hudson Motor Car	201	221	221
Murray Corp.	191	231	241
Nash Kelvinox	191	181	181
Packard Motor Car	111	111	111
Bendix Aviation	271	261	271
Boeing Airplane	361	361	361
Douglas Aircraft	731	731	731
United Aircraft	291	291	291
Air Reduction	235	234	235
Allied Chem. xd.	120	121	121
Col. Carbon	201	201	201
Comm. Solvents	171	171	171
Dupont	105	104	104
Union Carbide	401	391	391
U.S. Ind. Alcohol	801	791	791
Allis Chalmers	611	621	621
General Electric	1581	1591	1581
Westinghouse	1121	1121	1091
American Can.	341	341	341
Addressograph	931	931	931
Caterpillar	67	63	63
Cont. Can.	1301	131	131
Ingersoll Rand	1461	1461	1461
Intuit. Harvester	1461	1461	1461
Johns Manville	261	281	281
Am. Radiator	701	681	681
Corn Products	1541	1551	1551
J. I. Case and Co.	461	501	501
Glidden	781	781	781
Gen. Am. Transp.	311	311	311
Allied Mills	291	311	311
Celanese of America	381	381	381
Ind. Rayon New	201	201	201
Colgate-Palmolive xd	171	172	170
Eastman Kodak	181	181	181
Gillette	211	201	201
Lambert Co.	751	721	721
Loews	371	361	361

5. Retail Trade and Food

	Jan. 20, 1937 (Close)	Jan. 27, 1937 (Close)	Jan. 28, 1937 (Latest)
Montgomery Ward	571	541	541
J. C. Penney Co.	1011	981	981
Sears Roebuck xd	861	841	841
United Drug	151	141	141
Walgreen xd	381	381	381
Woolworth	651	631	631
Borden	271	271	271
Gen. Foods	431	431	431
Kroger Grocery	241	221	221
Nat. Biscuit	321	311	311
Nat. Dairy	241	231	231
Standard Brands	161	151	151
Am. Tobacco B.	981	991	991
Liggett Myers B.	1101	1131	1131
Lorillard	224	234	234
Reynolds Tob. B.	571	561	561
National Distillers	291	281	281
Schenley Distillers	451	451	441

6. Finance

	Jan. 20, 1937 (Close)	Jan. 27, 1937 (Close)	Jan. 28, 1937 (Latest)
Commercial Credit	681	651	651
Atlas Corp.	171	171	171
Com. Invest. Trust	751	781	791

By courtesy of the Standard Statistics Company, Inc., of New York, we print the following index figures of American values calculated on closing prices (1926=100):—

	1936		1937		Beginning of Year 1937	Jan. 13, 1937	Jan. 20, 1937	Jan. 27, 1937
	Lowest Apr. 29	Highest Nov. 10	Lowest Jan. 6	Highest Jan. 20				
347 Industrials	112.7	145.9	143.2	149.0	143.2	147.0	149.0	147.8
32 Rails	42.8	60.2(b)	54.6	57.1	54.6	56.4	57.1	55.3
40 Utilities	91.2	111.0(a)	111.7	116.4(a)	111.7	116.4	114.2	112.9
Total, 419 Stocks	97.7	125.4	123.5	128.2	123.5	127.1	128.2	126.9
Average yield*	4.50%	2.65%	4.53%	4.33%	4.53%	4.42%	4.33%	4.35%
	High (a)	Low (a)	High	Low				

* 50 Industrial Common Stocks. (b) Oct. 14th. (c) December 23rd. (a) April 8th. (e) December 2nd. (f) January 13th.

DAILY AVERAGE OF 50 AMERICAN COMMON STOCKS (1926 = 100)

	Highest*	Lowest†	Jan. 20	Jan. 21	Jan. 22	Jan. 23	Jan. 25	Jan. 26	Jan. 27
	171.6	161.8	170.6	171.6	170.8	171.3	170.2	167.8	169.1
	* January 21st.		† January 4th.						

TOTAL DEALINGS IN NEW YORK

	Jan. 21	Jan. 22	Jan. 23*	Jan. 25	Jan. 26	Jan. 27
Stock Exchange—						
Shares (No. Thous.)	2,290	2,680	1,120	2,220	2,170	1,840
Bonds (Thous. \$)	14,360	12,910	6,810	13,430	14,940	13,750
Curb—						
Shares (Thous.)	954	1,034	527	827	773	680

* Two-hour session.

CAPITAL ISSUES

THE week's capital issues are distinguished by the £7 millions debenture issue of *Richard Thomas*. For reasons outlined on page 248, the market could not wholly evade some questions regarding the expansion scheme, and the stock opened, with over 70 per cent. still in underwriters' hands, at between 3 and 4 points discount on Thursday. The remaining issues, mainly by offer for sale, make up an impressive total, however, judged even by recent standards. The offer of *Horlick's* 5s. ordinary shares at 22s. 6d. attracted the considerable interest which all branded products companies enjoy in these times. Not merely the balance sheet structure, but also the issue price, reflects the "goodwill valuation" attaching to such well-known businesses. After three years prosperous trading, the shares are issued at a 8.2 per cent. earnings yield basis on the latest (1935) results, and no more than 5.7 per cent. on average for the period. With the explicit warning in the prospectus that the directors intend to maintain a conservative distribution policy, the scope for advance in the shares appears to depend largely on a further rapid increase in earnings, for they appear fairly well priced in relation to recent profits. *Transport Services* is a commercial road transport and freight broking concern. After three years of remarkable stability of profits, the latest figures show a sharp jump, which enables the 5s. ordinary shares to be put on sale (at 40 per cent. premium) on an 11 per cent. earnings yield basis. The preference share on issue, although small, is reasonably secured in relation to its yield. Two preference issues have been made this week. *Lamson* first, by offer for sale, is of 5 per cent. £1 shares in *Lamson Investments*, whose dividend appears adequately covered. The second is of 6 per cent. £1 shares in *White House (Regent's Park)*, issued at par. This is a large flat property, stated to be let to the extent of 690 out of 758 flats for periods between one and three years. On the basis of full letting and estimates for operating expenses, the dividend is covered "three times," according to the prior deductions method employed in the prospectus. The shares do not offer any special attractions at a time when interest rates appear to be rising, and flat competition to be increasing. *Stevenson, Hardy and Company* sustained a loss in 1935 of £4,495 and a profit for 1936 of £28,734. The fluctuating nature of the profits of this oil distributing concern, indeed, is clearly evident in the prospectus. Among the £72,985 assets taken over, stocks of petrol and oils appear at £46,748, and an investment in an Australian oil distributing company is valued at £24,756, at cost. The 10s. shares offered at 25 per cent. premium belong to a speculative category. *Cochran and Company, Annan*, a boiler making concern, has rapidly restored its pre-depression profits. This prospectus follows the pattern of recent issues in the engineering trades—incorporating a premium of 25 per cent. on the ordinary shares—but the earnings yield basis of 8.2 per cent. is lower than the speculative investor might expect. The last offer for sale in the 25 per cent. premium category is of the 4s. ordinary shares of *Ben Hall and Son*. This is a woollen manufacturing business which earned large profits in its latest complete year. The vendors, however, appear to have been distinctly modest in framing their price for the business. It may be asked, further, whether supplementary calculations of earnings on the basis of a three months' profit figure are really helpful, in view of the possibility that seasonal influences may have some effect upon profits, in addition to normal trade risks. One statement for information only has been published on behalf of *Matthew Wells and Company*.

TOTALS OF CAPITAL ISSUES DURING WEEK

TOTALS OF CAPITAL ISSUES

£100,000.

Net Sales of National Savings Certificates, Week ended January 23, 1937,

	Nominal Capital	Conversions	New Money
To the Public	8,212,101	1,221,722	7,559,997
To Shareholders only	1,365,000	...	2,805,000
By Stock Exchange Introduction	300,000	...	780,000
By Permission to Deal	718,500	...	1,791,887
Total Capital Raised—			
Including Conversions		Excluding Conversions	
1937 (New Basis)	50,317,311	43,271,229	
1937 (Old Basis)	31,820,912	24,824,730	
1936 (New Basis)	77,883,613	47,668,221	
1936 (Old Basis)	64,020,382	33,704,990	
Total offered for Subscription—			
Including Conversions		Excluding Conversions	
Whole Year (New Basis)	402,470,003	255,570,990	
1936	548,351,393	236,147,737	
1935	410,980,300	169,108,600	
1934	467,921,500	244,780,500	
1928	683,000,056	368,058,075	
January 1 to date (Old Basis)—			
1935	66,259,049	13,211,655	
1934	22,589,985	8,465,237	
1928	12,132,239	5,584,985	

LONDON ACTIVE SECURITY PRICES AND YIELDS

In calculating yields on fixed interest stocks quoted below allowance is made for interest accrued since the last date of payment, less income tax at the standard rate. Where stocks are definitely redeemable at a certain date the yield includes any profit or loss on redemption; where stocks are redeemable at the option of the holder the yield is calculated by reference to the latest dividends, accounting being given of any enhancement or reduction of interim dividends. Allowance is made for accrued dividends in calculating the yield on "cum. div." shares.

Prices, Year 1936				Prices, Year 1937				Prices, Year 1937				Prices, Year 1937				Prices, Year 1937				Prices, Year 1937				Prices, Year 1937			
High-Low		High-Low		High-Low		High-Low		High-Low		High-Low		High-Low		High-Low		High-Low		High-Low		High-Low		High-Low		High-Low			
1936		1937		1937		1937		1937		1937		1937		1937		1937		1937		1937		1937		1937			
1936		1937		1937		1937		1937		1937		1937		1937		1937		1937		1937		1937		1937			
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1936		1937		1937		1937		1																			

COMPANY MEETINGS

UPWARD TREND OF PROFITS MAINTAINED

CURRENCY STABILISATION PROBLEMS

TRADE RECOVERY AND CHEAP MONEY POLICY

BANKS' STRONG LIQUID POSITION AND RESOURCES

THE RT. HON. R. McKENNA'S ADDRESS

The ordinary general meeting of shareholders of the Midland Bank Limited was held, on the 26th instant, at Southern House, Cannon Street, London.

The Chairman, the Right Hon. R. McKenna, said:—Ladies and gentlemen,—The year just closed has been unusually eventful. At home we have passed through a grave and distressing constitutional crisis, ended by the happy accession of King George VI; abroad conflicting political and social theories have been pressed with increasing vehemence, culminating in Spain in ruthless civil war. Moreover, in financial and economic affairs the year has been of exceptional interest.

Internationally, the most striking occurrence was the devaluation of the European gold currencies. By this operation, after years of earnest but unavailing deflationary effort, the remaining gold bloc countries found relief from the overvaluation of their exchanges. They were supported by an international understanding that Great Britain, the United States and France would in future use all available means for keeping the currencies of the three main trading nations stable in terms of each other.

This understanding marks a notable advance in monetary management. For the time being it is admittedly no more than an emergency measure which can be abandoned by any participant at very short notice, may at any time be revised, and embodies general principles rather than specific obligations. Nevertheless it has had the immediate effect of removing some of the uncertainty surrounding rates of exchange, and may pave the way to more permanent arrangements for stabilising currency relations. Already the invitation to participate in it has been accepted by

Already the invitation to participate in it has been accepted by three other countries, and it is not too much to hope that the tentative French and Dutch steps associated with it may lead to some general lowering of tariff barriers. More important in the direct effect on international trade is the rise during the past year in prices of primary commodities. The first result of this movement is an increase in the purchasing power of countries exporting these goods, and the second is a larger return to innumerable investors. The expansion of world trade has already proceeded further than seemed likely a year ago, and promises to go further still if peace is maintained.

GROWTH OF SPECULATION

GROWTH OF SPECULATION

The second danger to which our position is thought to be exposed is excessive speculation. The disastrous experience of the United States some years ago renders us especially open to anxiety on this point. If speculation in an extravagant degree were to develop and were allowed to rise to a height even remotely comparable to that reached formerly in Wall Street, the consequences would justify the alarm of our most pessimistic observers. No one is safe in making any confident prediction, but we may fairly ask what signs of dangerous speculation exist to-day. There has certainly been considerable activity in the capital market in the past year, but it has been mainly for sound investment. The loans made by banks for the purpose of carrying stocks and shares indicate the degree of speculation existing at any time, and, though I cannot give you the figures of other banks, those of our own are on a sufficiently wide basis to provide a fair estimate of the whole.

SUPPOSED IMPENDING DANGERS

Nevertheless, while the progress of international trade is encouraging, it is still true that our recovery has occurred almost entirely in the domestic field—a fact which has given rise to some apprehension for the future. It is generally recognised that the trade improvement is largely due to the policy of cheap and abundant money steadily pursued since 1932, but it is alleged that recovery on this basis cannot be regarded as on a firm foundation. In the first place it is argued that trade expansion must itself lead eventually to dearer money; and secondly that cheap money engenders evils which can be corrected only by making money dearer. The first of these gloomy forecasts can be readily disposed of. In spite of the very large growth of production and employment in this country, credit is still as plentiful, at rates just as low, as at the beginning of the process. The banks have a wide margin of resources available for advances should greater demands be made upon them. The second cause of apprehension is much more serious, and calls for inquiry whether the evils to which cheap money is said to give birth are now present or imminent, and, if so, what means are available to cope with them.

In the period of greatest depression our Stock Exchange loans amounted to barely one per cent. of our deposits. In 1928, when for a time conditions were booming, they had stood at 4 per

for a time conditions were normal. If we take the mean between these extreme limits we get 2½ per cent., the figure which experience suggests as normal. Our Stock Exchange loans are still well below this normal. They have risen, it is true, considerably in the last year, but not more than might reasonably be expected from the great expansion of genuine investment; they do not indicate speculation on an extravagant or dangerous scale. It is certainly the fact that of late years there has been a growing tendency to buy and pay for stocks and shares by means of direct loans from the banks, but the increase in loans of this kind is not enough to cause alarm. Moreover, recent experience tends to confirm the conclusion that there is no dangerous speculation. More than once in the last few months foreign and domestic events have occurred which would have had a disastrous effect on a really speculative market had there been one. I do not say that a speculative mania could not develop in this country; we have had it in the past and we might have it again; but I do say there is no sign that one is developing, nor do I think one to be probable.

LABOUR POSITIONS

The reasons put forward for thinking that the existing conditions have little remaining stability can be summarised under the heads of labour shortage, excessive speculation and a possible adverse balance of international payments. Of these potential evils shortage of labour is undoubtedly the most immediate. Notwithstanding the high total of workpeople still listed as

Rate % per Annum, except where marked % or Stated in Cash

Name of Company	* Interim or † Final	Date of Pay- ment	Comparison with Last Year	Total	
				Lastest Year	Previous Year
RAILWAYS				%	%
Metropolitan Railway Surplus					
Lands.....	2½%†	...	Same	3½	3½
BANKS					
Bank of New South Wales.....	(c) 6½ps*	Feb. 25	(c) 5½ps*	...	...
Bank of Nova Scotia.....	2%	Feb. 28	Same	12	12
Canadian Bank of Commerce.....	6*	Jan. 29	Same	...	...
Commercial Banking of Sydney.....	...	...	...	...	...
National Joint Stock Bank (Helsingfors).....	...	...	...	14	14
INSURANCE					
Indemnity Marine Assurance.....	15½ps.†	...	Same	...	...
TEA AND RUBBER					
Batu Matang Rubber.....	4%*	Feb. 8	Nil*	...	...
Gicely Rubber Ord.....	5%*	Feb. 22	...	...	...
Indragiri Rubber.....	5%†	...	...	7½	5
Longai Valley Tea "A" Pref.....	12%*	Feb. 15	(For 1933 & 1934)	...	...
Suloh Rubber.....	3%*	...	First	...	...
Sungei Tani Rubber.....	4%*	...	Nil*	...	...
Sungei Buaya Rubber.....	10%*	Mar. 2	...	2½	Nil
Wampoe Tobacco and Rubber.....	...	...	...	2	Nil
MINING					
Glyn's Lydenburg.....	7½%*	Feb. 24	10%*	...	...
Pahang Consolidated.....	10%*	Mar. 1	Same	...	...
Pengkalan (Pref. Ord.).....	10%*	Feb. 13	...	...	...
Rambutan.....	5%*	Feb. 27	...	...	...
OTHER COMPANIES					
Anglo-American Telegraph (Defd.).....	...	...	...	1½	1½
Angus (George) and Co.....	12½%†	Feb. 18	...	5½	3½
Aristoc.....	...	...	...	20	...
Belfast Ropework.....	6d. p.s.*	Feb. 8	Same	...	...
Bennis Combustion.....	10*	...	...	...	...
Berkeley Property.....	2%*	...	...	8	7½
Birmingham & Dist. Investment.....	5½%†	...	Same	...	...
Preston Gas "A".....	5%*	...	Same	...	...
Do. "B".....	3½%†	...	Same	...	10
Buxton Palace Hotel.....	...	...	...	12½	5
City of Buenos Ayres Tramways.....	1½ p.s.†	Feb. 15	Same	5	3½
Civil Service Co-operative Trust.....	2½%†	...	...	4	8
Clarence Hotels.....	21%*	Feb. 2	Same	8	...
Collier (S.) and Co. "A".....	2½%*	Feb. 2	Same	...	...
Do. "B".....	10%†	...	Same	...	...
Daly (John) and Co.....	10%†	...	Same	15	15
Darnell (J.) and Son.....	10%†	...	Same	...	...
Ductile Steels.....	5%*	...	First	...	...
Fillerys Toffees.....	4%*	Feb. 20	Same	...	...
Foreign and Colonial Investment Trust (Ord.).....	2½%†	...	2%†	4½	4
Foster Porter and Co.....	...	...	...	2½	2½
(Gas Light and Coke).....	5*	...	Same	5½	5½
Griffiths (William).....	...	...	...	5	Nil
Guardian Investment Trust.....	4%*	...	3½%†	6½	6
Harvey and Thompson.....	5%*	Jan. 22	Same	...	...
Hampshire (F. W.) and Co.....	2%*	...	...	30	30
Hick, Hargreaves and Co.....	...	...	...	...	...
Hilton Main & Holly Bank Col- lieries.....	5%*	Feb. 8	Same	...	...
Hunter, Barr and Co.....	...	Feb. 15	...	3	2½
Jones Sewing Machine.....	3%*	...	Same	...	...
Lancashire and London Invest- ment Trust.....	...	...	...	3	2½
Land Revenues Trust.....	2%*	Jan. 30	Same	...	...
Laureie (Alex.) and Company.....	2½%*	Feb. 18	Same	...	...
Linen Thread.....	3½%†	...	3%†	8½	6
Lloyds Retailers.....	5%*	Feb. 15	First	...	...
London Necropolis.....	...	...	...	(a) 9½	8(a)
Lotus, Ltd.....	4½%†	...	3½%†	7	6
Manchester Corn Exchange.....	3%*	Feb. 24	2½%*	5	5
McEwan (Win.) and Co.....	6½%*	Feb. 16	4½%*	...	8
Mortgage Co. of New Plate.....	2½%†	...	20%*(d)	8½	...
O.K. Bazaars A and B.....	(d) 25%*	...	...	...	...
Property and Reversionary In- vestment.....	4%†	...	Same	8	8
Quebec Power.....	25 cts ps	Feb. 15	Same	...	...
Range Boilers.....	10%†	...	First period	15	...
Read Brothers.....	15%†	...	10%†	17½	12½
Redfern's Rubber Works.....	3%†	...	2½%*	4	34
Rounney Trust.....	2½%*	...	Nil*	...	...
Round Oak Steel Works.....	3%†	...	2½%†	...	...
Scottish Central Investment	...	...	...	...	...
Seed (Richard) and Co.....	4%*	Jan. 23	Same	17½	17½
Shop Investments.....	5%*	Mar. 1	Same	...	...
Smith (Stephen) and Company.....	5%*	...	...	120(s)	20½
Southalls (Birmingham)	...	...	...	...	...
Squirrel Confectionery.....	10%†	...	Nil	...	...
Strand Electric Holdings.....	4%*	Feb. 25	Nil*	...	...
Sunbeam Wolsley (Cork).....	5%*	...	Nil*	...	...
Tennant Brothers.....	2½%*	Mar. 20	Same	...	...
Tilling (Thomas).....	5%†	...	Same	(e) 10	10
Tor Investment Trust.....	7½%*	Mar. 15	Same	...	...
Twefontein Colliery.....	...	...	...	35	20
United States & General Trust (Def)	5%†	...	4%†	7	6
Utilities and General Trust.....	...	Feb. 5	...	2	1
Wardsworth Gas Cons. Stk.....	3½%†	...	Same	7	1
Williamson Manufacturing.....	6%*	Feb. 11	First	...	...
Yorkshire Electric Power.....	5%†	...	Same	8	8

(a) 1½% paid free of Income Tax. (c) Payable in Australian currency.
(d) Paid in South African currency (e) Paid on larger capital.

GLYNN'S LYDENBURG.—Ordinary dividend $7\frac{1}{2}$ per cent. compared with 10 per cent.

UTILITIES AND GENERAL TRUST.—Ordinary dividend 2 per cent. for year against 1 per cent.

GRIFFITHS (WILLIAM) AND COMPANY.—Ordinary dividend 5 per cent.
for year against nil

YORKSHIRE ELECTRIC POWER.—Final dividend 5 per cent., making 8 per cent. for the year as before.

GUARDIAN INVESTMENT TRUST.—Final dividend 4 per cent., against 3½ per cent. making 6½ per cent. for year against 6 per cent.

WANDSWORTH AND DISTRICT GAS.—Final consolidated ordinary dividend 3½ per cent., making 7 per cent. for year as before.

NATIONAL FIXED TRUST.—Seventh distribution on unit B certificates for half-year to January 15, 1937, 3.6142¢ net per share unit.

REDFERN'S RUBBER WORKS.—Final dividend 15 per cent., making 17½ per cent. against 12½ per cent.

DISTURBANCE OF THE BALANCE OF PAYMENTS

Let me turn now to the third alleged reason for thinking that the present conditions are not stable—the fear that the balance of international payments is turning against us. On this head I think we are sometimes inclined to be unduly anxious. The only certain figure on which the balance of international payments is calculated is that for merchandise, and, as this is given monthly and is always heavily against us, we are predisposed to take an alarmist view. The figures which offset this adverse balance—figures for income from overseas investments and earnings from shipping and other services—cannot have the solid weight of exact official monthly returns; they appear only once a year and are matters of estimate, if indeed some of them should not more properly be described as matters of conjecture. The adverse balance on merchandise account for last year was £347 millions. In some earlier years when the balance on all accounts was undeniably much in our favour this particular balance was far more heavily against us. Thus for 1927, a moderately good year, the records of the Board of Trade give the adverse figure on merchandise account as £387 millions and the favourable balance on all accounts as £82 millions.

In the improbable event of the official estimates for 1936 showing a small uncovered import surplus, I do not think we should be alarmed. It has to be remembered that the estimates are deliberately conservative, and that in the early stages of international trade recovery increased imports of raw materials, which are rising in cost, are for the time being unbalanced by greater exports. It is, then, probable that any small shortage of receipts, if there is one, will prove to be no more than temporary.

EXCHANGE VALUE OF THE POUND

In the long run the surest indication of the trend of the balance of international payments is a decided tendency of the exchange value of the pound to move up or down. The course of the true exchange value of sterling is difficult to trace under present conditions, for the situation is obscured by heavy capital movements one way or the other and by official intervention in the market. We do know, however, that the Exchange Equalisation Account has bought large quantities of gold in the past year, and it seems unlikely that these purchases have been made entirely against foreign demands for sterling on capital account. If the balance of payments were running against us the exchange value of the pound would tend to decline, and, in the absence of offsetting capital movements, exchange equilibrium could be maintained only by official purchases of sterling. The fact that the trend of operations over a number of years appears to have been the other way indicates that no lasting weakness has thus far developed in our balance of international payments.

If the conditions in respect of labour, speculation and international payments are as I have endeavoured to outline, it seems unlikely that we have yet reached a stage at which the upward trend of industry and trade will be halted. We must not blink the fact, however, that cheap and abundant money, so beneficial to trade and industry, provides a fertile field for the growth of the adverse influences to which I have referred, and we may yet find ourselves face to face with forces which if left uncontrolled would result in an upward spiral of costs and prices. The comparative ease with which large profits had been made would then be replaced by the difficulty of avoiding heavy losses, and the rush to get out of commitments would be far more precipitate than the former eagerness to enter into them. If, as is probable in such conditions, the reverse movement gathered strength, the effects on trade and industry would be both sudden and violent. It is, then, no more than common prudence to review the position from time to time, and if we see possible dangers ahead to consider the best way to prevent them.

When we were on the gold standard the recognised check to boom conditions, whatever their cause, was a rise in the Bank rate and a contraction of credit. Boom conditions weakened the exchange value of sterling, and the statutory duty to maintain gold parity forced the Bank of England to adopt restrictive measures. The remedy certainly achieved its object, but at the same time it seldom failed to do much more than the occasion required. It fell with like effect on all trade and industry and on all markets, whether speculative or not, and by forcing down prices far more quickly than costs tended to produce a condition of business stagnation. Such procedure was unavoidable when we were living under the obligations of the gold standard, but is it necessarily the right procedure now that we are free from them?

AVAILABLE MEANS OF PROTECTION

In answering this question two general considerations are reassuring. First, there is much wider perception of the dangers

which may arise, and much better understanding of their nature, than have existed hitherto. Harsh experience has driven home its lessons. And secondly, we have now a highly co-ordinated monetary system. The few great commercial banks work in harmony with the central bank, and all, in matters affecting trade and industry as a whole, act under such general directions as the Treasury may find it advisable to give. We are no longer subjected to the blind force of gold movements; we have an instrument of immense power working as occasion requires under a single direction. With these things in our favour it ought not to be beyond the wit of man to find the appropriate safeguard against each danger as it arises, without forcing our industry back once more into stagnation.

Consider first the risk of excessive speculation. I do not wish to be dogmatic on the subject, but it seems to me that the remedy lies with the banks. They have the power, acting together on an agreed basis, to place a curb upon speculation by directly restricting the quantity of credit used for that purpose. Genuine business would not be affected; there would still be cheap money and abundance of credit for legitimate trade, but there would be no easy money for the mere speculator. I repeat, there are no sufficient indications at present of dangerous speculation, but should this appear a powerful remedy could be provided by the concerted and direct action of the banks without recourse to high rates and indiscriminate restriction of credit. The country ought not to be required to submit to general stagnation as a cure for the activity of speculators.

LABOUR SHORTAGE AND INDUSTRIALISTS

I turn next to labour shortage, a problem which is admittedly not easy to solve. There is little scope here for concerted action, except so far as it may be possible to assist the transfer of labour from one trade or locality where there is a surplus to another where there is a scarcity. In the main, reliance has to be placed on the prudence and forethought of the individual industrialist. The essence of the danger lies in over-expansion of capacity for the production of capital goods, but, as this arises from the independent action of many firms scattered over the country, the individual *entrepreneur* does not always recognise it. His action appears to himself to be no more than a capital expenditure promising an early and substantial return.

Great caution is needed in introducing new capital into industry when a shortage of labour becomes widespread. Banks make only temporary advances for the purpose of capital outlay, so that restriction of banking credit would be no safeguard. A partial remedy appears to lie in the close scrutiny to which new issues have for some time been subjected, but no external measures can be fully effective unless industrialists and traders themselves take a long and cautious view, based upon the far wider information available now than ever before.

BALANCE OF PAYMENTS AND CREDIT

When we come to the balance of international payments, on the other hand, restriction of credit appears to be the only available means for correcting an adverse condition. A lasting shortage of receipts from abroad, arising from exports, services and interest, would indicate that our price level was too high in relation to world prices and our current consumption greater than it should be. True, our monetary system provides an automatic remedy, inasmuch as rising prices call for an increase of currency in circulation, which of itself reduces the cash held by the banks. Since the banks will wish to maintain their customary ratio of cash to deposits they will be forced to bring down deposits by a general restriction of credit. This would be the natural course of events unless the Bank of England by its open market operations were to supply additional cash. But with the balance of international payments steadily against us, indicating that our prices had risen too high relatively to world prices, could the Bank of England be expected to prolong this condition by further increasing the quantity of cash? For my part I should not expect it, and in the circumstances of our own economic life I should regard a persistent deficit on the balance of payments as the true warning of boom conditions. Happily, however, that evil does not appear to be at hand.

ELEMENTS OF ELASTICITY

I have now dealt with the principal dangers which seem at all likely, in the near or more distant future, to threaten the continuance of sound business recovery. There remain to be mentioned three important elements of elasticity in our monetary system. First among these I would place the Exchange Equalisation Account, which has maintained reasonably steady exchange rates while leaving us free internally from the chance effects of the operation of a rigid gold standard. By its use our authorities

have been able to offset movements of capital which, had they occurred under gold standard conditions, would have led to grave disturbance of our internal situation. The "floating balances" of international finance have lost their terrors. The operation of the Account imposes a heavy responsibility upon the authorities, whose constant watchfulness is essential in correctly interpreting the movements in the exchange market. I think they are to be congratulated on their handling of this new instrument.

A further element of elasticity is provided by the statutory facilities for varying the fiduciary note issue. We had recently a striking example of the utility of these provisions, when the Issue Department of the Bank of England received £65 millions in gold from the Exchange Equalisation Account and handed over £60 millions of its Government securities in partial payment. By this transaction the fiduciary issue of notes was reduced by £60 millions; but the reduction of the fiduciary issue was not its purpose. To use the current phrase, the authorities were desirous of sterilising an excessive influx of gold. They were faced with the same problem which has recently confronted the monetary authorities in other countries, notably the United States—the problem of preventing an undue increase of credit in consequence of large official purchases of gold. The simplicity and neatness of the transaction illustrate the immense advantage of skilled management under the new flexibility permitted by the law.

LIQUIDITY OF COMMERCIAL BANKS

Elasticity of another but no less valuable kind is to be found in the liquidity of the commercial banks. The ratio of advances to deposits stands to-day below 40 per cent., whereas in earlier years, when the volume of credit was subject to constant restriction, it varied between 50 and 60 per cent. In consequence, if industry should require larger advances the banks have an ample margin of lending power. Moreover, the general quality of the outstanding volume of advances is far higher. All the banks whose figures I have seen earned larger profits last year, and there can be no doubt that a contributory factor has been the decline in bad debts. With a continuance of the same wise handling of our monetary system that we have had in the past five years we need not fear a return of the stringency to which our business life was formerly subjected.

For all these reasons we may, I think, take a confident view of the future. I have given grounds for concluding that the dangers inherent in an advanced stage of recovery induced by cheap money are not immediately at hand. I have, moreover, ventured the opinion that we are in a far stronger position to combat them with appropriate measures if they should become real and immediate. There is need for unremitting watchfulness and prudence on the part of industry itself as well as the banks and financial institutions generally; but with clearer perception of the dangers, fuller understanding of their nature, and better weapons to cope with them, I feel sure they can be overcome without recourse to those rough and ready measures which in curing particular evils inevitably brought about a general trade recession.

POSITION AND PROGRESS OF THE BANK

Before passing on to the position and progress of our bank I want to express the great pleasure we all feel in the complete restoration of Mr Hyde's health and vigour. We welcome him back very cordially, and trust that he will now enjoy many years of undiminished strength. Let me also express to our general managers and their assistants our appreciation of their fine work under Mr Hyde's leadership in keeping the bank strong and liquid and maintaining its high standards of service and efficiency. In this task they have enjoyed the fullest support of managers and staff in head office and at the branches, and to all of these I would convey sincere thanks on behalf of our 72,000 shareholders.

The past year has been unusual for the almost complete absence of changes on our board. The only one I have to record is the appointment of Lord Wigram, who came to us with a great record of public service, and whom we welcomed with special cordiality for his outstanding personal qualities.

The upward trend of profits in the past few years was maintained in 1936, though the figure is still well below those recorded when higher average rates were earned on our assets. The increase of about £115,000 on the year, notwithstanding the absence of any rise in money rates, is attributable partly to the rather greater demand for advances and for short loans, particularly those yielding higher rates of interest. Moreover, the increase in total deposits has been largely on current accounts, while it has been possible with a more abundant supply of bills to reduce the proportion of unproductive cash to a figure close to what had come to be regarded as normal. The expansion in the services rendered to customers in return for higher earnings is

reflected in an addition of roughly 6½ per cent. to the turnover on current accounts.

PROFIT AND ALLOCATIONS

Adding together the profit for the year, approximately £2,468,000, and the balance brought forward from the previous year's account, a total of £2,935,000 is available. The board have utilised the increased profits to strengthen further the position of the bank, and to that end have raised by £50,000 each, as compared with a year ago, the appropriations to reduction of bank premises and to reserve for future contingencies. These absorb £350,000 and £300,000, respectively. An interim dividend at the rate of 16 per cent. per annum, less income tax, was paid in July, and the directors now propose a final dividend at the same rate. By reason of the increase of threepence in the standard rate of income tax, the amount of which is provided before striking our net profit, the sum required for dividends is slightly lower at £1,738,000. These various allocations leave a balance of £547,000 to go forward into the next account as against £467,000 last year. I trust you will approve the policy of utilising increased profits to reinforce the internal finances of the bank, bearing in mind the losses incurred in years of depression.

NEW RECORD OF DEPOSITS

During 1936 deposits again showed greater steadiness in amount, but the trend was even more strongly and consistently upward than in previous years. The rise of £45 millions over the year has established a new balance-sheet record at £487 millions. As I have already said, we have been able to employ these enlarged resources somewhat more fully than in the previous year. Although the cash item on the balance sheet has increased proportionately with the rise in deposits, the average of the cash ratios recorded in our weekly statements throughout the year is somewhat lower, at 10.7 per cent., than in 1935. At the same time, the liquidity of our position has been in no way diminished, for the increase in the total of our bill holdings and short money has more than compensated the decline in cash.

Money at call and short notice shows a rise of £2 millions. As indicated earlier in my address, the increase in accommodation to stockbrokers is being closely and continuously watched to avoid undue expansion. Our bill holdings have risen in total by £5 millions, and here the constituent changes are interesting, for our discounts of trade bills, as opposed to Treasury bills, have actually declined. From this it may be inferred that the general business recovery has induced little or no renewed resort to the trade bill. Moreover, although international commerce is now showing considerable expansion, the widespread clearing and quasi-barter arrangements preclude a corresponding growth of the supply of bills from this source. This fact is emphasised again by the absence of any appreciable increase in our liabilities for customers on acceptances and by the decline in forward exchange transactions. Passing to another item, in view of the limited scope for employment of funds in trade financing, we have again increased our holdings of investments, adding to them on balance about £16½ millions of Government securities.

FURTHER RISE IN ADVANCES

Perhaps the most encouraging movement revealed by the balance sheet is the further rise in advances, which are £12½ millions higher on the year. This is a welcome development, common to all the banks, but we should be on our guard against the frequent assumption that it is entirely due to the increased requirements of more active industry and trade. To judge from our latest regular analysis of the advances on our books, little more than one-third of the rise over the year can be accounted for in this way; rather less than one-third is the result of further special loans to local authorities; and the balance consists of advances for private and professional purposes, largely to facilitate the greater volume of investment in real property. Nevertheless, it seems now that business advances proper have passed the low point, reached in 1935, and are definitely if slightly on the up-grade.

The failure of advances to rise along with the great expansion in the nation's business is still a mystery to many people. The explanation, I think, is simple, and two years ago I mentioned the principal causes contributing to it. In order to arrive at some measure of their relative weight, however, the causes of the reductions between 1931 and 1936 in a number of individual advances have been inquired into more closely. Only a relatively small sample could be examined, but the combined results are worth recording. They showed that the most important factors were new issues of capital resulting in repayment of bank indebtedness, and the association of formerly independent units in such a way that joint internal financing becomes practicable. These two processes alone seem to have accounted for perhaps as much as one-half of the net decline in our trade advances

over the five-year period. Less important, though substantial, factors were improvement in the borrower's business; the substitution of non-banking accommodation for bank advances; and customers' sales of securities for the purpose of repaying advances. The results of this inquiry justify the statement that industry has been enabled, through the monetary policy pursued by our authorities, to finance itself to a larger extent than formerly. Much as we may welcome this change when viewed in the light of long-term economic stability, it means that the earnings of banks on their most profitable assets have not recovered correspondingly with general business revival.

The premises items on the balance sheet, taken together, show a decline over the year, resulting from the further writing down of properties with a view to strengthening the financial position of the bank. Work is now well forward on the completion of the head office building by erection of the two wings in Poultry, and in our branch offices the process of repair and reconstruction, necessary to maintain a proper standard, is regularly continued.

AFFILIATED COMPANIES

Our affiliated banks, the Belfast Banking Company, The Clydesdale Bank and the North of Scotland Bank, have shared in the expansion of banking business associated with trade revival. The North of Scotland Bank recently celebrated its centenary, and enters upon its second hundred years with the congratulations and good wishes of us all. Nearly twenty years have passed since the first of our affiliation arrangements was entered into, with the Belfast Banking Company. At that time associations were established which we have accounted of the highest value, on personal as well as business grounds.

It is, then, with a deep sense of loss that we bid farewell to Mr David McKee on his retirement from the position of senior Director. Mr McKee has been in the active service of his bank for no less than 69 years, a period that must be almost unique, and has watched it grow from a small undertaking with twenty-nine branches and £2½ millions of deposits to an institution with fifty-one branches throughout Northern Ireland and deposits of £14 millions. His own contribution to the progress and strength of his bank is incalculable, for he has been for 46 years a member of the general management. No one knew Northern Ireland better than he, or had a shrewder judgment of conditions and prospects in its business affairs. In his long career he has won the abiding affection of past and present colleagues throughout the British Isles and of numberless friends outside the banking world. He takes with him into retirement our earnest hope that release from the cares of office will enable him to enjoy to the full the leisure he has so richly earned.

EXECUTOR AND TRUSTEE COMPANY

Our Executor and Trustee Company continues to record steady expansion. Two new branches have recently been opened, extending its direct representation to twelve provincial centres. The nature of the company's business is such that the progress achieved is not fully reflected in its balance sheet, but other figures provide striking evidence of growth in all sections of its activity. Comparing the present position with that of eleven years ago, when the company had only one office, the number of appointments accepted has increased sevenfold. The number of wills in process, together with marriage settlements and other trusts in active operation, is nearly five times greater, while the total amount involved has been multiplied by more than three. Altogether, the business of all kinds transacted by the company last year represented a sum of well over £100 millions. This development not only confirms the wisdom of branch expansion; it reveals more widespread recognition among the public of the advantages of appointing a corporate trustee of unquestionable standing and specialised knowledge and experience.

CONFIDENCE IN THE FUTURE

From the facts and figures I have given you I think it may fairly be concluded that the bank and the affiliated companies have all grown in strength and prosperity during the past year. They have shared in the general business recovery, which happily is not yet at an end. It may be that last year's rate of expansion will not be maintained, but we can at least anticipate with confidence that business will be fully as good in 1937 as in 1936. If to these favourable prospects at home could be added the stimulus of general appeasement in international affairs, the possibility of which seems at the moment a little nearer, we could be assured of a still wider extension of prosperity throughout the country.

The report was adopted, other ordinary business was transacted, and the proceedings ended with a vote of thanks to the Chairman.

THE NATIONAL BANK LIMITED

CONTINUED IMPROVEMENT IN ECONOMIC CONDITIONS

MR MICHAEL J. COOKE'S SPEECH

The annual general meeting of the National Bank, Limited, was held, on the 28th instant, at 13 Old Broad Street, London, E.C.

Mr Michael J. Cooke, Chairman of the bank, said:—We propose to pay a dividend at the rate of 12 per cent. per annum, less tax, and we transfer £10,000 to reserve fund and £10,000 in reduction of bank premises account, to which I have already alluded, carrying forward to the new account £48,522. I venture to think, Ladies and Gentlemen, that the figures will commend themselves to you as being quite satisfactory.

The very low money rates to which I have referred on previous occasions continued to operate during the last six months.

An abundance of funds has been at the command of the Short Money Market at ½ per cent. per annum, and the Treasury Bill Allotment rate during that period has averaged only 11s. 3d.

The improvement in economic conditions which began in this country in 1932 continued throughout 1936. Industrial activity generally is running at levels considerably above the pre-depression maximum attained in 1929, and though some areas are still gravely depressed, in some cases the super-imposition of armament demands upon commercial requirements is leading to a volume of output limited only by the capacity of existing plant. In estimating the situation, it would not be wise to overlook the possibility that in certain directions saturation point may be approaching. The rate of building construction in the last few years has been so unprecedentedly large that its indefinite continuance cannot be counted upon. The outlook for 1937 is promising, but the detailed elements in the picture may be changing. Fortunately, the world environment is definitely encouraging at the present time, at least so far as the economic sphere is concerned, and continuance of general recovery is no longer so dependent as it was even a year or two ago upon the continued expansion of a few sheltered industries, such as house building, within Great Britain.

In the past, the prosperity of this country was intimately associated with that of the overseas world. Tariff and currency changes here and elsewhere have somewhat modified the truth of this generalisation, but its general soundness can hardly be brought into question. During 1936 a series of important events has greatly contributed to improve the external environment. Recovery in the United States is proceeding almost as rapidly as in this country; the long delayed, but probably inevitable, devaluation of the currencies of the gold bloc countries has produced an immediate halt in the deterioration of their position, and signs of recovery are accumulating. The conclusion of the tripartite agreement in September of last year confirms the impression afforded by the actual course of the foreign exchanges in recent months, that the era of violent currency changes is over, and that the uncertainties and difficulties caused by them are a thing of the past. Easy money conditions have enabled the conversion of overseas indebtedness to proceed, and the pressure on the balances of payments of these countries is therefore diminishing at the same time as their purchasing power is improving through the smaller burden of indebtedness.

From the standpoint of the overseas world, however, the most important phenomenon is the sharp rise in wholesale prices now in progress. Increased industrial activity here and elsewhere—however regrettably accentuated by the requirements of the armaments race—is affecting the prices of basic raw material: the higher level of income and the greatly improved volume of employment is affecting the volume of consumption of food-stuffs and the raw materials of the textile industries. The consequence must be a rise in the national incomes of the overseas countries, as well as a welcome improvement in the earnings of shipping, which directly benefits the balance of payments of this and other large ship-owning nations. Many of the overseas countries have been starved of late years as a consequence of falling prices and redundant stocks. While it is natural and right that part of the increased demand generated in this way should, and undoubtedly will, benefit local industry in the first instance, part will benefit the export industries of this and other countries. Looking at the situation from the special standpoint of this bank, it is gratifying to record that Ireland, as primarily a raw material producing country, is benefiting from the developments already mentioned. In addition the prolongation of the Coal-Cattle Pact between this country and the Irish Free State is of the highest significance, and it is hoped that other pacts on the same lines will soon be put into operation.

The report and accounts were unanimously adopted.

WESTMINSTER BANK LIMITED

FEATURES OF PAST YEAR'S FINANCIAL AND TRADING SITUATION

BENEFITS OF RISE IN COMMODITY PRICES

NEED FOR CONTINUANCE OF CHEAP MONEY

PROGRESS OF BRITISH INDUSTRY

THE BANK'S DIVIDEND MAINTAINED

THE HON. RUPERT E. BECKETT'S ADDRESS

The annual ordinary general meeting of the Westminster Bank, Limited, was held, on the 27th instant, at the head office of the Bank, 41 Lothbury, London, E.C.

The Hon. Rupert E. Beckett (chairman of the Bank) presided. The notice convening the meeting and the auditors' report having been read by the secretary (Mr F. Mytton), the directors' report, the balance sheet, and the profit and loss account were taken as read.

The chairman said: My Lords, ladies, and gentlemen, in accordance with custom, at the opening of my address I will acquaint you with the changes that have occurred in the directorate during the past year.

CHANGES ON THE DIRECTORATE

With great regret, I have to report that we have lost by death two of our senior directors. In April last, Sir George Murray died after a short illness, at the ripe age of 86. After a distinguished career at the Treasury, he gave 24 years of assiduous service to the bank. His kindly humour and shrewd judgment of affairs gained him the affection and respect of all his colleagues.

Then in November last, Mr R. Hugh Tennant died, after some months of illness. His first interest in banking, dating from 1903, was as a director of Crompton and Evans' Union Bank, later, absorbed by Parr's Bank, of which Mr Tennant was deputy chairman at the time of the subsequent amalgamation with the London County and Westminster Bank in 1918. He was appointed Chairman of Westminster Bank in 1927, and after his retirement from that post in 1930 remained a director until his death. Mr Tennant made his mark in other business activities as well as banking, and being thoroughly conversant with various phases of industrial and commercial life, he rendered eminent service to this bank in all the posts he filled. As a personal friend of more than 40 years' standing I mourn his loss, and his passing is a matter of deep regret to us all.

In October last, we invited the Marquess of Willingdon to a seat on our Board, which I am pleased to say he accepted. It is a matter of gratification to us all that we have been able to secure the services of one with such an eminent record of public service. (Hear, Hear.)

BANK'S BALANCE SHEET

I now propose to give some account of our stewardship of your interests during the past year. The steady growth in the credit base since 1932, greatly accelerated in 1936, has naturally been reflected in an increase in the deposit items of the banks. Our own deposits have grown during the past year by over £45 million to nearly £368 million.

There has been no proportionate increase in the demand for bank advances, and the problem of profitably employing these increased resources has forced the banks to enlarge their investment holdings throughout the period of credit expansion. For the year that has just closed, this increase has not been very substantial so far as this bank is concerned. Indeed, in comparing our balance sheet figures for 1936 with those for 1935, it will be observed that the increase of deposits of £45 million, to which reference has already been made, is mainly distributed, as to £6 million in investments, £10½ million in advances to customers, and £26½ million in money at call and short notice. The other items of the balance sheet call for no particular comment, and I now pass to the profit and loss account.

PROFIT AND LOSS ACCOUNT

The profit for the year is £1,731,955, an increase of £329,300 on the previous year's declaration. You will recollect that in 1935 we charged to the expenses of the bank, before declaration of our profit balance, the cost of the centenary bonus to the staff, pensioners and

widows. After payment of the dividends at the customary rates, the sum of £200,000 has been allocated to the officers' pension fund, and, while last year no transfer was made to our premises account, this year we are enabled to resume this desirable provision by an allocation of £200,000. In 1935, the centenary bonus of 2 per cent. to the holders of partly-paid shares was charged to our profit and loss account and our carry-forward was brought well below the customary figure. This year we are enabled to increase our carry-forward to £516,936, a balance comparable with our previous practice.

The Ulster Bank figures are set forth in a separate print. You will observe from this that the bank well maintains its position and has earned a slightly increased profit. As regards our subsidiary Westminster Foreign Bank, an important event during the year almost on the point of expiry, to our freehold at No. 18 Place Vendôme. The new building enables us to improve the facilities and accommodation available to our customers, and to add to the comfort and well-being of our staff.

THE ECONOMIC SITUATION

In each of the past four years, I have been able, in reviewing the events of the preceding twelve months, to indicate the extent to which recovery from the depression had taken place, particularly in this country. This year, I am glad to be able to say that the pace of this recovery at home has been fully maintained, and that in many countries overseas, with whose prosperity our own well-being is so closely bound up, conditions of trade and employment have shown considerable improvement.

Unfortunately, the political developments of 1936 have been of a very disturbing nature. International confidence, already seriously impaired as a result of the Italian invasion of Abyssinia, received another setback in March through Germany's repudiation of the Locarno Pact and military reoccupation of the Rhineland. After a few months of comparative tranquillity, civil war broke out in Spain, and in spite of the acceptance of the principle of non-intervention by the leading powers in Europe, this has constituted a further menace to European security. In addition to these formidable adverse factors, rearmament has continued apace in every country, and though this has given a direct fillip to industrial activity and employment, it cannot have failed to retard the growth of confidence which is vital to the rehabilitation of international trade.

CO-OPERATION FOR EXCHANGE EQUILIBRIUM

In the economic sphere, as distinct from the political, the latter part of the year witnessed an event that might well have been, and may yet prove to be, the turning-point in the course of national trade policies. I refer to the devaluation of the French franc, which took place in September, and which was quickly followed by the devaluation of the Dutch, Swiss and Italian currencies. Much more important to the world at large than the change of policy on the part of the French Government was the tripartite agreement among France, the United States and our own country to co-operate in maintaining exchange equilibrium and in efforts to modify trade restrictions.

For years these restrictions have exercised an increasingly powerful hold on trade, and the occasion of the French currency devaluation was hailed as an excellent opportunity to undertake a drive against all such prohibitions. Unfortunately, events since September have done little to encourage the high expectations then entertained. Not only has the initial force of the currency re-alignment been spent without imparting that impetus to world trade which had been hoped for, but there has been little sign yet of any action, concerted or otherwise, to rid the world of the many other restrictions which are preventing the growth of international commerce. The longer the delay the less effective is such action likely to be, and the less will be the driving force derived from the act of devaluation.

PROGRESS OF BRITISH INDUSTRY

There is abundant evidence of rapid progress last year in British industry, which derived its main stimulus from the internal market. Industrial production has been on an appreciably larger scale than in 1935, and it is particularly gratifying that in all the branches of industry included in the Board of Trade's calculations some advance has been registered. The number of unemployed in Great Britain has fallen by some 240,000, and the number of workers in employment has grown steadily to the record figure of 11,132,000. In addition, short time has become much less prevalent, wage rates have risen, and industrial disputes have been comparatively few and without serious consequence. The movements of statistics relating to railway traffics, bank clearings, currency notes in circulation, new capital issues, and retail sales, indicate without exception a greater degree of prosperity than has been experienced for a number of years.

IRON AND STEEL TRADES

The most notable feature of the industrial history of 1935 was the striking improvement made by the iron and steel trades. During the past year, their progress continued, and the production of steel in 1935, itself a record, was exceeded by 18½ per cent., the output in 1936 being nearly 11½ million tons. The revival of the steel industry is based largely on the growth of building activity and industrial expansion. Home consumption rose last year by over 2 million tons in comparison with 1935, and it is anticipated that in the current year there will be a further increase in demand from the leading steel consuming industries, on which will be superimposed the requirements for the rearmament programme. Steel works are operating nearly at full capacity, and if demand continues to expand it will become necessary to make additions to plant, but this is a process which necessarily occupies many months.

Pig-iron has lagged somewhat behind steel in the recovery, but the production increased last year by 19½ per cent. to the highest level since 1920. Here also the works are operating nearly at full capacity, and there is now little suitable idle plant which can be brought into production. It is significant that all available scrap metal is already being absorbed in the manufacture of steel, which means that the production of steel can be increased only from pig-iron, and the indications are that there will be a short supply of the latter. The erection of new blast furnaces is under consideration, but they will take a substantial time to build. A slight betterment can be discerned in the coal industry, and it is significant that the number of workers engaged in coalmining, which had been declining for some years, showed an increase. Despite a further contraction of 11 per cent. in exports, there was a small expansion in total coal production, the home market absorbing a heavier tonnage than in any other year since 1927. The fact that inland consumption has risen so substantially suggests that the adverse effects upon the trade arising from the more economical use of coal are being overcome, and that consumption is now increasing in spite of them. The output of coal last year, at 229 million tons, was 3 per cent. higher than in 1935, and was at the highest figure since 1930.

Engineering benefited considerably from the continued activity in public works and in house building, from extensive replacement and renewal work for the railways, and from the provision of additional plant for industry, as well as from Government orders for rearmament purposes.

SHIPBUILDING

The shipbuilding industry, although by no means restored to its former prosperity, enjoyed a better year, orders having reached a larger aggregate tonnage than for a long time past.

The strengthening of demand for shipping, and the hardening of freight rates, are healthy developments which may presage a further expansion of activity in the shipyards. The industry to-day is obliged to rely almost entirely upon the home market, however, the volume of business secured from abroad last year having been of negligible proportions.

As coal, being largely dependent upon exports, showed the least improvement among the heavy industries, so among textiles cotton fared much less favourably than either wool or rayon. The value of overseas trade again showed little increase in comparison with that of the preceding year. During the year the Cotton Spinning Industry Act, which provides for the elimination of redundant spindles, came into force, and minimum selling price schemes for yarns were put into operation. Wool textiles have passed through a moderately satisfactory period. The improvement in internal purchasing power has been reflected in better sales in the home market, but exports have increased only slightly. The output of

rayon reached a new high record, as might be expected in a comparatively young and flourishing industry.

OVERSEAS TRADE

The feature of our overseas trade during the past year has been the decline in the ratio between exports and imports. Imports have grown considerably, while exports have remained almost stationary, with the result that the gap between them has widened from £275 million to £348 million, an increase which can be only partially offset by the anticipated larger contribution of our invisible exports to the credit side of our national trading accounts.

The probability of the emergence of a net adverse balance of payments has occasioned a great deal of comment and a certain amount of apprehension, and it may not be out of place to examine here some of the causes which underlie this unwelcome development. The influence upon international trade in general of the unfavourable political events to which I have already referred has been aggravated by intensified nationalism in some countries, which has prompted the drastic curtailment of their imports. In this country, there has been a large increase in the production of armaments, and a continuance of a high level of building activity, both of which have necessitated the importation of raw materials, but have contributed nothing on the export side. At the same time, the steady rise in prices throughout the past year has increased the cost of imports, without, however, having an equivalent effect upon exports.

Then in certain industries, intense activity in the execution of home orders has prevented manufacturers from taking full advantage of opportunities of overseas trade, and in many cases business has had to be turned away. However regrettable this may be from a national point of view, it is hardly surprising that manufacturers, finding themselves able to keep their factories fully employed on home business, with the much smaller risks this involves, have found little inducement to develop the export side of their trade. But it is earnestly to be hoped that this condition of affairs will not be allowed to result in the permanent loss of export markets, for the time will inevitably come when the home market will no longer be able to absorb the entire production, and overseas customers will again be needed. Expanding imports are frequently regarded as a sign of national prosperity. They may well be, but they have to be paid for, and in the long run they cannot be afforded unless a correspondingly increased volume of exports can be sold.

RISE OF COMMODITY PRICES

By far the most important happening in the economic sphere during the past year has been the sustained rise of commodity prices. In my address to you a year ago, I took occasion to comment on the remarkable stability of prices in this country since our suspension of the gold standard in 1931, contrasting our experience in this respect with those of certain other leading countries, where the range of prices had been far more considerable. Since I made my remarks, we have witnessed an advance in prices which has proceeded month by month at an accelerating pace, and wholesale prices to-day, as measured by the Board of Trade, are some 10 per cent. higher than they were a year ago, and 14½ per cent. higher than in July 1935, when the movement began. The significance of this increase lies in its uninterrupted course and in the fact that it represents the first considerable rise of prices in this country since the low levels associated with the depression.

Already, the rise has occasioned a certain amount of misgiving. Yet as long ago as 1933, the Chancellor of the Exchequer told the World Economic Conference that the British Government attached the greatest importance to securing a rise of prices and that, to this end, "credit should be made available by a policy of cheap money, and such credit should be actively employed." The rise of prices which was universally recognised as desirable is now in full course. Monetary policy is, however, only one of the factors in a development of world-wide extent. During the past twelve months, wholesale prices in practically every country of importance have risen by something like 7 per cent.

EFFECT ON AGRICULTURAL PRODUCTS

The most significant, and at the same time the most hopeful, aspect of the rise of prices is its incidence on agricultural products. The agricultural communities of the world were the first to suffer in the years of depression, and their difficulties were the severest. It was through the serious contraction of their purchasing power that manufacturing countries were in their turn drawn into the pit of depression. It is fitting, therefore, that the recovery of prices, with all that it implies in returning prosperity, should have made

its presence felt first in the primary producing countries. These countries' exports now pay for larger imports of manufactures, and at the same time enable them to resume or to increase payments of interest on their bonds held abroad, which had been suspended or seriously reduced.

In the majority of cases, the rise of prices has been brought about in the healthiest possible way—by improvement of the balance between supply and demand. The colossal stocks which were depressing markets have gradually been reduced to more normal proportions, and, whether by the hand of Nature, or by artificial means, or by a combination of the two, current outputs have been brought more into accord with prospective consumption.

The recovery of industry has brought about a gradual revival of genuine consumptive demand for nearly every industrial raw material, and fuller employment and higher wages have meant increased consumption of foodstuffs. Under these combined influences, prices have begun to move upward, not hitherto in the spectacular manner associated with a boom, but in the steady way that encourages a further expansion of trade. It is safe to say that commodity prices owe little of their increases so far to undue speculation.

NO SIGN OF A BOOM

A rise of prices from the recent abnormally low levels, though it may be detrimental to a few, confers undoubted benefits on the community as a whole. But it is accompanied by dangers, and it is important that we should profit by the lessons of the past if harmful effects are to be avoided. The prices of certain commodities have recently shown a tendency to rise more abruptly than is justified by their statistical positions, and these advances have been accompanied by sharp rises in certain shares on the Stock Exchange—rises which over-discount prospective yields for a long time ahead. It is in the liability of such a movement to get out of hand that danger lies.

There are, fortunately, some respects at least in which the present situation differs from those which have succeeded previous depressions. I see no convincing evidence that a boom is yet developing. Prices so far have not risen unduly, profiteering is not rife, and there is no shortage of commodities such as has been associated with booms in the past. Credit remains plentiful and cheap, and company flotations and capital operations are subject to much closer scrutiny than ever before.

Whilst, therefore, I am sensible of the dangers of an excessive rise of prices, I think that those who already advocate steps to check the present rise are prematurely apprehensive. The control of prices is itself not without dangers. It is important to remember that prices are symptoms rather than causes, and undue interference with them destroys both a valuable guide in the exploitation of resources in the ways best fitted to man's needs and desires, and a safety valve of much importance in the operation of the economic system.

The only effective method by which the general price level can be controlled is by regulation of the volume of money and credit in active circulation. In other words, the rise of prices can be checked only through a contraction of credit, and the adoption of a deflationary policy which is the very antithesis of that which has carried us thus far out of the slough of depression. I, for one, do not believe that present circumstances justify such drastic action.

A WELCOME DEVELOPMENT

In my view, the rise which we have so far seen in commodity prices is, generally speaking, based on a firm foundation and is a development to be welcomed. The few instances of excessive rises have resulted from special conditions of supply or demand, which we may expect to see rectified. Nevertheless, it is necessary that those in authority should keep a watchful eye on the movement, lest in any particular direction speculation should exceed its legitimate functions.

No survey of a year can be complete that stresses developments which have been favourable and ignores or glosses over any which may hold dangers, and I have therefore mentioned what seem to me to be certain vulnerable points in our economy. If we do not learn from past errors, the pitfalls into which we have so often stumbled will snare us again, without, on this occasion, any justification for an extenuating plea of ignorance or inexperience.

The recovery so far seen has been a fairly general experience throughout the world, proving again that, with countries linked by innumerable ties, the prosperity and well-being of the one or the few spread and overflow with the same inevitability as did depression some years back. But with large and important countries still pledged, whether from choice or from sheer necessity, to live unto themselves and to exclude international trade as far as possible, in

defiance of the fact that their former greatness was built and founded so largely upon that very trade, the rest of the world is denied a full measure of recovery. Enlightenment will assuredly come to those countries, to their own benefit and to that of the world at large.

NEED FOR CHEAP MONEY

Ominous clouds still overhang the political sphere, but if only these can be dispersed, the year promises still further trade progress for this and other countries. All the favourable factors which I have mentioned earlier are found present at this year's opening, and in some cases they are still gathering strength. Moreover, there are perhaps now clearer indications of methods of self-help than have been discernible at the commencement of many previous years.

The first necessity appears to me to be the continuance of the policy of cheap money. During the past year, there have been from time to time signs that the supply of credit is not quite so plentiful as in recent years, and the most sensitive rates have been inclined to harden under the influence of important though passing events. Expanding trade and higher commodity prices were responsible for an increase in advances by the eleven clearing banks of some £80 million during 1936, an appreciable rise from the corresponding figure of £31 million in 1935. Nevertheless, we should still be some distance from the necessity for dearer rates. Building and commercial construction formed the basis of our recovery, and these have been, more recently, supplemented by rearmament activity.

A tightening-up of credit would not affect rearmament but would undoubtedly diminish the amount of new building and commercial construction, apply a brake to business enterprise, and exert an adverse psychological effect all round. Industry and commerce still need every facility open to them to continue their development. It need not be feared that, granted the necessity for continued cheap money, its maintenance will be a matter of difficulty, for the authorities have ample powers to expand the credit basis as that is deemed desirable.

VALUE OF A SOUND BUDGET

With other nations rearming at a feverish pace, we have, after long delay and with great reluctance, been forced to strengthen our own defences, and accept an armaments bill as an inevitable and distasteful necessity. Not by any means the least important factor in our progress has been the background of a sound budget. We faced the difficulties of the situation in 1931, shouldered heavy burdens, and came successfully through to a balanced budget, and since then we have not looked back. Our country is still one of the very few which manages to balance income and expenditure, and this situation is of such fundamental importance, both for our own self-esteem and as a visible sign to the outside world of our determination to be rooted in stability, that we must again be prepared for sacrifice. So far as it is possible, therefore, the bill for armaments should be met out of current revenue. We must be prepared to face heavier taxation, with this consolation—that the country is in a far better position now to bear an added burden than it has been for a number of years past.

I have already remarked on the paramount necessity of developing our export trade by all the means at our disposal. Only by a radical improvement in that sphere can we hope to make further reductions in unemployment—a task which becomes more and more difficult as time goes on—and to bring abiding help to those areas whose dire needs have so far presented an almost insoluble problem. It is good to know that intimate knowledge and experience of these areas have been obtained, and that the public conscience has been quickened, so that a lively sympathy may in the near future be translated into some more practical form of help.

THE FUTURE

In my address to you on this occasion I have confined myself to a review of the past year, pointing out how events have affected the financial and trading position of this country as shown by its general progress. Any attempt to forecast the future trend of affairs, save in the most general terms, would be futile—this because the political outlook is unusually obscure, and the future is more than ever governed by events abroad, where we may do no more than exercise the influence we possess in the direction of peace and sanity.

There has been little amelioration of tariffs, quotas and other restrictions, and though the various exchange equalisation funds have performed their functions of preventing violent fluctuations in exchanges, we have not been brought much nearer to a common denominator in the shape of definite parities between this country, France and America. The necessity for equalisation funds is proof

that the genuine functions of the various exchanges are to a great extent still in abeyance. By this I mean that these funds have taken the position that should be filled by the passage of goods themselves. They help to maintain the international value of a nation's currency when neither by the amount of goods exported, nor in some instances by its own domestic price-level, can such value be justified. It is in fact the fictitious position of turning credit into a commodity, the true commodity, goods, being lacking. Nevertheless, exchange equalisation funds can do a great deal to counteract the ill-effects of any sudden flight from a particular currency, and have, indeed, already proved their utility in neutralising the effects of large capital movements.

The measure of stability already attained amongst the chief currencies of the world is the result of economic co-operation. Is it too much to hope that political considerations will not be allowed to stand in the way of a wider collaboration, through which alone the universal desire for lasting peace and prosperity can be achieved? (Applause.)

The chairman then moved the adoption of the report and accounts and Lord Hunsdon, deputy chairman, seconded the resolution, which was carried.

The retiring directors were then re-elected, and the auditors were re-appointed for the year 1937. To a vote of thanks to the staff for their admirable work during the past year, the chief general manager, Mr Charles Lidbury, responded, and a vote of thanks to the chairman terminated the proceedings.

THE UNION DISCOUNT COMPANY OF LONDON, LIMITED

REVIEW OF MONEY MARKET CONDITIONS

BENEFICIAL RESULTS OF GOVERNMENT POLICY

SIR WILLIAM GOSCHEN'S ADDRESS

The seventy-ninth ordinary general meeting of The Union Discount Company of London, Limited, was held, on the 28th instant, at Southern House, Cannon Street, London, E.C.

The Hon. Sir William H. Goschen, K.B.E., the Chairman, presided.

The Secretary (Mr C. W. Holliday) having read the notice convening the meeting and the auditors' report,

The Chairman said:—Gentlemen,—The past year has been an interesting one from the members' point of view. They will remember that the company's jubilee occurred in April, 1935, and almost a year ago their authority was asked for and obtained by the board to increase the capital and resources by £500,000 and thereafter to capitalise the uncalled liability on their shares, which was 100 per cent. of what was paid up on these shares.

CAPITAL STRUCTURE

The balance sheet at December 31, 1936, now shows the effect of these operations on the capital structure of the company. For a number of years the board had in mind the cancellation out of reserves of this uncalled liability on the company's shares—the only class of shares issued—and they felt that the Jubilee would be an appropriate occasion on which to mark the event and carry it out.

The board believe that for several reasons shares or stock with no liability (for which there is now general precedent in the banking world) are now preferred to those with a liability, and such shares or stock can be more easily dealt with in the case of deceased members. I have no doubt the members will realise the advantages of this cancellation of the liability on their shares, and the directors consider that the recent issue of capital on bonus terms was in harmony with the company's progressive growth and struggle.

CURRENCY VALUES

The cheap money policy, we are now being told from various sources, will soon be a thing of the past, and these prophets confront us with statistics making comparison with conditions and figures—pre-war and post-war—that suggest that we may be on the eve of higher bank rates and dearer money. In view of the depreciation of currencies and the greatly increased gold production any statistical comparisons with previous data, I feel, can be no longer relative or of any value.

Memories are short, and with the kaleidoscopic changes in the inter-mixture of political and economic affairs that have occurred

since this country was driven off the Gold Standard in 1931, and the effects of this domestically, and particularly on International trade—it is essential that we do not lose sight of what are the fundamental problems that remain for settlement—in which *de jure* fixation of currencies is a vital one if world recovery in trade is to be permanently secured.

GOVERNMENT'S FAR-SIGHTED ACTION

The two most important changes in policy made by the National Government have involved the reversal of two British ideals—both beneficial and far-sighted in their consideration for the welfare of all nations. These changes were the abandonment of Free Trade and the abandonment of disarmament. The foundation for our country's belief in both policies was that "our example" and what was thought to be the obvious advantages to all nations of such policies would lead to their eventual general adoption. It is true that for some time before the War our united belief in Free Trade was getting thin and that in 1931, after the experiences of the post-War years, its supporters were mainly confined to those who were blind to the benefits it gave to foreign workmen over our own.

However, the National Government saw the realities of the position and adopted moderate protection and fair play in the international exchange of goods—which policy, in fact, uncovered a hidden reserve for production and consumption of goods made in this country, and this has played a great part in our recovery in recent years. Another factor which emerged after we were driven off gold—and which was not foreseen—was that as a great credit country we were always the biggest buyers of world goods, and that, as a consequence, our prices did not then rise in accord with academic theories and the expectation of the on-gold countries—whose prices fell because they were large sellers on balance.

INTERNATIONAL TRADE

International trade is the exchange of goods and services, and cannot recover unless the creditor countries, and particularly the greatest of them—Great Britain and the United States—square the international account by taking goods and services—and not gold—otherwise any premature attempt to *de jure* fixation of currencies may lead to a repetition later on of the events of 1931.

And keeping in mind the tendency of the British people towards beliefs in "ideals" and "examples" (lately shown again in world disarmament), it is disturbing to find this same idealism finding renewed expression in a certain school of thought advocating an immediate concurrence in a *de jure* fixation of exchange, particularly with the United States, the excuse for which once more being the belief that "while this policy might not be to our advantage at first, in the long run it was bound to be of benefit to all, and to ourselves more than to any of the others." Past experience has surely taught us by now that British policy, when it has been based on "ideals" and "examples," has almost always proved to be mistaken—in the end disadvantageous, dangerous and perhaps destructive, and we trust that the Government will continue to base the National Government policy, as they have already done, on realities, economic facts and common sense, until such time has arrived when world co-operation is an accomplished fact and what were and still are the objectives of British "idealism," peace, goodwill and prosperity for all nations.

The Chairman, after referring to the details of the balance sheet, moved the adoption of the report and accounts, which was carried unanimously.

OFFER TO NEW READERS

Any reader who makes his first acquaintance with this journal with this week's issue is invited to fill up the attached:

To Publisher, "Economist Newspaper Ltd.,"

8 Bouverie Street, E.C.4.

In order to test the value of your publication I should like you to forward this to me by post for the next four weeks. If I then decide to become a subscriber, it is understood that there will be no charge for the copies thus received, but otherwise I shall be willing to pay 4s. to cover their cost.

Name.....

Address.....

NATIONAL PROVINCIAL BANK, LIMITED

FIGURES DISCLOSE HEALTHY POSITION

INCREASE IN ADVANCES TO CUSTOMERS

FURTHER IMPROVEMENT IN BUSINESS CONDITIONS

THE RISE IN COMMODITY PRICES

NEED FOR INTERNATIONAL CO-OPERATION

MR COLIN F. CAMPBELL'S ADDRESS

The annual general meeting of the shareholders of the National Provincial Bank, Limited, was held at the Head Office, 15 Bishopsgate, London, E.C.2, on the 28th instant, for the purpose of receiving the report and balance sheet, electing directors and auditors and transacting other ordinary business.

Mr Colin F. Campbell (the chairman) presided.

Mr R. H. Cutting (the secretary) read the notice convening the meeting and the report of the auditors.

The chairman said: My lords, ladies and gentlemen, Before speaking to you to-day about the affairs of the bank, I know that you will all join with me in hoping that the reign of King George VI and Queen Elizabeth will be crowned with a full measure of blessing and prosperity, both to them and the Empire. (Hear, hear.)

We have this year returned to the practice of holding our annual meeting on the premises of the bank. The last time was in 1919. The changes which have been effected consequent on the extension of our premises to Old Broad Street have made it possible to use this room and if the experiment proves satisfactory to the shareholders, we hope to continue to hold the meeting here in future years.

CHANGES IN DIRECTORATE

During the year under review, I regret to say we lost through death a very distinguished colleague in Sir Felix Schuster. He will long be remembered as the Governor of the Union of London and Smiths Bank, but along with this his reputation as an international banker stood very high indeed, and he is greatly missed by a large circle of friends both in this country and abroad.

Since the close of the year I regret to say that we have also lost through death Major G. D. Smith, who was one of the extraordinary directors of the bank and who was for some time previously a director of the Union of London and Smiths Bank before its amalgamation with this bank.

We have appointed two Directors during the year to seats on the Board, the Right Honourable Lord Aberconway and Sir Victor Schuster. Lord Aberconway bears a high reputation for his knowledge of all matters connected with shipbuilding, coal, iron and steel industries, besides which—if you will allow me to digress from business—he is president of the Royal Horticultural Society, whose fortnightly Flower Shows in Vincent Square are a delight to many of us. (Hear, hear.) Sir Victor Schuster has been a banker since he left Oxford, and not only is he well versed in banking practice, but he has made a special study of international banking. I have no doubt that you will heartily approve of these two appointments.

Then we are about to lose the services of Mr Waller, a joint general manager of the bank, who is retiring at the end of this month after a long service of 43 years, included in which is a period of 13 years as joint general manager. We shall all miss Mr Waller very much, and he carries with him not only our cordial thanks for his services to the bank but also our hope that he will enjoy to the full the leisure to which he is now so well entitled. (Applause.)

SATISFACTORY ACCOUNTS

The one hundred and fourth annual report of the directors to the shareholders is now before you, and I hope the healthy situation disclosed in the figures of our balance sheet taken out on December 31 last will meet with your approval.

The largest item, current, deposit and other accounts, has increased during the year by over £18,000,000 to £320,898,298. This figure is a record in our history.

There are no important changes to bring to your notice in the other items on the liabilities side of our balance sheet.

On the assets side, coin, bank notes and balances with the Bank of England at over £34,000,000 amount to 10.7 per cent. of our deposits.

Money at call and short notice shows an increase of nearly £4,000,000 and Bills discounted at £44,000,000 are over £4,000,000 up.

The return to the bank on these two last named items has again been disappointing. The Treasury Bill rate during 1936 stood at an average of 11s. 7d.

Investments, apart from those in associated and subsidiary banks, show a decline compared with the previous year's figure of nearly £2,500,000.

GROWTH OF ADVANCES

On the other hand, you will be pleased, as I am, to see that advances have increased from £112,000,000 to £122,000,000. This latter figure is 37.9 per cent. of our deposits, as compared with 36.9 per cent. at the end of 1935.

We have during 1936, as in previous years, endeavoured to play our part in supporting the financial requirements of our borrowing customers; and it has been our great pleasure to see industrial concerns which we have supported through several years of depression showing evidence of a return to a more prosperous state and to increased financial strength.

The profit statement discloses a nett profit of £1,770,173 3s., being an increase of £104,735 15s. 8d. over the previous year.

The dividend continues at 15 per cent. as before, and after allocating £100,000 to bank premises account, and £200,000 to pension fund against £100,000 a year ago, there remains to be carried forward £970,667 1s. 2d. an increase of £48,260 15s. compared with the previous year.

GREAT BRITAIN'S GOOD RECORD

Looking at the record of our country as a whole, we have every reason to be satisfied with its work and spirit during the past year. In spite of being subjected to severe shocks and many uncertainties, it has maintained its business progress with a calmness that has won the admiration of the world, and has belied the forecasts of those who have been telling us that the present activity is too feverish and artificial to last and must be succeeded by early reaction. On the contrary, many indications show that the rate of progress in some departments of business has been accelerated during the year, and that we can look forward with confidence to a continuance of this activity.

You will have seen so many records in the press of the fine achievements of most branches of our industries that I will not weary you now with statistics. It is enough to say that the movement and expansion of currency, the bank clearings, railway traffic and employment figures, increases in wages, retail trade returns and the volume of our imports, all point to a steady growth of our country's income and prosperity firmly based on well-distributed purchasing power.

HARD-HIT INDUSTRIES IMPROVE

It is also most satisfactory to note that some of the industries that were hardest hit by the depression have lately shown signs of joining in the general recovery. Shipping has benefited from the greater movement of produce and of raw materials generally, which has brought about an increase in the rate of freights. The breaking up of old vessels also has stimulated activity in our shipyards. The cotton industry has not only been quickened by a large number of orders for Coronation materials, but has shown that its capacity for export, assisted by the rise in commodity prices involving increased purchasing power of its overseas customers, is full of vitality.

Only a few weeks ago the chairman of the Indian section of the Manchester Chamber of Commerce, when presenting the annual

report, reminded his hearers that, "The Lancashire textile trade is the largest consumer of raw materials in this country, and it cannot be too often stated that the export trade in cotton piece goods and yarns is still the country's largest export trade and India the most important market. Indeed, the preservation of this trade is still one of the most valuable and essential factors in the economic position of this country as a whole."

THE TRADE BALANCE

The rise in commodity prices which has taken place inevitably gives rise to certain apprehensions which it would be unwise to ignore. In the first place it has been, to some extent, the cause of the widening in the gap between the values of our imports and exports, which has caused so large an increase during 1936 in what is called the adverse balance of our overseas trade. As you will doubtless have seen, our total imports were valued at £849,000,000 and our total exports at £501,000,000, leaving a difference of £348,000,000 which is £73,000,000 greater than in 1935. The adverse balance on trade in merchandise, our visible trade as it is called, has been a normal feature of our account with the rest of the world for many generations. Against it we can always set a balance on the right side in what is known as our "invisible" trade, thanks mainly to the earnings of our merchant ships, sundry commissions, and the amounts due to our investors on account of interest and dividends an capital invested all over the world. There was a time when these invisible exports not only covered the adverse visible balance, but left us with a surplus estimated at something like £200,000,000 for purposes of further investment abroad. In recent years, owing to shipping depression and the prices of commodities, which drove our debtors into partial or complete default and reduced the profits of capital invested abroad, this balance in our favour has shrunk seriously, so much so that in 1934, according to official estimates, it had turned into a small debit balance and in 1935 it was only £37,000,000 on the right side.

INVISIBLE EXPORTS

It must be remembered that the official figures, the result of careful enquiry, are necessarily based very largely on estimates. Nevertheless, in view of this figure for 1935, the large increase in our visible imports, as compared with that of exports, during 1936, has naturally caused a certain amount of uneasiness, since it is generally assumed that the improvement in the value of our invisible exports cannot be sufficient to counterbalance it. This improvement, however, must certainly be substantial, for the rise in commodity prices, which is to some extent responsible for the higher value of visible imports, must also have brought a good addition to the profits of the many British companies and enterprises working overseas and must also have enabled those debtor countries, whose exchange position is chiefly influenced by exports of primary commodities, to meet their debt charges more easily and fully. In addition to this, the higher rates of freight lately earned by our shipping companies will surely be found to have shown a considerable increase in this item in our balance sheet, so that altogether the balance ought not to be far on the wrong side. Moreover, the improvement in these sources of overseas income has only appeared lately and may fairly be expected to continue during the present year, and any fear that we are living on our capital to any great extent can easily be exaggerated. The balance of payments may still be slightly on the wrong side, but we can surely hope that before long these invisible exports will increase to an extent sufficient to produce a balance on the right side, and that foreign lending to good borrowers will be rendered easier than is the case at present.

WHOLESALE PRICES

The heavy fall in wholesale commodity prices was one of the worst symptoms—some people even consider it to have been the main cause—of the depression which involved the whole world in distress in the years from 1929 to 1932. Owing to it the primary producers saw their incomes in many cases cut in half by a change in economic conditions for which they were in no way responsible and against which they had no defence. The rise in wholesale prices, which are still in most cases substantially below the levels of 1928, is thus a correction of an influence which produced incalculable distress, not only among the agricultural and mineral workers whom it affected most directly, but also among the manufacturers—both employers and workers—in the older countries which found so many of their customers impoverished and so had to curtail output and suffer the miseries of unemployment.

There is, however, another point of view which is worthy of some thought. If this rise in commodity prices were to go so far as to cause a considerable increase in the cost of living, followed by a rapid advance in wages, we might be faced with a serious rise in the cost of production. Warnings have already been uttered by chairmen of industrial companies as to this possibility and we can only hope that it will be possible to adjust prices and wages to avoid any such result. There are many factors besides the price of raw materials which affect the cost of the finished article, and it is reassuring to bear in mind that greatly increased industrial turnover, coupled with substantial improvement in the efficiency of plant and equipment, should act as a powerful factor in preventing an undue rise in prices.

EXPORT TRADE

Turning now to our export trade, it is well to consider it in its connection with the problem of our trade balance. Besides the rise in commodity prices which has made us pay more for our purchases, the growth in our exports has been hindered by many causes, and not least by the interruptions due to the war in Abyssinia and the tragedy that is being enacted in Spain. The inability of our industries to meet the pressing demands of the home market and at the same time to fulfil an increasing number of orders from overseas is a further case in point. This inability has not been due to too high a level of costs in this country, but to the fact that many of our chief industries are already working at full capacity and cannot find the skilled men required to produce any increase in output.

CERTAIN ARTIFICIAL ACTIVITY

Overseas orders, even on account of the most solvent customers, are often complicated these days by questions of credit and are rendered unattractive by the difficulties of exchange restrictions. So that it is very natural for industry, at present fully occupied at home, to pay less attention to the overseas market, but it will be unfortunate if British industry is tempted by these considerations to neglect opportunities for increasing its connections abroad and even to allow old connections to be lost, perhaps for all time. It is important that we should remember that our present activity is to a certain extent artificial, though there is no need to exaggerate the extent to which this is so. Most of our recent recovery has been due to sound business reasons, abundant credit, political confidence, and the conviction that there is plenty of demand for industry's output if it can be offered at a price that consumers can pay. The great activity in house building, though perhaps started by official encouragement, was based largely on the increase in the wages bill which enabled thousands of people to secure the better homes which had long been overdue to them. But our re-armament programmes certainly a temporary matter and though we can be sure that it will keep industry busy for some time, the day will come when its effect will taper off and we shall go back to the normal demands of our defensive forces.

When that time comes it is likely enough that we shall find a good deal to do towards improving social conditions, but nevertheless it is essential that some other substantial outlet should be found to take up some of the slack that will make its appearance when our armament needs have been satisfied. By far the most promising outlet of this kind seems to be offered by overseas trade, the volume of which is sure to be increased by greater stability in exchange and the rising prices of commodities.

SPECIAL AREAS

The urgent need for developing overseas connections is relevant to another vital question, namely, that of the special areas. These districts, as is well known, have been chiefly those which have been hard hit by the decline in international trade, and its revival is the soundest cure for their troubles. The idea that this condition can be ameliorated by allowing the inhabitants to drift into the areas which are busy on domestic orders is both wasteful and unsympathetic. If such a policy were adopted, it would create a wilderness where there was once a hive of industry; it would involve the uprooting of people who love their homes and neighbourhoods and transferring them to places where everything would be strange and a good deal unpleasant to them. Surely we can find a better way by means of special efforts for resuscitating, where possible, the trades that formerly flourished in these areas, and where that is not possible, by creating new industries so that life and activity can be re-introduced. The alternative of depopulation and the loss of all inherited tradition is one to be resisted.

PROSPECTS AT HOME AND IN THE EMPIRE

The prospects for the present year, within the horizon of our home and of the British Empire, are such that we face it with confidence notwithstanding the clouds abroad. Abundant credit confidence notwithstanding the clouds abroad. Abundant credit has been available on very favourable terms to British industry in all its branches. Some fears have been expressed lest rising commodity prices and expanding trade should cause demands on our credit system which would enforce a reversal of this policy. I see no reason to anticipate embarrassment from any such development. In present conditions the power of our monetary authorities to influence the price of money is almost unlimited, and they are evidently determined to use it on the side of maintaining an adequate supply of credit. This was shown by their action, just before last Christmas, in transferring £65,000,000 of gold from the Exchange Equalisation Fund to the Bank of England, chiefly against securities taken from the Issue Department of the Bank. The net result of this transaction was an addition of £5,000,000 to the basis of credit, relieving to that extent the seasonal strain on the money market and increasing its resources for the future.

INTERNATIONAL OUTLOOK

Finally, I hope that this year may witness the beginning of an era of more cordial co-operation in international affairs, for which our Government has always worked so hard. The abandonment of the gold standard by the few stalwarts of the gold *bloc* last September had long been expected, with some apprehension concerning its immediate effects. As it turned out, having been carefully prepared for by our French neighbours with the co-operation of the American Government and our own, it was hailed as a turning-point in international monetary affairs, indicating that in future they were to be handled in a spirit of mutual assistance. The example of France was quickly followed by Holland, Switzerland and Italy; and, since Germany's adherence to the gold standard has long been more nominal than real, we can now say that the old gold standard, with its rigid parities that were at one time so useful to trade and long-term finance, is buried, possibly to be succeeded by some more elastic form of gold standard which would meet the needs of home trade besides securing international co-operation.

On the other side of the Atlantic, America is facing her problems with characteristic courage. Measures have been taken to prevent the development of speculative mania which had such adverse results in and after 1929, and the whole country seems to be full of determination to win its way back to industrial prosperity. Owing to the enormous consuming power of that great and wealthy country, to the complete recovery is of the highest importance to the rest of the world. Both South Africa and South America are deriving benefit from the higher prices of commodities, and in the Far East there are indications of more normal business conditions in China.

We hope that during the coming year political uncertainties may be less unsettling and that the aggressive tendencies of some of our European neighbours may be modified.

It will be the privilege of this country to exercise all the influence it possesses in the world of business to establish international understanding and intercourse, and so take a leading part in the development of the well-being of all nations. (Applause.)

I beg to move:—
"That the report and accounts, as presented, be received and adopted."

Mr F. A. Johnston seconded the motion, and the chairman having replied to shareholders' remarks, it was carried unanimously.

FORMAL BUSINESS

Sir Alfred Lewis, K.B.E., then proposed the re-election of Sir Harcourt Butler, G.C.S.I., G.C.I.E., Mr Colin Frederick Campbell, Mr Colin Cooper, Mr Francis Alexander Johnston, the Rt. Hon. Lord Aberconway, C.B.E., and Sir Victor Schuster, Bt., as directors. Mr C. G. Hamilton seconded the motion, and it was unanimously adopted.

On the proposition of Mr John B. Braithwaite, seconded by Mr J. Scovell Adams, Sir Nicholas Edwin Waterhouse, K.B.E. (of Messrs Price, Waterhouse and Company) and Sir William Henry Messrs Peat, Marwick, Mitchell and Company), Peat, K.B.E. (of Messrs Peat, Marwick, Mitchell and Company), were re-appointed auditors for the current year.

VOTES OF THANKS

Mr C. E. Bartholomew, O.B.E., moved a vote of thanks to the directors, general managers, branch managers and other officers of the bank for their efficient management and services.

Mr John Cadogan seconded the vote, which was cordially passed, and brief acknowledgments were made by the chairman and Mr Ernest Cornwall (chief general manager).

A vote of thanks to Mr Colin Campbell for his able conduct in the chair, proposed by Mr Edward Bramley and seconded by Mr Stuart Scrimgeour, concluded the proceedings.

HUNGARIAN COMMERCIAL BANK OF PEST

SUCCESSFUL YEAR'S WORKING

INCREASED PROFITS

A meeting of the board of directors of the Hungarian Commercial Bank of Pest was held, on the 19th instant, with Mr Philip Weiss in the chair.

The board confirmed that the balance sheet for the year 1936 shows a net profit of 4,354,312.90 pengő, as against 3,301,098.23 pengő in 1935, after allotting a considerable sum, exceeding the obligatory and usual allocations, to the pension fund, and without taking into account the carry-forward from the previous year.

ALLOCATIONS

The board of directors resolved to recommend to the 95th ordinary general meeting of the shareholders, to be held on February 3rd, at 4.30 p.m., the allocation, as last year, of 1,500,000 pengő for the payment of a dividend of 3 pengő per share; further to add 1,000,000 pengő to the ordinary reserve fund and 200,000 pengő to the reserve fund for depreciation of the bank's real estate. The benevolent funds of the staff are to receive 60,000 pengő, while the amount of 2,093,273.23 pengő is to be carried forward for 1937.

DEVELOPMENT IN ALL BRANCHES

The net profit for 1936 exceeds that of the previous year by 1,053,214.67 pengő, as a result of a healthy development in all branches of business. The amount applied to writing off was only 612,000 pengő. Although calculated on the usual rigorous basis, this amount is considerably less than the previous year's requirements.

The bank's profit and loss account this year for the first time shows separately the incomes and charges of the head office and branches. In the past, as far as the branches were concerned, only their net earnings were included in the figures.

DEPOSITS

Savings deposits increased roughly by 1,800,000 pengő, while current account deposits decreased by 5,450,000 pengő, making the aggregate amount of the deposits 290,210,000 pengő, or 3,664,000 pengő less than last year. The deposits of Hungarian account owners increased, but the current account deposits, on balance, show a reduction, which is accounted for by withdrawals of depositors abroad who availed themselves of improved transfer facilities.

The total of guarantee business increased from 26,122,000 pengő to 34,400,000 pengő.

Among the assets, the items of cash on hand and due from banks decreased from 40,106,000 pengő to 29,390,000 pengő, while claims outstanding rose from 108,645,000 pengő to 116,294,000 pengő and bills discounted from 145,098,000 pengő to 149,635,000 pengő.

VALUATION OF SECURITIES

The valuation of the securities has been made in accordance with the traditional conservative principles and without taking into account last year's advances in Stock Exchange quotations. The stock of Government and public loans and other securities decreased from 23,953,000 pengő to 22,217,000 pengő, and the participation in banking institutes and other undertakings diminished from 22,784,000 pengő to 22,213,000 pengő.

The volume of business shows a general increase.

Orders for the publication in these columns of the reports of Company Meetings should be addressed to the Reporting Manager of THE ECONOMIST, 8 Bouverie Street, Fleet Street, London, E.C.4.

DISTRICT BANK LIMITED

EARNING CAPACITY FULLY MAINTAINED

NEW INDUSTRIES IN LANCASHIRE

COTTON EXPORTS TO INDIA

SIR R. NOTON BARCLAY'S REVIEW

The annual meeting of shareholders of District Bank Limited was held, on the 29th instant, at the Head Office, Spring Gardens, Manchester.

The Chairman, Sir Noton Barclay, presided. He said:—
Ladies and Gentlemen—I feel that my first word to you to-day must be with regard to the circumstances under which I find myself in this chair, which you have for so long been accustomed to see occupied by Sir Christopher Needham.

When he was reappointed chairman last year, Sir Christopher Needham informed the Board that as soon as certain matters then pending had been arranged it was his desire to be relieved of these duties. In September last he reminded his co-directors of this and then tendered his resignation, which was accepted with much regret by all his colleagues. The board thereupon did me the honour of inviting me to fill the office of chairman. Mr F. J. Dickens has succeeded me as deputy-chairman. In him I have at my side a man of wide experience and mature judgment.

Sir Christopher, who was first appointed to the board in 1915, has served the bank in the capacity of chairman for a period of over fourteen years with great distinction and an entire devotion to its interests. As you are aware, his work culminated in the merger with the County Bank and by the admission of the bank to the London clearing.

We are all glad that though he has vacated the chair Sir Christopher is retaining his seat on the Board, and we shall continue, therefore, to have the benefit of his ripe experience.

During the past year we have added to the board by the election of the Rt. Hon. Lord Balfour of Burleigh. I much regret that owing to his absence on a short trip to New Zealand he is unable to be with us to-day. I regret also the absence to-day of three other members of the board, Mr Hacking and Mr Beith, who are both in South Africa, and Sir Kenneth Lee, who is recovering from a recent operation.

BALANCE SHEET

You have before you the accounts for the past year, and I will refer in the first place to the balance sheet.

There is no change in the capital or reserve fund, which are equal in amount, a position enjoyed by only one other large bank. Current, deposit, and other accounts show an increase of more than £5,000,000 on last year's figures.

A rise of nearly £1,000,000 to £6,250,319 in the item endorsements, guarantees, and other obligations reflects to some extent a larger volume of business handled by our foreign department. The corresponding responsibility of customers to the bank is shown in the contra item.

Our assets are rather higher than last year. Money at call and short notice is more than £4,000,000 up, and shows to some extent how the additional deposits were employed. On the other hand, bills of exchange show a fall of £1,500,000, the bulk of which is due to the redemption of Treasury bonds included in this item last year.

The investments at £29,398,248 are approximately the same amount as a year ago, though you will observe that our holding in British Government securities has been increased and of other investments reduced. The market values of our investments, I might mention, are considerably in excess of the book values.

The advances at £27,398,273 show a gratifying increase over last year and reflect the improvement in trade experienced during the last few months. The debts are well spread, and full provision for all bad and doubtful debts has been deducted.

With regard to the bank property, which stands at £1,553,789, this is rather lower than a year ago. £50,000 has been provided in this year's accounts, and there have also been some realisations of redundant offices. On the other hand, we have continued to expand and have opened a number of new branches, including an office in Birmingham. In addition the expenditure on the head office alterations and extensions, which are now completed, is included.

PROFIT AND LOSS ACCOUNT

I refer you now to the profit and loss account. You will see that the net profit for the year after payment of all expenses, including directors' fees, and after full provision for all bad and doubtful debts, contingencies, and income tax, amounts to £490,324. This compares with £419,589, but it must be remembered that we had not a full year's profits from the County Bank last year.

With £261,103 brought forward there is therefore £751,427 available, and as you will see from the report we have appropriated to the pensions and annuities fund £70,000, and to the bank property item £50,000. After these dispositions have been effected and provision made for the dividend at the same rate as last year, there remains to be carried forward to the next year's accounts the sum of £269,236.

The difficulty of employing short monies at remunerative rates has persisted in the past year, and there is as yet no change in these conditions. It is, of course, necessary to keep a large proportion of our resources in a liquid state, and it is satisfactory to note that in spite of the low return on such funds the earning capacity of the bank is more than maintained.

The continued increase which is shown in the number of our accounts is encouraging. Statistics show that, although there has been little change in the distribution of capital in the last twenty-five years, the growth of the national capital has added considerably to the number of people whose incomes bring them into the classes from which bank customers are drawn. There is no reason why we should not anticipate a further increase of capital in the years which lie immediately ahead with a corresponding increase in the number of bank customers.

Sociologists, however, forecast that the population of this country should reach its zenith within the next decade, and that thereafter there will be a rapid and accelerating decline. Assuming they are correct in this forecast, the ultimate reaction on all business is incalculable.

In passing I would remark on the amazing fact that the serious decline in population which appears to face us in the not far distant future, with its inevitable reactions on all phases of our communal life, has provoked so little comment. To my mind, failing some unforeseeable change, this will ere long be a dominating factor which must govern all our future planning.

STAFF

I feel that I should refer to statements which have recently appeared in the Press regarding the remuneration of our staff. I welcome the opportunity of doing so, because those statements have not represented the facts, and I hope that you, as shareholders, have not been misled by the propaganda which has been circulated. I need scarcely say that the welfare of our staff is a matter of greater concern to us than it can be to the officials of any outside organisation which attempts to intervene, and it is our constant endeavour to see that the men and women who give us loyal service shall be enabled to live under conditions calculated to promote their welfare and happiness.

Many references have been made to certain anomalies which existed in the case of those who were formerly in the service of the County Bank, and whose remuneration in some cases compared unfavourably with that of the members of the District staff. The chairman of the County Bank, in the speech which he delivered at the meeting which authorised the amalgamation, said: "Our officials and staff will be taken over on terms in regard to salary and pension as advantageous as those which they now enjoy." That was a pledge with the fulfilment of which we might have rested content, but we went further. We realised that in one institution it was undesirable to have two scales of remuneration, and so we decided to remove such anomalies as existed and increase the pay of the County men where it was inferior. But time was needed for the fair and equitable adjustment of these matters, and our chief officials have had, as I am sure you will realise, many problems to deal with and many

ENGINEERING

adjustments to make in relation to the ordinary business of the bank during the period which has elapsed since the merger. Our Staff Committee, which is an independent and democratically elected body, was informed as long ago as February, 1936, of our intention to rectify anomalies in salaries, and that promise has now been fulfilled. I am satisfied that there is no legitimate cause of complaint. The rate of remuneration paid to our staff, the many provisions for their well-being, such as our pension scheme, and the help which is on occasion given to those who have to meet the major crises of life, constitute conditions which compare very favourably with similar employment elsewhere. I am happy to think that this is recognised by a majority of our staff.

During the past year the completion of the work involved by taking over the County Bank and arrangements consequent upon our entry into the London Clearing have necessitated considerable extra calls upon them. I desire to express to our Chief General Manager and the whole of the staff our appreciation of the willing and loyal manner in which they have responded to these calls and our cordial thanks for the efficient services which they have rendered.

DEVALUATION

The outstanding international financial development of the year has been the devaluation of the major gold bloc currencies. As a striking example of the value of international co-operation, it is interesting to observe that the recent action of Great Britain, France, and the United States with regard to devaluation has made it possible for many difficulties to be avoided. The reactions of countervailing duties, quotas, and competition in currency of depreciation have been avoided by agreement, and it is to be hoped that the beneficial effects of mutual assistance thus manifested will stimulate nations to continue to co-operate in the future and facilitate a general agreement regarding stabilisation.

COTTON

Fortunately the general improvement in the economic position in Great Britain has recently been reflected in an improved demand for yarn and cloth. There are no statistics available which show what proportion of the improvement is for home consumption and what proportion is for export, but from such figures as are available it is reasonable to deduce that the greater increase has been for home consumption.

The total export of cotton yarns in 1936 showed a slight increase as compared with 1935 from 141,674,600 lbs. to 150,935,200 lbs. On the other hand, the yardage of cotton cloth exported fell by 1.6 per cent. Whilst our exports to countries other than India increased by 94,917,000 square yards, or 6.7 per cent., this was more than offset by a decline in exports of cloth to India, which fell by 126,596,000 square yards, or 23 per cent.

BRITISH BARGAINING POWER

Various suggestions have been made that the Government should give assistance to Lancashire, but no concrete proposals have yet been put forward by any representative body. I feel sure that if any practical scheme could be formulated for the benefit of the cotton industry as a whole it would have the Government's sympathy. In the meantime the Board of Trade might give more assistance in view of the attitude of other nations and of our Overseas Dominions towards us. We have the power to bargain and we should use it.

Negotiations are shortly to be initiated for a new commercial agreement with India, and in this connection the continued fall in our exports to that country is a factor which cannot be ignored. Owing to our large purchases we are in a particularly favourable position to bargain. Apart from any other imports from India, Lancashire last year increased her purchases of raw cotton from £3,493,548 to £5,004,291. The economic position of India is improving, and a larger demand for cotton and rayon goods, perhaps particularly the better qualities, may not unreasonably be looked for. In view of our contributions to Indian export trade we have a strong claim for terms which will allow us a fair share of their import trade. It is essential that everything possible should be done to arrest the grave decline in Lancashire's exports to that country.

During the year a Spindles Board was set up to purchase redundant spindles under the Cotton Spinning Industry Act. Progress has been slower than was anticipated, possibly because the impoverished spinner hopes that continuance of the recent improvement in trade will enable him to recover his position.

Apart from demands connected with building, there was in 1936 a widespread movement for the re-equipment of factories which make heavy calls upon the engineering trades. To this may be added the increased demands of the railways and of transport generally for new equipment; also that of the motor-car factories, which experienced a busy year, whilst the rapid expansion in the home demand for electrical power and lighting brought an increase of business to the electrical engineering trades. In the latter part of the year the Government's defence plans were also producing a marked effect upon the engineering industry as a whole.

As a result of the enormously increased demands of the building, shipbuilding, and engineering trades the production of iron and steel enjoyed a prosperity which, a few years ago, would have been regarded as an impossibility. The British production of pig iron last year amounted to over 7,685,000 tons, an increase of nearly 20 per cent. as compared with that of the preceding year. The output of steel showed a still more striking improvement, being practically 11,700,000 tons, as against only 5,200,000 tons in 1931.

Producers are having great difficulty in satisfying orders within a reasonable period, for not only is equipment strained, but also raw materials are not easy to obtain at remunerative prices.

NEW INDUSTRIES IN LANCASHIRE

Lancashire is showing signs of success in her efforts to overcome the depression, and there is continuous adjustment to counteract the loss of a considerable proportion of her cotton export trade. New industries are being established in the county, and East Lancashire especially is showing a welcome tendency in this direction. The year has also seen new industrial establishments set up in the Manchester area, and an increase in the number of inquiries for business sites and premises. In the current year many firms have also acquired land for the purpose of extending existing works. The chairman of Trafford Park Estates has recently pointed out that "sending goods from London to each of the 45 towns in Great Britain which had a population of over 100,000 necessitates their being carried a total distance of 8,487 miles, but sending goods from Manchester to each of these towns (including London) necessitates a carriage of only 5,220 miles. Manchester thus shows a saving of nearly 40 per cent. in distribution distance to the whole of Great Britain." It is satisfactory to note that the volume of traffic on the Manchester Ship Canal continues to improve, and that the last season has been a record one in the importation of raw cotton to Manchester.

THE OUTLOOK

We look back upon a year in which there has been considerable recovery. This recovery, founded largely in the first place on building, both domestic and commercial, has in recent months expanded until practically all branches of industry are benefiting. Recently re-armament has taken a hand, and large orders placed by the Government are accentuating trade activity.

An estimate in *The Economist* puts the amount expended and to be expended by our Government on defence for the three fiscal years ending 1937/38, at the huge sum of £475 millions, and it is not easy to estimate the ultimate effect of such an uneconomic outpouring of public money. As a country whose prosperity is still essentially bound up with the export trade, we must regard as serious any influence which might cause our costs and prices to rise above those ruling in other countries. For this reason, although we are not alone in indulging in large expenditure on re-armament, our position is somewhat vulnerable, as we may find ourselves at a disadvantage through our rising costs in competition with these other countries. The difficulty with which this country may yet be faced, and in fact the effect has been brought home to us already, is the sharp rise in prices of foodstuffs. Our competitors are not all so dependent on external sources of supply for these products, so that our cost of living may be disproportionately raised.

The system of quotas and tariffs remains with us, and the real need of this country—a major recovery in our export trade—is thereby impeded.

A CAUTIOUS VIEW

Past experience has taught us to expect depression to follow expansion, and with trade steadily on the up-grade our present

The report was unanimously adopted.

RICHARD THOMAS AND COMPANY, LIMITED

MODERNISATION OF PLANT

SIR WILLIAM FIRTH'S SPEECH

An extraordinary general meeting of Richard Thomas and Company, Limited, was held, on the 25th instant, at Southern House, London, to consider resolutions increasing the capital of the company to £11,000,000 by the creation of 6,000,000 new ordinary shares of 6s. 8d. each, and increasing the borrowing power up to £10,000,000, or up to the amount of the issued capital for the time being, whichever might be the greater.

Sir William Firth (chairman and managing director), after referring in detail to the increase in the capital and the borrowing power, said: The standard method of manufacturing sheets and tinplates in the United States differs substantially from the British practice. The latter, speaking broadly, has changed very little during the past 30 years, while in America, during the past 14 years what is known as the Continuous Hot Strip Mill and Cold Reduction Method has become standard practice.

A SIGNIFICANT DEVELOPMENT

You may have noticed in the January issue of *The Iron and Coal Trades Review* a New Year's message from Mr Myron C. Taylor, chairman of the United States Steel Corporation, the largest steel company in the world, in which he stated that the most significant development was the completion and putting into operation in 1936, of three additional Continuous Wide Strip Mills, and the construction now under way, or about to be started, of six more. There is a Continuous Wide Strip Mill in course of erection in Germany, and one now being built in Russia under the American Rolling Mill Company's licence. It is therefore, no technical speculation to invest money in such a plant. The first plant was built in America some 14 years ago and its great success has led to the building of others by all the leading steel companies of America, and the total capacity of such plants, in America alone, including those in course of erection, approximates 11 million tons per annum. I do not anticipate the erection of numerous strip mills in this country, because, in the first place, the licence we hold gives to the company the exclusive right to manufacture strip sheets in Great Britain by the American Rolling Mill company's patented process, and grant licences, and, in the second place, the cost of such plant is substantial and cannot be undertaken lightly.

NEEDS OF THE MOTOR INDUSTRY

The following is an extract from representations made by the Society of Motor Car Manufacturers and Traders, Limited, to The British Iron and Steel Federation, issued this month. It reads:—"Apart from all questions of price and productive capacity the motor industry is also seriously concerned regarding the quality of certain British steels. In this direction the problem is most acute in the case of sheet steels, used in the production of motor-car bodies.

"Unfortunately, continual trouble is caused by the quality of the British material, the temper of which is so inferior that fractures frequently occur, interrupting the steady flow of sheets through the presses. The breaking down of flow production, which the industry is trying so hard to maintain, retards its competitive position both at home and overseas. This trouble has been so marked in recent months that in spite of their determination to buy British where possible, some motor manufacturers have been forced to consider importing American material although the delivered prices are slightly higher. These prices, incidentally, are only greater, by a few shillings per ton, and this, after rail charges in America, Dock dues, ocean freight, insurance, import duty and rail charges in this country have been added.

"In some quarters the opinion is held that taking into account the smaller scrap losses, and the unbroken run of pressings, American material could be used more economically. This is obviously not a course which the motor industry wishes to follow, as its sole desire is to support United Kingdom industry. It must, however, have the co-operation of the steel industry. It is hoped that, with the rolling mills working to capacity some further definite and determined efforts will be made to modernise plant and processes so that consumers may be assured of improved quality and better delivery. The motor industry is aware of the research into the subject of deep pressing which is proceeding, and is gratified also to hear that proposals are afoot to establish in this country a rolling mill of the type now used with such success in America, and working on the continuous cold reduction process. Its introduction in this country will be regarded with the greatest interest and it is earnestly hoped

that, when brought into operation, it will be used to produce the type of material required for the production of motor bodies."

NEW MODERN STEEL WORKS AT EBBW VALE

I think you will agree that if you had up to now any doubt about the wisdom of your directors in building a modern plant, this considered opinion of the motor industry as a whole will cause you to change your opinion. You will appreciate that it would be of little use to have modern rolling equipment if we delivered to it inferior steel. We have therefore committed you to build a modern steel works, adjacent to this American hot and cold strip mill, where special qualities will be made, and delivered without carriage cost, to the adjacent slabbing mill, which will form part of the hot and cold reduction strip mill plant. We shall have at Ebbw Vale the most modern sheet and tinplate plant in the country, equal to any in the world, consisting of coke ovens, by-product plant, blast furnaces and steel furnaces and the American type plant, already referred to, and shall, from our own coal, limestone and ore, mixed with imported ore, manufacture sheets and tinplates equal to any in the world, and this quality will be attained at a cost lower than is possible of attainment in old type plant. We have informed the trade that we intend to work this new plant fully.

We do not anticipate any serious diminution in operations in our old type plants arising from our ownership of these modern mills. In any case, whatever the risk in that direction may be, it is, in my judgment, of national importance that Great Britain should possess at least one modern sheet and tinplate mill and be in a position to produce a quality of material equal to that produced elsewhere. It cannot be without satisfaction to shareholders that, although foundation work will be somewhat more expensive than it might have been on the most favourable sites, the new works are being erected in a distressed area—in a district where workmen have patiently suffered enforced idleness for many years.

[FUTURE] EARNING CAPACITY

As to profits, for the six months ending last September our gross profits were better than the same six months of the previous year to the extent of £138,000, and your directors estimate that we shall earn during the 12 months ending March next not less than £1,450,000 gross.

We intend to increase our depreciation allocation by £125,000, making it £350,000, and on this basis there will remain, after providing for all interest charges and preference dividends, approximately £600,000, making available for income tax reserves and dividend on the ordinary shares ranking for dividend an amount equal to 19 per cent. of the present issued capital. These are, of course, group figures. These profits will have been made against lower profit margins than rule to-day, and it is therefore reasonable to assume that next year our profits will be higher than for the current year, and I shall be disappointed if, in 1940, when the new plant is in operation, we earn less than £2,500,000 gross, which, after providing £650,000 per annum for depreciation, would leave available for dividend on ordinary shares, income tax and reserves, a sum equivalent to approximately 26 per cent. on the nominal amount of the ordinary share capital if the debentures by then have not been converted. If they had been converted, the sum available would be equivalent to an earning power of 21 per cent. Conversion, however, would rid the ordinary shareholders of the prior charge of £280,000 per annum, and increase the depreciation and reserves to approximately £10,900,000 as against a combined issued capital—preference and ordinary—of £9,828,679 and no debentures.

If we should return to a period of chaotic competition and the world should not succeed in finding a solution of its present grave problems, and we are faced with open competition, then the position of your company will be second to none in this country, because, in open competition, the possession of such modern plant as we shall have will give us a lower average cost than that of competitors, and a superior quality to what competitors have to offer, and these conditions, supported by our very strong selling organisation which is in direct contact with consumers all over the world and all the leading consumers in this country, will enable us, I have no fear, to achieve results that will compare favourably with those of any competitor.

Your directors cannot do more than give you an assurance that possession of this modern plant will put your company in the front rank of all sheet and tinplate producing countries in the world and ahead of any sheet and tinplate company in this country.

The resolutions submitted were unanimously approved.

NIGEL VAN RYN REEFS, LIMITED

INCREASE OF CAPITAL APPROVED

An extraordinary general meeting of the company was held at Winchester House, Old Broad Street, London, E.C.2, on Tuesday, January 26, 1937, at which it was resolved:—

1. To increase the capital from £100,000 to £200,000, and
2. To amend the Articles of Association.

In the absence of the chairman, Mr W. A. Wills, Mr Richard Humble presided, and explained that the first resolution was merely a precautionary measure in case, at some future time, it might be considered advisable to issue further capital either for cash or the acquisition of properties. For the present the directors had no projects in view and saw no prospect of an early issue.

With regard to the second resolution, these were amendments to the Articles of Association required by the committee of the Johannesburg Stock Exchange before granting an extension of the existing permission to deal. The Chairman explained this was necessary in view of the fact that the majority of the shareholders were domiciled in South Africa.

The company's solicitor, Mr Ernest Salaman, offered to explain any individual amendment or amendments if any of the shareholders present required elucidation.

Both resolutions were put to the meeting and declared by the Chairman to have been carried.

The proceedings then closed.

GOVERNMENT RETURNS, &c.

NATIONAL ACCOUNTS

The total ordinary revenue for the week ended January 23, 1937, amounted to £36,761,000, against ordinary expenditure of £11,574,000. After allowing for a decrease in Exchequer Balances of £148,131, the operations for the week, as shown below, decreased the gross National Debt by £25,335,000 to approximately £8,000 millions.†

		(000's omitted)	
			£
National Savings Certificates...	+ 100	Treasury Bills	— 18,636
Suez Canal Drawn shares	+ 36	Public Department Advances...	— 6,700
		British Shipping (Assistance) ...	— 135
			— 25,471
	+ 136		

† Including £375 millions on Account of Exchange Equalisation Fund and Borrowing for Statutory Sinking Fund.

A complete analysis of the approximate position of the National Debt at December 31, 1936, appeared in *The Economist* for January 2, 1937.

REVENUE	Estimate for the year 1936-37	Total Receipts into the Exchequer			
		April 1 1935, to Jan. 25, 1936	April 1, 1936, to Jan. 23, 1937	Week ended Jan. 25, 1936	Week ended Jan. 23, 1937
ORDINARY REVENUE					
Inland Revenue—					
Income Tax	259,000,000	125,618,000	121,081,000	14,718,000	14,534,000
Sur-tax	56,500,000	21,900,000	21,780,000	2,620,000	3,180,000
Estate, etc., Duties	89,000,000	70,400,000	68,350,000	2,010,000	1,760,000
Stamps	27,000,000	16,830,000	20,180,000	300,000	630,000
Excess Profits Duty and Corporation Profits Tax	750,000	...	...	...	...
Land Tax and Mineral Rights Duty	750,000	300,000	230,000	50,000	40,000
Total Inland Revenue	433,000,000	235,048,000	231,621,000	19,698,000	20,144,000
Customs and Excise—					
Customs	207,525,000	162,387,000	171,742,000	4,152,000	3,873,000
Excise	110,000,000	90,800,000	92,500,000	700,000	5,900,000
Total Customs and Excise	317,525,000	253,187,000	264,242,000	4,852,000	9,773,000
Motor Vehicle Duties (Exchequer Share)	5,000,000	6,547,000	11,047,000	1,698,000	6,322,000
Post Office (Net Receipts) ...	11,256,000	13,650,000	12,200,000	1,200,000	500,000
Crown Lands	1,350,000	1,050,000	1,050,000	...	...
Receipts from Sundry Loans	5,000,000	4,777,605	4,413,519	...	22,435
Miscellaneous Receipts	25,250,000	16,973,881	16,037,863	2,012	...
Total Ordinary Revenue ...	798,381,000	531,231,486	540,611,382	27,450,012	36,761,435
SELF-BALANCING REVENUE					
Post Office	69,344,000	50,000,000	55,600,000	850,000	2,000,000
Motor Vehicle Duties apportioned to Road Fund	26,500,000	21,969,000	19,218,000	6,472,000	2,522,000
Total Self-balancing Revenue	95,844,000	72,869,000	74,818,000	7,322,000	4,522,000
Total	...	604,100,486	615,429,382	34,772,012	41,283,435

EXPENDITURE	Estimate for the year 1936-37	Total Issues out of the Exchequer to meet Payments			
		April 1, 1935, to Jan. 25, 1936	April 1, 1936, to Jan. 23, 1937	Week ended Jan. 25, 1936	Week ended Jan. 23, 1937
ORDINARY EXPENDITURE					
Interest and Management of National Debt	224,000,000	190,226,658	189,941,547	250,350	343,501
Payments to Northern Ireland Exchequer	7,500,000	4,531,059	4,999,710	383,988	...
Other Consolidated Fund Services	3,200,000	2,870,428	2,502,337	35,991	...
Post Office Fund	600,000	1,126,817	420,529	...	...
Total	235,300,000	198,754,962	197,864,123	670,329	343,501
Total Supply Services (excluding Post Office)...	570,969,000	401,178,399	433,736,179	11,428,500	11,231,000
Total Ordinary Expenditure†	806,269,000	599,933,361	631,600,302	12,098,829	11,574,501
SELF-BALANCING EXPENDITURE					
Post Office	69,344,000	50,000,000	55,600,000	850,000	2,000,000
Road Fund	26,500,000	21,969,000	19,218,000	6,472,000	2,522,000
Total Self-Balancing Expenditure	95,844,000	72,869,000	74,818,000	7,322,000	4,522,000
Total	...	672,802,361	706,418,302	19,420,829	16,096,501

† Estimated Expenditure as per Financial Statement (H.C. 77)... 797,597,000

Add:—
Supplementary Estimates 33,972,000 | || Less:—Provision made in the Budget | 25,600,000 | 8,372,000 |
| | | 806,269,000 |

The aggregate revenue from April 1, 1936, to January 23, 1937, is shown below:—

(000's omitted)	
Expenditure	631,600
Revenue	540,611
Decrease in balances	212
Gross borrowing	£97,698
Less:	
New Sinking Fund*	6,921
Net borrowing	90,777
	631,600

* Authority will be sought in the Finance Bill to meet the Statutory Sinking Funds in 1936 by borrowing.

POSITION OF THE FLOATING DEBT

Ways and Means Advances Outstanding:	Jan. 25, '36		Mar. 31, '36		Jan. 23, '37		Movement Week ended Jan. 23, '37
	£	£	£	£	£	£	
Advances by Bank of England	18,660,000	19,055,000	22,175,000	—	6,700,000	—	—
Advances by Public Department	866,410,000	763,115,000	733,345,000*	—	18,635,000	—	—
Treasury Bills outstanding	885,070,000	782,170,000	755,520,000	—	25,335,000	—	—

* Includes £3,000, the proceeds of which were not carried to the Exchequer within the period of the Account.

TREASURY BILLS BY PUBLIC TENDER

Tenders for £30,000,000 Treasury bills were opened on January 22, 1937. The amount applied for was £75,565,000. Tenders were accepted for Treasury bills at three months dated Monday at £99 17s. 6d., and above in full; Tuesday to Saturday at £99 17s. 5d., about 24 per cent. and above in full. The average rate per cent. was 10s. 3.61d. The amount allotted was £30,000,000.

Date	Amount Offered	Total Applications	Amount Allotted	Average Rate %
January 4, 1935	30,000,000	49,560,000	27,500,000	0 6 1-64
July 5, 1935	40,000,000	69,805,000	40,000,000	0 12 4-32
January 3, 1936	35,000,000	68,075,000	35,000,000	0 10 10-72
July 3, 1936	50,000,000	72,750,000	50,000,000	0 12 1-27
January 1, 1937	40,000,000	75,450,000	40,000,000	0 12 5-63
January 15, 1937	30,000,000	76,600,000	30,000,000	0 10 6-33
January 22, 1937	30,000,000	75,565,000	30,000,000	0 10 3-61

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NATIONAL SAVINGS CERTIFICATES

Total Sales of Savings Certificates	No. of Certificates	Value
Week ended January 2, 1937.....	708,548	£ 531,411
Week ending January 9, 1937.....	746,724	560,043
February, 1916, to January 9, 1937.....	1,281,400,070	1,007,487,891

At the end of November, 1936, the amount remaining to the credit of investors in Savings Certificates, excluding interest, was £390,110,062.

THE BANKERS' GAZETTE

BANK OF ENGLAND

RETURN FOR WEEK ENDED WEDNESDAY,

JANUARY 27, 1937

ISSUE DEPARTMENT

Notes Issued :-	£	Government Debt	£
In Circulation	452,297,009	Government Securities	11,015,100
In Banking Department	61,363,651	Other Government Securities	187,944,828
		Other Securities	1,025,980
		Silver Coin	14,092
		Amount of Fiduciary Issue	200,000,000
		Gold Coin and Bullion	313,660,660
			513,660,660

BANKING DEPARTMENT

Proprietors' Capital	£	Government Securities	£
Reserve	14,553,000	Other Securities	78,635,988
Public Deposits	3,889,497	Discounts and Advances	18,018,141
Other Deposits	12,133,451	Securities	£18,723,674
Bankers'	£98,423,200	Notes	26,741,815
Other Accounts	£38,441,606	Gold and Silver Coin	61,363,651
			399,300
			167,140,754

* Including Exchequer, Savings Banks, Commissioners of National Debt, and Dividend Accounts.

Both Departments	Amount, Jan. 27, 1937	Inc. or Dec. on Last Week	Inc. or Dec. on Last Year
Note circulation	452,297,009	+ 1,832,879	+ 55,158,679
Public deposits	12,133,451	- 1,421,985	- 3,717,880
Bankers' deposits	38,423,200	+ 1,863,872	+ 7,616,994
Other deposits	38,441,606	+ 873,288	+ 1,719,052
Total outside liabilities	601,295,265	+ 579,890	+ 45,542,857
Capital and rest	18,142,497	+ 15,940	+ 7,392
Government debt and securities	277,595,916	+ 3,044,540	+ 59,405,987
Discounts and advances	8,018,141	- 887,716	- 10,734,713
Other securities	19,749,654	- 2,702,811	+ 3,818,725
Silver coin in issue department	14,092	+ 3,868	+ 1,086,305
Coin and bullion (bank's reserve)	314,059,960	- 21,631	+ 112,943,755
Reserves of notes and coin in banking department	61,762,951	- 1,854,510	- 2,214,924
Proportion of reserve to outside liabilities			
(a) Banking Department only ("proportion")	41.4%	- 0.6%	+ 1.1%
(b) Gold stocks to deposits and notes ("reserve ratio")	52.2%	No change	+ 16.3%

(000's omitted)

Date	Issue Department		Banking Department			Gold in or out of Bank	Bank Rate
	Notes Issued	Circulation	Public Deposits	Bankers' Deposits	Other Deposits		
1937	£	£	£	£	£	£	%
Jan. 6	513,661	482,703	13,528	110,230	38,401	Nil	
" 13	513,661	455,047	12,384	106,720	38,266	Nil	
" 20	513,661	450,484	13,555	100,287	37,548	Nil	
" 27	513,661	452,297	12,133	98,423	38,442	Nil	

(000's omitted)

Date	Govt. Debt and Securities	Other Securities	Gold Coin and Bullion and Reserve Ratio	Govt. Securities	Discounts & Advances	Other Securities	Reserve and the "Proportion"
	£	£	%	£	£	£	%
1937	£	£	%	£	£	£	%
Jan. 6	100,888	101	314,124	80.5	83,295	14,413	21,105
" 13	100,839	51	314,031	80.5	83,156	12,521	20,806
" 20	100,816	373	314,082	80.5	83,156	12,521	20,806
" 27	100,900	1,026	314,080	80.5	83,156	12,521	20,806

BANKERS' CLEARING RETURNS

LONDON

(000's omitted)

	Town	Metropolitan	Country	Total
January 1 to January 13, 1937.....	1,451,370	91,580	162,700	1,705,650
Week ended January 20	672,280	44,446	77,283	794,009
Week ended January 27	752,437	42,237	67,840	862,514
Total to date, 1937	2,876,047	173,263	307,823	3,357,133
Total to date, 1936	2,481,214	168,193	279,987	2,929,394
Increase or decrease in 1937	+ 394,833	+ 5,070	+ 27,836	+ 432,779
	+ 15.9%	+ 3.0%	+ 9.9%	+ 14.7%
Total for year 1936	35,039,356	2,039,620	3,537,598	40,616,574
Total for year 1935	32,443,575	1,887,112	3,229,064	37,559,751
Increase or decrease in 1936	+ 2,595,781	+ 152,508	+ 308,534	+ 3,056,823
	+ 8.0%	+ 8.1%	+ 9.6%	+ 8.2%

PROVINCIAL

(000's omitted)

	Week ended January 23		Month of December				Aggregate Total January 1 to January 23	
	1936	1937	1935	1936	Inc. or Dec.	1936	1937	
No. of working days :	£		24	25	%		£	
BIRMINGHAM	2,262	2,916	10,982	13,875	+26.3	10,850	11,051	
BRADFORD	947	1,091	4,454	4,984	+11.8	3,608	3,800	
BRISTOL	1,368	1,237	4,979	5,839	+17.2	4,745	4,745	
DUBLIN	4,941	5,292				22,864	23,785	
HULL	803	897	3,345	3,754	+12.2	2,982	3,307	
LEEDS	764	1,146	3,316	4,235	+27.7	3,915	4,021	
LIVERPOOL	851	708	3,081	3,267	+6.0	3,093	2,775	
MANCHESTER	5,778	7,246	25,610	30,866	+20.5	24,780	29,148	
NEWCASTLE	9,209	10,167	43,004	48,089	+11.8	38,111	37,254	
NOTTINGHAM	1,216	1,417	6,186	6,470	+4.5	4,618	4,631	
SHEFFIELD	461	498	2,061	2,324	+12.7	2,110	1,849	
	839	947	3,627	4,873	+34.3	3,864	5,937	
	29,439	33,562	110,645	128,576	+16.2	125,340	129,813	

OVERSEAS BANK RETURNS

NOTE.—The latest return of the Bank of Spain appeared in *The Economist* for August 15. Egypt in January 2. Denmark and International Settlements in January 9. Portugal in January 16. Argentina, Danzig, Norway, Roumania, Sweden and Federal Reserve Reporting Members in January 23.

U.S.F.R. BANKS	Jan. 30, 1936	Jan. 7, 1937	Jan. 14, 1937	Jan. 21, 1937	Jan. 28, 1937
Resources					
Gold Certificates on hand and due from the Treasury	7,643,860	8,851,380	8,849,880	8,849,890	8,849,910
Total reserves	8,006,190	9,142,290	9,167,960	9,177,200	9,170,410
Total cash reserves	346,650	278,370	304,750	314,570	307,770
Bills bought in open market	7,660	3,040	2,350	2,380	2,660
Total bills on hand	11,730	6,130	5,440	5,460	5,940
Industrial advances	32,150	24,330	24,220	24,130	24,080
Total U.S. Govt. securities	2,430,280	2,430,230	2,430,230	2,430,230	2,430,230
Total bills and securities	2,474,330	2,460,680	2,459,880	2,459,820	2,460,280
Total resources	11,066,660	12,382,430	12,417,230	12,419,190	12,318,180
LIABILITIES					
Federal Reserve notes in actual circulation	3,599,680	4,242,340	4,176,760	4,159,040	4,140,400
Aggregate of excess member-bank reserves over requirements	3,090,000	2,010,000	2,100,000	2,130,000	2,150,000
Deposits—Member-bank	5,863,330	6,627,000	6,736,810	6,754,890	6,772,600
Government deposits	478,040	232,290	190,030	188,260	180,250
Total deposits	6,442,520	7,136,910	7,237,880	7,255,990	7,287,550
Capital paid in and surplus	302,540	304,750	304,840	305,020	305,150
Total liabilities	11,066,660	12,382,430	12,417,230	12,419,190	12,318,180
Ratio of total reserves to deposit and F.R. note liabilities combined	78.2%	80.3%	80.3%	80.4%	80.4%
U.S.F.R. BANKS AND TREASURY COMBINED					
Resources					
Monetary Gold Stock	10,179,000	11,271,000	11,306,000	11,317,000	11,345,000
Treasury and National Bank Currency	2,492,000	2,531,000	2,528,000	2,533,000	2,531,000
LIABILITIES					
Money in Circulation	5,693,000	6,473,000	6,371,000	6,339,000	6,318,000
Treasury Cash and Deposits with Federal Reserve Banks	3,031,000	2,627,000	2,629,000	2,651,000	2,683,000

NEW YORK FEDERAL RESERVE BANK.—In \$'s (000's omitted)

	Jan. 30, 1936	Jan. 7, 1937	Jan. 14, 1937	Jan. 21, 1937	Jan. 28, 1937
Total gold reserves	3,547,930	3,540,710	3,567,250	3,600,920	3,666,550
Total bills discounted	5,090	1,580	1,310	1,350	1,140
Bills bought in open market	750	1,100	1,100	1,100	1,090
Total U.S. Govt. securities	734,380	652,280	652,280	652,280	652,280
Deposits—Member-bank	748,900	660,650	660,650	660,620	660,420
LIABILITIES					
Reserve account	2,890,860	2,952,950	2,966,500	3,042,910	3,106,220
Ratio of total res. to dep. and Federal Res. note liabilities combined	84.0%	85.9%	86.1%	86.2%	86.6%

AUSTRALIAN COMMONWEALTH BANK.

In £'s (000's omitted)

	Jan. 27, 1936	Dec. 28, 1936	Jan. 4, 1937	Jan. 11, 1937	Jan. 18, 1937	Jan. 25, 1937
Assets						
Gold and English sterling	15,994	16,002	16,011	16,011	16,011	16,011
Other coin, bullion and cash	5,789	3,751	4,994	6,194	6,129	6,053
Money at short call—London	12,083	22,838	18,104	17,525	18,351	18,838
Short-term loans	8,837	7,003	10,147	10,002	11,892	11,353
Securities	71,377	77,365	77,473	77,268	77,048	76,550
Discounts and advances	7,863	8,848	9,461	9,235	9,158	9,072
LIABILITIES						
Notes issued	47,295	50,538	50,538	49,039	47,538	47,038
Reserve premium on gold	4,125	7,753	7,753	7,753	7,753	7,753
Deposits	68,104	68,955	69,534	70,945	75,542	75,817

RESERVE BANK OF NEW ZEALAND.—In £'s (000's omitted)

	Jan. 20, 1936	Dec. 28, 1936	Jan. 4, 1937	Jan. 11, 1937	Jan. 18, 1937
Assets					
Gold	2,801	2,801	2,801	2,801	2,801
Sterling exchange	21,562	16,534	16,214	16,214	16,214
Advances to the State	1,771	7,859	7,467	7,551	7,763
Investments		2,700	2,700	2,700	3,164
LIABILITIES					
Bank notes	10,232	13,641	13,501	13,342	13,212
Demand liabilities	4,155	3,539	3,422	3,963	4,334
Government	10,356	11,292	10,822	11,119	12,471
Other					
Ratio of reserves to sight liabilities	98.4%	67.9%	68.5%	68.8%	68.3%

BANK OF CANADA.—In \$'s (000's omitted)

	Jan. 22, 1936	Jan. 6, 1937	Jan. 13, 1937	Jan. 20, 1937
Assets				
Reserve, of which	193,151	190,996	191,279	195,768
Gold coin and bullion	179,539	179,356	179,423	179,530
Dominion Government securities	107,665	161,737	159,626	158,890
LIABILITIES				
Note circulation	90,409	134,802	131,155	128,713
Deposits: Dominion Government	30,764	20,060	19,122	24,226
Chartered banks	177,384	187,235	188,846	190,919
Ratio of reserves to notes and deposit liabilities	63.3%	55.4%	56.0%	56.6%

SOUTH AFRICAN RESERVE BANK.—In £'s (000's omitted)

	Jan. 24, 1936	Dec. 24, 1936	Dec. 31, 1936	Jan. 8, 1937	Jan. 15, 1937	Jan. 22, 1937
Assets						
Gold coin and bullion	26,803	24,209	24,635	25,061	25,485	25,609
Bills discounted: Foreign	7,154	10,793	10,794	6,189	6,183	6,798
Investments	1,752	1,745	1,745	1,745	1,745	1,745
Other assets	13,429	11,593	11,916	12,218	12,770	12,623
LIABILITIES						
Notes in circulation	12,775	15,220	16,416	15,271	14,496	14,023
Deposits: Government	27,503	22,990	22,451	22,865	24,025	23,819
Bankers						
Ratio of cash reserves to liabilities to public	57.4%	53.3%	52.5%	57.2%	57.7%	57.8%

RESERVE BANK OF INDIA.—In Rupees (000's omitted)

	Jan. 24, 1936	Jan. 8, 1937	Jan. 15, 1937	Jan. 22, 1937
Assets				

NATIONAL BANK OF BULGARIA.—In leva (000's omitted)

Assets	Dec. 31, 1935	Dec. 7, 1936	Dec. 15, 1936	Dec. 23, 1936	Dec. 30, 1936
Gold and silver holdings	1,590,555	1,618,134	1,618,134	1,618,134	1,652,498
Reserves	582,678	741,282	791,038	790,387	772,331
Advances to the Treasury	1,521,970	1,464,310	1,443,095	1,434,946	1,440,270
Advances to the Treasury	2,671,279	2,572,181	2,572,181	2,572,182	2,572,181
LIABILITIES					
Bank notes in circulation	1,251,278	1,243,261	1,242,231	1,241,571	1,241,224
Bank notes in circulation	2,496,585	2,633,813	2,563,302	2,484,876	2,570,748
Sight liabilities	1,916,713	2,215,484	2,315,888	2,420,134	2,316,835
Deposits	126,088	116,673	116,589	116,589	116,589

BANK OF GREECE.—In drachmae (000's omitted)

Assets	Jan. 15, 1936	Dec. 15, 1936	Dec. 23, 1936	Jan. 7, 1937	Jan. 15, 1937
Gold and silver exchange	3,428,888	3,349,156	3,321,055	3,326,843	3,328,611
State Gold Bonds	567,200	556,944	556,944	556,944	556,969
Bills discounted	298,855	433,530	436,260	433,609	435,723
Advances	4,462,659	4,668,188	4,481,683	4,392,548	4,369,474
State Debt	2,714,111	3,505,111	3,505,111	3,505,111	3,505,111
LIABILITIES					
Notes in circulation	5,712,595	5,943,972	6,199,234	6,102,322	6,032,324
Deposit and current accts.	4,834,550	6,031,146	5,579,130	5,622,398	5,655,092
Foreign exchange liabilities	249,687	186,317	201,066	208,226	199,613

CENTRAL BANK OF TURKEY.—In £T (000's omitted)

Assets	Dec. 19, 1936	Dec. 26, 1936	Jan. 2, 1937	Jan. 9, 1937	Jan. 16, 1937
Gold	32,073	32,073	33,903	34,822	34,801
Foreign Exchange	33,892	33,689	34,112	34,780	37,866
Treasury Bonds	146,684	146,684	146,684	146,684	146,345
Bills	23,454	27,708	30,249	27,135	23,964
Securities	41,138	41,150	41,167	41,059	41,059
Advances	14,941	9,214	7,639	8,282	10,307
LIABILITIES					
Note Circulation					
Ordinary	146,684	146,684	146,684	146,684	146,345
Supplementary	34,000	32,500	31,000	39,000	39,000
Deposits	13,749	14,756	11,622	12,959	14,245
Foreign Exchange Liabilities	25,282	22,246	23,159	23,589	24,565
Miscellaneous	81,783	82,498	83,085	82,132	80,833

* Includes outstanding clearing balances.

BANK OF POLAND.—In zloty (000's omitted)

Assets	Jan. 20, 1936	Dec. 20, 1936	Dec. 31, 1936	Jan. 10, 1937	Jan. 20, 1937
Gold	444,575	389,782	392,950	394,621	396,157
Foreign exch. and balances	22,288	28,048	29,686	31,303	31,370
Bills discounted	616,436	672,026	681,339	649,193	610,155
Loans against securities	82,447	77,489	107,366	64,131	59,702
Treasury bonds discounted	48,717	42,026	66,926	43,258	37,194
Securities	91,216	155,543	136,768	134,679	134,813
LIABILITIES					
Notes in circulation	932,535	992,389	1,033,841	986,398	957,356
Sight liabilities	220,108	266,555	291,567	273,686	264,313

BANK OF FINLAND.—In F. Marks (000's omitted)

Assets	Jan. 15, 1936	Dec. 23, 1936	Dec. 31, 1936	Jan. 8, 1937	Jan. 15, 1937
Gold reserve	1936	1936	1936	1937	1937
Gold abroad not included in the gold reserve	471,993	603,228	603,222	603,210	603,205
Foreign correspondents		161,425	211,432	211,432	211,432
Inland bills, bank notes and coupons	1,278,894	1,402,636	1,491,589	1,531,769	1,557,412
Foreign bills and other home loans	78,508	87,438	83,621	82,743	82,407
Loans against securities	819,047	953,233	949,515	954,751	948,335
LIABILITIES					
Notes in circulation	1,300,105	1,830,979	1,630,121	1,549,914	1,543,424
Government deposits at sight	182,858	348,693	376,496	324,210	345,400
Other deposits at sight	512,869	561,659	571,316	765,543	733,496
Ratio of ordinary cover to liabilities at sight	82.64	75.46	75.12	75.87	76.63

BANK OF ESTONIA.—In Est. kronas (000's omitted)

Assets	Jan. 15, 1936	Dec. 23, 1936	Dec. 31, 1936	Jan. 7, 1937	Jan. 15, 1937
Gold coin and gold bullion	34,126	34,178	34,179	34,179	34,177
Net foreign exchange	851	6,124	8,775	8,155	8,454
Subsidiary Estonian coin	5,403	1,216	1,444	1,532	1,621
Home bills discounted	9,208	11,811	11,797	11,590	11,711
Loans and advances	9,522	9,919	14,139	8,825	9,405
LIABILITIES					
Notes in circulation	38,078	46,217	44,552	42,972	43,057
Sight deposits and current accounts	27,664	22,982	31,574	27,815	29,789
Ratio of reserve to current liabilities	53.20%	58.24%	56.50%	59.80%	58.52%

BANK OF LATVIA.—In lat\$ (000's omitted)

Assets	Jan. 20, 1936	Dec. 21, 1936	Dec. 28, 1936	Jan. 4, 1937	Jan. 11, 1937	Jan. 18, 1937
Gold coin and bullion	46,382	76,847	76,851	76,852	76,860	76,894
Silver coin	15,254	15,607	15,388	15,678	15,909	16,001
Balance abroad	6,498	26,173	26,207	25,893	27,728	28,569
Treas. notes and small change	11,937	8,554	8,581	11,123	12,122	11,688
Short-term bills	50,886	50,497	50,897	51,446	50,039	49,506
Loans against securities	58,563	67,300	67,494	67,004	66,097	65,977
LIABILITIES						
Notes in circulation	36,803	43,217	43,576	40,877	40,535	40,618
Deposits	20,312	19,107	19,154	19,558	19,668	19,942
Current accounts	86,877	119,839	118,483	117,868	119,528	118,703
Government accounts	36,827	56,209	55,854	60,785	61,445	62,668

† Gold francs up to and including September 28, 1936, only.

BANK OF LITHUANIA.—In lt. (000's omitted)

Assets	Jan. 15, 1936	Nov. 15, 1936	Nov. 30, 1936	Dec. 15, 1936	Dec. 31, 1936	Jan. 15, 1937
Gold	36,145	71,160	70,661	70,064	73,100	73,102
Silver and other coins	5,357	6,366	6,362	6,335	7,696	8,024
Foreign currency	10,081	3,528	2,413	2,457	4,084	4,128
Discounts	88,650	80,905	85,147	87,816	91,735	90,511
Advances	11,154	12,423	12,585	12,710	13,638	13,220
LIABILITIES						
Bank notes in circulation	100,327	110,513	112,637	110,293	110,348	107,455
Current accounts	27,404	53,399	51,151	45,487	41,521	40,455
Deposits	21,114	11,573	13,140	29,508	36,487	38,623

BANK OF JAPAN.—In yen (000's omitted)

Assets	Dec. 28, 1935	Dec. 5, 1936	Dec. 12, 1936	Dec. 19, 1936	Dec. 26, 1936
Gold coin and bullion	504,066	545,259	546,749	547,320	548,191
Other coin and bullion	29,277	54,624	48,661	36,639	30,192
Discounts	671,982	536,840	531,457	535,187	601,673
Advances	152,708	213,355	215,626	216,676	227,780
Advances on foreign bills	164,455	94,465	38,879	124,655	164,900
Government bonds	745,634	496,270	483,911	480,216	764,942
LIABILITIES					
Notes	1,766,563	1,430,642	1,400,504	1,528,966	1,789,644
Government deposits	309,230	285,348	233,742	183,611	302,280
Other deposits	94,525	53,446	61,822	64,162	87,575

MONEY AND EXCHANGE RATES

LONDON MONEY RATES

	Jan. 21, 1937	Jan. 22, 1937	Jan. 23, 1937	Jan. 25, 1937	Jan. 26, 1937	Jan. 27, 1937	Jan. 28, 1937
Bank rate (changed from 2½% June 30, 1932).....	2	2	2	2	2	2	2
Market rates of discount—							
30 days' bankers' drafts	2½-3	2½-3	2½-3	2½-3	2½-3	2½-3	2½-3
3 months' do.	2½-3	2½-3	2½-3	2½-3	2½-3	2½-3	2½-3
4 months' do.	2½-3	2½-3	2½-3	2½-3	2½-3	2½-3	2½-3
6 months' do.	2½-3	2½-3	2½-3	2½-3	2½-3	2½-3	2½-3
Discount Treasury Bills—							
2 months'	2½-3	2½-3	2½-3	2½-3	2½-3	2½-3	2½-3
3 months'	2½-3	2½-3	2½-3	2½-3	2½-3	2½-3	2½-3
Loans—Day-to-day	2½-3	2½-3	2½-3	2½-3	2½-3	2½-3	2½-3
Deposit allowances: Bank	2½-3	2½-3	2½-3	2½-3	2½-3	2½-3	2½-3
Discount houses at call	2½-3	2½-3	2½-3	2½-3	2½-3	2½-3	2½-3
At notice	2½-3	2½-3	2½-3	2½-3	2½-3	2½-3	2½-3

Comparison with previous weeks

1936	Dec. 31	Jan. 7	Bank Bills			Trade Bills		
			3 Months	4 Months	6 Months	3 Months	4 Months	6 Months
1937	Jan. 7	Jan. 14	2½-3	2½-3	2½-3	2½-3	2½-3	2½-3
	Jan. 21	Jan. 28	2½-3	2½-3	2½-3	2½-3	2½-3	2½-3
	Jan. 28	Jan. 28	2½-3	2½-3	2½-3	2½-3	2½-3	2½-3

LONDON RATES OF EXCHANGE

I.—Spot Rates (Range of the day's business)

London on	Par of Exch. per £	Jan. 22, 1937	Jan. 23, 1937	Jan. 25, 1937	Jan. 26, 1937	Jan. 27, 1937	Jan. 28, 1937
New York, \$.	4.86	4.90-91	4.90-91	4.90-91	4.90-91	4.89-90	4.89-90
Montreal, \$.	4.86	4.90-91	4.90-91	4.90-91	4.90-91	4.89-90	4.89-90
Paris, Fr.	124.21	105.4-13	105.4-13	105.4-13	105.4-13	105.4-13	105.4-13
Brussels, Bel.	35.00(a)	29.10-13	29.10-13	29.10-13	29.10-13	29.07-11	29.06-10
Milan, L.	92.46	93.1-4	93.1-4	93.1-4	93.1-4	93.9-13	93.9-13
Zurich, Fr.	25.22	93.20-24	93.18-21	93.18-21	93.18-21	93.25-31	93.10-12
Athens, Dr.	375	540-555	540-555	540-555	540-555	540-555	540-555
He'stors, M.	193.23	226-227	226-227	226-227	226-227	226-227	226-227
Madrid, Pt.	25.22	Nominal	Nominal	Nominal	Nominal	Nominal	Nominal
Lisbon, Esc.	110	59.50-7	59.50-7	59.50-7	59.50-7	59.50-7	59.50-7
Amst'dm, Fl.	12.107	110-110	110-110	110-110	110-110	110-110	110-110
Berlin, Mk.	20.43	8.94-96	8.94-96	8.95-96	8.95-96	8.94-96	8.94-96
		12.17-20	12.18-21	12.18-21	12.17-21	12.16-19	12.16-19
Registered							
Vienna, Sch.	(c) 34.58	51-56	51-56	51-56	52-57	52-57	52-57
Bu'pest, Pen.	27.82	25-27	25-27	25-27	25-27	25-27	25-27
		163.6	163.6	163.6	163.6	163.6	163.6
Prague, Kc.	164	140-1	140-1	140-1	140-1	140-1	140-1
Danzig, Gul.	\$15.00	25-26	25-26	25-26	25-26	25-26	25-26
Warsaw, Zl.	43.38	25-26	25-26	25-26	25-26	25-26	25-26
Riga, Lat.	25.22	24-25	24-25	24-25	24-25	24-25	24-25
Bucharest, Lei	813.8	660-680	660-680	660-680	660-680	660-680	660-680
Const'ple, Pst	110	614	614	614	614	614	614
Belgrade, Din.	276.32	208-218	208-218	208-218	208-218	208-218	208-218
Kovno, Lit.	48.66	284-294	284-294	284-294	284-294	284-294	284-294
Sofia, Lev.	673.66	390-420	390-420	390-420	390-420	390-420	390-420
Tallinn, E. Kr.	18.159	171-181	171-181	171-181	171-181	171-181	171-181
Oslo, Kr.	18.159	19.85-95	19.85-95	19.85-95	19.85-95	19.85-95	19.85-95
St'helm, Kr.	18.159	19.35-45	19.35-45	19.35-45	19.35-45	19.35-45	19.35-45
Cop'hagen, Kr.	18.159	22.35-45	22.35-45	22.35-45	22.35-45	22.35-45	22.35-45
Alex'dria, Pst.	97	97.8	97.8	97.8	97.8	97.8	97.8
Kc. India Rup.	184.	14-15	14-15	14-15	14-15	14-15	14-15
Hong Kong, \$.	184.	14-15	14-15	14-15	14-15	14-15	14-15
Kobe, Yen.	24.58	13.14-18	13.14-18	13.14-18	13.14-18	13.14-18	13.14-18
Shanghai, \$.	24.58	14-18	14-18	14-18	14-18	14-18	14-18
Singapore, \$.	24.58	14-18	14-18	14-18	14-18	14-18	14-18
Batavia, F. .	12.11	8.88-91	8.88-91	8.88-91	8.88-91	8.88-91	8.88-91
Rio, Mil.	58.89	16-15	16-15	16-15	16-15	16-15	16-15
B. Aires, \$.	11.45	3-30	3-30	3-30	3-30	24.1-34	24.1-34
Valparaiso, \$	40	128(1)	128(1)	128(1)	128(1)	128(1)	128(1)
M'video, \$	51d.	261-27	261-27	261-27	261-27	261-27	261-27
Lima, Sol.	17.38	39.6	39.6	39.6	39.6	39.6	39.6
Mexico, Pes.	9.76	184-194	184-194	184-194	184-194	184-194	184-194
Manila, Pes.	24.68	17-18	17-18	17-18	17-18	17-18	17-18
Moscow, Rb's.	24	24.6	24.6	24.6	24.6	24.6	24.6
B'ngkok, Baht	21.82d.	22-22	22-22	22-22	22-22	22-22	22-22

COMPANY NEWS

RAND ORE RESERVES

(See Note on Page 250)

	1935			1936		
	Quantity Tons	Value Dwt.	Width Ins.	Quantity Tons	Value Dwt.	Width Ins.
Anglo-American Group						
Brakpan	5,857,170	6-29	49-06	6,690,350	6-11	48-65
Daggafontein	6,401,202	6-60	41-85	7,413,021	6-59	41-12
South African Lands	10,110,964	6-07	41-93	10,123,021	6-18	49-78
West Springs	4,687,680	4-76	56-23	4,700,040	4-92	33-07
Gold Fields Group						
Robinson Deep	6,032,000	4-9	56-50	6,102,000	4-90	55-90
Simmer and Jack	2,523,000	4-9	50-80	2,358,000	4-90	51-00
Sub Nigel	1,901,000	15-5	28-80	2,096,000	14-90	29-30
"Johnnies" Group						
Government Areas	11,457,000	6-8	57	11,024,000	6-50	58-00
Langlaagte Estate	1,230,000	3-6	44	1,205,000	5-40	42-00
New State Areas	4,114,000	6-8	48	4,190,000	6-70	48-00
Randfontein	14,895,000	4-2	47	14,057,000	3-90	46-00
Van Ryan Deep	3,443,000	4-0	49	3,430,000	3-80	50-00
Witwatersrand (Knights)	1,471,000	3-3	58	1,614,000	3-20	56-00
Rand Mines Group						
City Deep*	3,033,600	5-16	51-9	3,397,400	4-98	52-60
Crown Mines*	19,817,125	5-07	50-6	20,071,400	5-06	49-70
Durban Deep	4,062,100	4-97	52-2	4,528,200	4-69	52-60
East Rand Proprietary*	8,686,000	5-20	56-0	9,575,810	5-40	57-00
Goldenhuis Deep*	1,406,400	3-65	49-6	1,228,900	3-68	47-60
Modder*	3,053,130	3-96	53-5	3,085,310	3-93	54-40
Rose Deep*	1,910,100	4-02	60-9	2,120,300	4-05	60-80

* Available.

WEEKLY TRAFFIC RETURNS

RAILWAYS OF GREAT BRITAIN AND IRELAND

(b) Week ended Jan. 22, 1937.	Miles Open	Gross Receipts, week ended Jan. 24, 1937 (£'000)					Aggregate Gross Receipts, compared with 1936 (3 weeks) (£'000)				
		Passenger, etc.	Merchandise, etc.	Coal and Coke	Total Goods	Total Receipts	Passenger, etc.	Merchandise, etc.	Coal and Coke	Total Goods	Total Receipts
(c) Week ended Jan. 23, 1937.											
Great Western 1937	3,746	148	182	116	298	446	475	551	350	901	1,376
Western 1936	3,746	152	180	124	304	456	472	536	372	908	1,380
(c) L. & N. 1937	6,332	241	321	268	589	830	737	951	775	1,729	2,463
Eastern 1936	6,336	237	312	276	588	825	725	953	830	1,783	2,508
L. M. & S. 1937	6,914	359	468	280	748	1,107	1,092	1,392	844	2,236	3,328
Scottish 1936	6,914	361	437	293	730	1,091	1,084	1,347	906	2,253	3,337
Southern 1937	2,153	244	54	35	89	333	745	162	102	264	1,009
Southern 1936	2,154	237	57	43	100	337	721	170	122	292	1,013
Total 1937	19,146	992	1,025	699	1,724	2,716	3,049	3,056	2,071	5,127	8,176
Total 1936	19,172	987	986	736	1,722	2,709	3,002	3,006	2,230	5,236	8,238
(b) Belfast & Co. Down 1937	80	1-6	...	0-4	2-0	...	5-7	...	...	1-3	7-0
Co. Down 1936	80	1-9	...	0-5	2-3	...	6-3	...	...	1-6	7-9
(b) Great Northern 1937	543	6-9	...	9-0	15-9	...	23-0	...	...	29-1	49-1
Northern 1936	543	7-2	...	9-7	16-9	...	23-3	...	...	29-7	53-0
(b) Great Southern 1937	2,076	24-5	...	43-2	67-6	...	78-9	...	...	137-3	216-2
Southern 1936	2,124	24-0	...	37-9	61-9	...	79-1	...	...	132-1	211-2

COMPARISONS WITH CORRESPONDING PERIODS, 1935 and 1936 (000's omitted)

	Great Western	L.M.S.	L.N.E.R.	Southern
First half-year 1936, compared with first half-year, 1935:				
Gross increase or decrease	+ 263	+ 937	+ 534	+ 85
Second half-year 1936, compared with second half-year, 1935:				
Gross increase or decrease	+ 491	+ 1,575	+ 751	+ 378
First half-year 1937, compared with first half-year, 1936:				
3 weeks to January 23, 1937	- 4	- 9	- 45	- 4
Weekly average first half 1937 compared with 1936	- 1½	- 3	- 15	- 1½
Latest week 1937 compared with 1936	- 10	+ 16	+ 5	- 4

LONDON TRANSPORT

	Takings (before pooling)	Compared with corresponding period of last year
Week ending January 23, 1937	£549,500	+ 18,100
Aggregate 30 weeks to January 23, 1937	£16,801,400	+ 478,000

* For an explanation of the manner in which the figures are made up, see The Economist, March 17, 1934, page 610.

OVERSEAS RAILWAY RECEIPTS

Name	Weeks	Ending	Present Mileage	Gross Receipts for Week		Gross Aggregate Receipts	
				1936	+ or -	1936	+ or -
INDIAN							
Assam Bengal	40	Dec. 31	1,330	Rs. 15,62,300	+ 90,146	Rs. 1,30,39,178	+ 5,82,861
Barsi Lt. Ry.	40	31	292	148,600	- 9,100	11,62,200	- 2,59,500
		1937					
Bengal & N. Western	15	Jan. 10	2,107	110,58,599	- 38,072	1,02,52,352	+ 6,17,143
Bengal-Nagpur.	41	10	3,268	118,09,000	- 7,01,555	6,18,18,088	- 49,05,435
Bombay, Bar. & C.I.	43	20	3,072	141,000,000	+ 7,40,000	9,15,49,000	+ 48,99,000
		1937					
Madras & S. Mahr.	40	Dec. 31	3,229	129,61,000	+ 4,98,479	5,49,20,133	+ 15,81,475
		1937					
Robilch'd & Kumaon	15	Jan. 10	572	12,28,243	- 12,703	18,60,165	+ 80,824
		1936					
South Indian	39	Dec. 31	2,532	117,64,939	+ 2,56,011	4,02,41,960	+ 7,45,782

↑ 11 days. ↓ 10 days.

CANADIAN

		1937	\$	\$	\$	\$
Canadian National .	3	Jan. 21	23564	3,295,352	+ 372,154	9,459,956 + 919,739
Canadian Pacific	3	Jan. 21	17223	2,371,000	+ 203,000	6,942,000 + 721,000

SOUTH AMERICAN

Antofagasta (Chili and Bolivia)	3	Jan. 17	834	17,180	- 980	33,710	- 7,500
Argentine N.E.	30	23	753	1115,700	+ 8,000	4,562,300	+ 538,200
B.A. and Pacific	30	23	2,860	11,778,000	+ 197,000	40,970,300	+ 1,835,300
B.A. Central	28	9	...	110,298	+ 17,407	2,440,489	+ 141,386
B.A. Gt. Southern	30	23	5,084	13,693,000	+ 111,000	68,834,000	+ 1,117,000
B.A. Western	30	23	1,930	1,057,000	+ 195,000	22,781,000	+ 1,206,000
Central Argentine	30	23	3,700	12,992,000	+ 667,650	72,515,280	+ 1,160,280
Central Uruguayana	29	16	273	1,185,608	+ 49,042	4,315,167	+ 736,811
C. Urg. (East Ext.)	29	16	111	14,181	+ 1,541	354,558	+ 63,483
C. Urg. (N. Ext.)	29	16	185	2,835	+ 445	60,408	+ 7,409
C. Urg. (W. Ext.)	29	16	211	1,058	+ 50	28,173	+ 4,044
Cordoba Central	30	23	1,218	1493,000	+ 58,000	16,392,000	+ 1,343,000
Entre Rios	30	23	810	130,580	+ 5,020	973,560	+ 89,470
G. Westn. of Brazil	4	23	1,082	1242,800	+ 74,400	6,888,400	+ 840,400
Leopoldina	4	23	1,918	115,000	+ 700	391,785	+ 54,113
Leopoldina Termal.	4	23	1,918	121,575	+ 2,808	70,520	+ 3,365
Nitrate	2	15	397	Ms. 338,000	+ 4,000	1,142,000	+ 14,000
Paraguay Central	30	23	274	146,781	+ 3,170	6,781	+ 3,170
Salvador	30	23	100	2,677,000	+ 435,000	78,916,000	+ 1,077,000
San Paulo	3	17	1531	Col. 42,250	+ 7,000	505,008	+ 22,312
United of Havana ..	30	23	1,353	Ms. 230,000	+ 1,868	8,720,000	+ 230,000
				127,983	+ 1,868	79,576	+ 2,318
				23,249	+ 2,394	486,333	+ 16,769

• Converted at average official rate during week ended Jan. 23, 16-12 pesos to the £.
 • Free market rate. † Receipts in Argentine pesos. † Fortnight.
 • Converted at official rate. • Converted at "controlled free" rate.
 • Converted at the "free" rate as a result of a decision of the High Court.

OTHER OVERSEAS

Egyptian Delta Light Railways	41	Jan. 21	621	£ 7,894	- 203	£ 198,541	- £ 690
Egyptian Markets ..	3	1936	...	2,176	- 68	7,127	- 117
Gr. Southn. of Spain ..	34	Aug. 29	104	Ps. 14,208	- 62,843	840,732	- 724,858
Mexican Railway	3	Jan. 21	483	\$ 284,300	+ 37,000	837,600	+ 120,800

↑ 10 days.

SUEZ CANAL RECEIPTS

	1936	1935	1934
Suez Canal	52 Dec. 31	...	...
		Fr. 135,930,000	+ 851,000
		941,960,000	+ 54,240

↓ 10 days.

TRAMWAYS WEEKLY GROSS RECEIPTS

Anglo-Argentine	3	Jan. 21	325	\$ 606,637	+ 12,780	1,865,336	+ 3,556
B. Aires Lacroze	28	Jan. 10	...	79,207	- 504	1,879,100	+ 81,493
Buenos Aires	3	23	76	£ 4,704	- 93	15,152	+ 504
Calcutta Tramways	3	23	...	Rs. 112,969	- 954	356,216	- 33,291
Isle of Thanet Elec.	52	Dec. 31	...	£ 3,554	+ 387	185,832	+ 26
Liverpool Corp.	42	Jan. 20	...	£ 28,943	+ 851	1,249,800	+ 16,890
Madras Electric	1	Jan. 15	...	Rs. 58,914	- 177	...	...

† Fortnight. \$ 8 days.

MONTHLY TRAFFICS

Company	Months	Ending	Description	Receipts for Month		Receipts to Date	
				1936	+ or -	1936	+ or -
Catalinas Warehouses, Dorada	1	Dec. 31	Gross	£ 2,014	+ 15	...	...
Dorada (Ropeway)	12	Dec. 31	Gross	£ 17,400	+ 3,400	173,900	+ 29,200
	12	Dec. 31	Gross	£ 4,400	+ 600	49,200	+ 3,600

TRANSVAAL GOLD OUTPUT
STATISTICS FOR DECEMBER 1936

(Revenue calculated on basis of £7 1s. 6d. per fine ounce)

Name of Mine and Group	Tons Milled	Output Fine ozs.	Net Estimated Value	Working Costs	Profit	Working Costs Per Ton
<i>Anglo-American Corporation</i>						
Brakpan Mines.....	140,000	...	£ 251,323	£ 138,378	£ 112,945	s. d.
Daggafontein Mines.....	132,500	...	280,336	143,220	137,116	...
Springs Mines.....	150,000	...	313,708	141,318	172,390	...
West Springs.....	95,000	...	116,210	76,070	40,140	...
<i>Central Mining—Rand Mines</i>						
City Deep.....	106,000	20,520	145,324	...	20,148	23 7-4
Cons. Main Reef.....	158,000	29,817	211,128	...	50,242	20 4-4
Crown Mines.....	358,000	86,814	614,933	...	276,221	18 11-0
Durban Roadtop Deep.....	85,000	17,545	124,228	...	22,066	24 0-5
East Rand Prop.	207,000	46,378	328,100	...	95,047	22 6-2
Goldenhuis Deep.....	63,000	10,644	75,396	...	15,089	19 1-7
Modderfontein B.....	89,000	15,298	108,580	...	46,033	14 0-6
Modderfontein East.....	109,000	21,927	155,284	...	53,533	18 8-0
New Modderfontein.....	197,000	39,963	282,981	...	139,056	14 7-3
Nourse Mines.....	84,000	16,914	119,640	...	24,075	22 0-9
Rose Deep.....	72,000	12,789	90,783	...	14,728	21 1-5
<i>General Mining</i>						
Van Ryn Gold.....	62,500	...	58,091	...	7,030	18 7
West Rand Cons.....	169,000	...	233,910	...	92,806	17 2
<i>Goldfields</i>						
Simmer and Jack.....	108,000	22,555	159,433	...	51,230	20 0-5
Robinson Deep.....	114,500	27,260	192,863	...	85,601	18 9
Sub-Nigel.....	57,000	41,778	294,040	...	197,186	33 11-8
Luiupaards Vlei.....	46,000	9,772	69,139	...	18,807	22 2-8
<i>Johannesburg</i>						
East Champ D'O'r ...	12,000	...	17,201	...	3,095	23 6
Government Areas ...	215,000	...	471,238	...	280,062	18 0
Langlaagte Estate ...	91,000	...	105,903	...	27,099	17 7
New State Areas.....	123,000	...	268,027	...	154,329	18 8
Sandfontein Estates ..	387,000	...	478,475	...	151,109	17 8
van Ryn Deep.....	106,000	...	141,469	...	48,277	17 8
Witwatersrand.....	88,000	...	96,025	...	13,143	19 3
Johannes Group Total	1,022,000	...	1,578,338	...	677,114	17 10
<i>Union Corporation</i>						
East Geduld.....	123,000	35,869	252,223	108,164	144,059	...
Bedford Prop.	111,500	27,918	200,001	78,641	120,360	...
Modder Deep.....	48,000	7,442	52,881	39,628	13,255	...
<i>Other Mines</i>						
Jynn's Lydenburg.....	8,600	2,681	18,909	...	5,162	31 11-4
W. van Kliefentoung ..	70,000	12,978	93,273	67,619	25,654	19 4-4
Transvaal Gold.....	24,600	4,559	32,184	...	7,005	20 5-4
Witwatersrand Deep ..	52,000	9,402	66,368	55,628	10,740	...

COMMERCE AND TRADE

SURVEY OF COMMODITY PRICES

WITH the strike situation in the United States showing no improvement, the pause in the general upward movement of commodity prices continued this week. But movements were rather irregular, and no general down-turn was discernible.

The event of the week was the decision of the International Rubber Regulation Committee to leave the production quotas for the first two quarters of the current year at 75 and 80 per cent. of standard respectively, as previously arranged, but to permit exports at the rate of 85 per cent. during the third quarter. Since the market had feared that the Committee might take steps to increase current supplies, this decision exerted a bullish influence, which was more than sufficient to outweigh the effect of the interruption of activity in the American automobile industry. Base metals were somewhat irregular. Copper staged a recovery and spelter was also somewhat higher, but lead lost some ground and tin was again rather weak. Irregular movements also occurred in the textiles group. Thus, American cotton was marked up, but Egyptian sakel again eased in price; raw wool was dearer, but tops relapsed sharply. Hemp and jute were rather cheaper, but flax enjoyed an improvement over last week's rates.

Increased selling pressure and a dull demand were responsible for a further fall in the price of wheat; other grains and flour followed suit. Linseed was affected by similar influences, and

prices eased in a dull market. Among other foodstuffs, meat and bacon were practically unchanged, but eggs recovered slightly on shorter supplies. Colonial makes of butter and cheese were cheaper, and the recent spectacular rise in cocoa was reversed. By way of contrast, competition at the Mincing Lane tea auctions was strong and quotations again hardened.

Mainly in consequence of the drop in grains, prices of primary products in the United States were again lower. Thus, Moody's index of the dollar prices of staple commodities (December 31, 1931 = 100) fell from 207.9 on January 20th to 205.3 on Wednesday last, against 206.5 a month ago and 171.4 on the corresponding day last year.

COAL

SHEFFIELD.—The position of the export coal trade shows little change from last week. Inquiries for prompt shipment and forward deliveries are good, but prices are not suiting buyers. The supply of coke is short, and the situation will not ease until later in the year, when the new coke ovens are producing. Blast-furnace qualities are in good demand. Household coal is in strong request, and prices are firm. Industrial fuels continue active.

NEWCASTLE-ON-TYNE.—The difficulty that confronts colliery managements in the North-East coalfield to-day is the problem of obtaining increased production to meet the "boom" conditions which have so suddenly come over the market. Output is temporarily affected by the influenza epidemic, but apart from this there is a shortage of suitable workmen in areas where output could be considerably increased. All classes of coal are in keen demand, and prices tend to higher figures. Best Northumberland steam coal is 19s. 6d., with doubles and singles 18s. 6d.,

SUMMARY OF COMPANY PROFIT AND LOSS ACCOUNTS

Company	Year Ending	Balance from Last Account	Net Profit After Payment of Deben- ture Interest	Amount Available for Distri- bution	Appropriation					Corresponding Period Last Year	
					Dividend			Carried to Reserve, Deprecia- tion, etc.	Balance Forward	Net Profit	Divi- dend
					Prefce.	Ordinary					
						Amount	Amount				
Banks		£	£	£	£	£	%	£	£	£	%
Royal Bank of Ireland	Dec. 31	11,396	43,189	54,585	...	20,925	9	22,000	11,660	45,584	9
Union Bank of Manchester	Dec. 31	13,815	96,886	110,701	...	57,188	10	39,000	14,513	95,607	10
Financial, Land, etc.											
Aldford House (Park Lane)	Dec. 24	1,128	10,718	11,846	6,000	3,701	6	...	2,145	11,941	8
Charles Brown Holdings ...	Dec. 31	1,421	31,800	33,221	22,585	9,287	4	...	1,349	32,753	4
Central & Dist rict Properties	Oct. 31	5,090	14,847	19,937	8,498	4,575	4	...	6,864	20,102	6
Greyhound Trust	Dec. 31	40,860	223,090	263,950	112,250	45,750	30	60,000	45,950	122,957	10
Northern Corporation	Dec. 31	5,855	17,406	23,261	10,000	4,000	16	2,600	6,661	16,968	16
Gas											
South Metropolitan Gas.....	Dec. 31	1,357	442,085	443,442	102,149	359,807	5½	Dr. 30,000	11,486	478,646	5½
Iron, Coal and Steel											
Tweefontein Colliery	Dec. 31	26,243	26,899	53,142	7,500	21,800	35	...	24,642	18,756	20
Rubber											
Bah Lias	Oct. 31	39,530	41,444	80,974	...	31,609	9	9,904	39,461	20,985	5
Garing (Malacca)	Sept. 30	4,081	1,983	6,064	...	1,909	2½	...	4,155	1,930	2½
Gedong (Perak)	Oct. 31	1,202	2,104	3,306	...	1,824	3	...	1,482	926	Nil
Toerangie (Sumatra)	Oct. 31	17,401	16,931	34,332	...	16,076	9	...	18,256	5,101	3
Wampoe	Oct. 31	4,723	3,063	7,786	...	3,500	2	...	4,236	1,801	Nil
Shops and Stores											
Darnell (J.) and Son	Dec. 31	6,140	26,011	32,151	...	22,875	15	5,000	4,276	24,287	15
Jax Stores	Dec. 31	...	11,334	11,334	...	1,906	2½	6,500	2,928	(a)	(a)
Larkins (S. C.) and Sons.....	Dec. 31	28,342	28,879	57,221	2,859	18,750	12½†	5,500	30,112	30,797	12½†
Textile											
McIntyre, Hogg, Marsh & Co.	Nov. 30	57,483	43,055	100,538	11,400	32,850	15	3,000	532,88	44,225	15
Wilkinson and Riddell	Dec. 31	27,004	51,514	78,518	6,500	36,000	8†	8,000	28,018	48,586	8†
Tramways and Omnibus											
Tilling and British Auto- mobile Traction	Dec. 31	232,768	367,423	600,191	20,000	333,333	10	10,000	236,858	328,718	10(e)
Trusts											
English and New York Trust	Dec. 31	26,663	29,641	56,304	17,437	9,300	4	...	29,567	28,448	3
National Dominion and General Investment	Dec. 31	3,584	8,821	12,405	5,719	1,906	2½	...	4,780	6,959	Nil
Traction and General Invest.	Dec. 31	50,135	65,958	116,093	24,640	35,497	12	...	55,956	63,122	11
United States and General....	Dec. 31	21,944	73,380	95,324	40,500	29,063	7	5,000	20,761	69,051	6
Utilities and General	Dec. 31	7,414	15,450	22,864	9,532	3,812	2	...	9,520	11,958	1
Waterworks											
York Waterworks	Dec. 31	13,502	15,611	29,113	2,740	8,227	7	...	18,146	22,276	7
Other Companies											
Alpha Cement.....	Dec. 31	21,074	194,435	215,509	24,692	80,457	12	68,810	41,550	114,643	10
Berry Hill Brickworks	Dec. 31	1,068	15,960	17,028	4,956	4,880	8	5,150	2,042	13,966	8
Blundell, Spence & Co.	Oct. 31	10,691	28,419	39,110	8,042	20,814	6	...	10,254	35,419	6
Caroni Sugar Estates.....	Sept. 30	11,179	33,811	44,990	26,000s	...	...	...	282	21,682	Nil
Dublin (South) City Market	Dec. 31*	8,851	4,115	12,966	...	3,488	4½	...	18,708	4,032	4½
Lotus, Ltd.	Dec. 31	14,857	76,100	90,957	18,682	36,314	7	500	8,978	64,557	6
Outram (George) & Co.....	Dec. 31	28,794	136,107	164,901	...	100,218	15	37,500	27,183	132,308	15
Pawsons and Leafs	Dec. 31	28,818	11,477	40,295	...	9,660	3½	...	30,635	7,744	2½
Radcliffe's Edible Products	Oct. 31	...	8,730	8,730	4,575	2,383	50	...	1,500	272	4,146
Westinghouse Brake	Sept. 30	42,667	2260,765	303,432	...	128,371	15	115,000	60,061	175,456	10

* For half year. † Free of income-tax.
from reserve for losses of subsidiaries.

(a) No comparable figure.

(c) Absorbed £250,000.

(s) Represents dividend and bonus 10 per cent. against 3 per cent. for previous year.

and trebles 19s. per ton f.o.b. Coking coal is very scarce, prices being around 19s. 6d. f.o.b. for almost any class. Bunker coals are exceedingly firm, prime brands having been sold for next month's shipment at 20s. per ton f.o.b.

GLASGOW.—The main feature of the market is the pronounced scarcity of supplies for new business. Collieries are heavily booked for some time ahead, and with the requirements of industry, public utility undertakings and household consumers on a large scale, little surplus remains to meet the inquiries of foreign buyers, notwithstanding that these are of such proportions as would normally be very welcome. The position has recently, of course, been aggravated by minor labour stoppages, but apart from such influences, is nevertheless quite serious from the point of view of shippers, who find difficulty in many cases, in fact, in securing quantities contracted for. It seems clear that efforts must be made to introduce a greater measure of elasticity, for at such times as the present it is essential, with a view to the future, to maintain export connections. In the circumstances, shipment prices are mainly nominal.

CARDIFF.—The scarcity of steam coals for prompt positions has been accentuated, and quotations for practically all these classes have recorded further advances during the past week. Best Admiralty large are now ruling up to 22s. 6d., and best second 21s., while best Monmouthshires ruling up to 18s. 6d. to 19s. 6d. and Eastern Valleys from about 17s. 6d. to 18s. 6d. Most grades of smalls have also hardened, with coking 17s. 6d. to 18s. 6d. Quotations for bituminous descriptions classes now ruling up to 16s. 6d. Quotations for market Genoa options are firmer. show no change, but in the anthracite market Genoa options are firmer. The disorganisation of stems as a result of the gales reacted unfavourably on shipments last week, and at 956,100 tons they were nearly 15,000 tons less than in the previous week, and 36,000 tons less than in the corresponding week last year. The docks, however, are better supplied with tonnage this week, and loading, therefore, is more active, particularly at the Barry Docks. Coke, patent fuel and pitwood are unchanged. There are inquiries in the market for 100,000 tons of large steam coals for the Italian State Railways, and for 15,000 tons of sized coals for the Mauritius Railways.

IRON AND STEEL

LONDON.—The weekly report of the London Iron and Steel Exchange indicates that in most sections of the markets the difficulty of placing orders for reasonably near delivery dates is limiting the volume of business.

In the pig-iron market production is rationed amongst consumers; but stocks have been reduced to a minimum and little headway has been made in overtaking arrears of deliveries. In some districts slightly easier conditions have developed and a certain amount of pig iron has been released for export. The quantities, however, are small and quite inadequate to meet the heavy inquiry from abroad. Recent price advances in the home market have had no influence upon the demand, and consumers of all kinds of pig iron would willingly book for larger orders than the producers can see their way to accept in the present congested state of their order books.

In the semi-finished section the demand is considerably in excess of supply, and anxiety is felt regarding the position which may develop later in the year. Disappointment has been caused by the delay in the arrival of Continental semis owing to the shortage of steel which now prevails in the principal manufacturing countries.

Acute scarcity also rules in the finished steel market, notwithstanding the heavy tonnages which are being delivered by the makers to the consuming works. Although there is a heavy export inquiry, the quantities available have had to be severely restricted in order to meet so far as is possible the requirements of the home market.

SHEFFIELD.—The position in the iron and steel market shows very little change, and there is barely enough material to meet consumers' needs. Makers of forge and foundry iron are fully contracted and accept it. Buyers business could easily be placed if producers could accept it. On the other hand, the accumulation of stocks at works and furnaces is out of the question, and the increasing shortage of supplies is causing anxiety. Requirements for basic pig are still greater than supply. Lincolnshire makers remain off the market completely, which puts a heavy load on Derbyshire material. With regard to East and West Coast hematite, the position is practically unchanged, makers finding difficulty in meeting their commitments and are not anxious to undertake new business at present. In finished iron, business is stronger than for some considerable time, common and marked bars being in active demand. Crown iron is not in such keen request, though requirements are increasing. The demand for basic steel billets cannot be met in full, despite the fact that production is on the up-grade. In the case of acid billets, the position is not quite so difficult. The growing armament work in this district is making it somewhat awkward to keep pace with ordinary work, and the demand for special steels has made it necessary to increase production capacity as it is difficult with the present output fully to meet requirements. Electric and open-hearth furnaces are working to capacity, and owing to heavy Government work steel foundries and rolling mills are fully employed. Quotations everywhere are unchanged.

MIDDLESBROUGH.—The blast furnace which was lighted at the Skinningrove works a week ago will produce basic iron, the number now in operation in this district being 31, of which two are producing foundry iron, 11 hematite, and 18 other kinds. Total shipments of pig iron from the Tees, up to and including January 26th, amounted to 6,551 tons, against 6,410 tons for the corresponding period of last month. Production is still below demand, and, whilst buyers are keen to negotiate new business, there is very little pig iron available for prompt and, consequently, actual business being transacted is small. Official prices, both for foundry pig iron and East Coast hematite, are unaltered.

Producers of semi-finished steel are doing all they can to meet the requirements of re-rollers, who are now finding it increasingly difficult to secure sufficient supplies of foreign material.

In the finished steel departments, manufacturers are very busy, and, in some cases, are finding it difficult to keep deliveries up to contract requirements. An increase of 12s. 6d. per ton has been made in the price quoted for plates and sections for export. Sheet makers are asking a premium on the list prices to home users in view of the recent official advance in the export price. It is reported that a proposal is under consideration to place an embargo on the export of scrap iron and steel. In the meantime, heavy steel melting scrap is in strong demand, and can easily be sold at 62s. 6d. per ton delivered at the works. The price of good Durham blast-furnace coke is 25s. 6d. per ton delivered at the furnaces here, with sellers not keen to contract too far ahead. Arrivals of foreign ore have been delayed, to some extent, by bad weather, but there is actually no shortage.

GLASGOW.—The situation in the West of Scotland is unchanged. While steel makers, makers of semis and re-rollers are all running plants to capacity, they are unable to meet the demands made upon them, and are anxious concerning future supplies. All users of steel are unable to

make contracts for such regular deliveries of their particular raw material as would ensure them being able to meet the obligations they have already undertaken. The demand for finished steel is also far in excess of production, and, while prices continue to advance both for home and export business and deliveries quoted are in most cases for months ahead, buyers are willing to place orders under these conditions. In Glasgow and district manufacturing concerns are all busy and new work is plentiful, while inquiries also are numerous and include much important business. The position at the Clyde shipyards continues to improve.

CARDIFF.—The feature of the tinplate trade last week were exceptionally heavy shipments, which totalled 9,128 tons, compared with 3,685 tons the previous week and 4,160 tons in the corresponding week last year. Tonnage conditions were the chief reason, but the demand is quite good both for the export and inland trades, although production is not as high as it was in December. Prices for tinplates and sheets, as well as bars, are unchanged but firm. The scarcity of scrap is handicapping operations at the melting furnaces, and in some quarters users are asking for increased importation of foreign steel-bars.

OTHER METALS

COPPER.—After wide fluctuations prices closed on Wednesday £1 up at £52 8s. 9d. for cash and £52 10s. for forward. There have again been fairly large sales, but all offerings were well absorbed. The recovery in copper prices was to some extent connected with a major explosion at the Chilean Chuquicamata mine—the largest copper mine in the world. No reports as to the damage done by the explosion are available. But since the explosion occurred in a powder magazine and not in the mine itself, the Chilean output will probably not be greatly affected.

According to the British South Africa Company, Ltd., the Northern Rhodesian copper output amounted to 17,132 tons in December last, as compared with 14,636 tons in November and approximately 10,900 tons in the months before the various increases in quotas. The Rhodesian output for the whole of 1936 was 142,340 tons, against 143,500 tons and 137,897 tons respectively in the two preceding years. Rhodesian producers have thus been able to make full use of the 50 per cent. increase in production quotas of last autumn.

Sales on the London Metal Exchange: 2,500 tons on Monday, against 5,750 tons last week; 2,500 tons on Tuesday, against 4,300 tons last week; 2,500 tons on Wednesday, against 4,100 tons last week. Domestic spot was quoted at 12.37½ cents per lb. in New York on Wednesday, against 12.27½ cents a week ago and 11.57½ cents a month ago. Wednesday's official closing price for standard cash in London was £52 8s. 9d. to £52 10s., compared with £51 8s. 9d. to £51 10s. a week ago. Stocks of refined copper in British official warehouses at the end of last week, at 44,155 tons, showed a decrease of 883 tons, while stocks of rough copper, at 1,057 tons, were 50 tons smaller.

LEAD AND SPELTER.—Both metals fluctuated sharply during the past week. While lead closed 1s. 3d. lower at £27 5s., spelter, at £21 16s. 3d., experienced a net gain of 11s. 3d. The latter development is connected with a report that there are some difficulties with some of the underground workers of the Zinc Corporation (the well-known Australian producer), which, according to the company's own statement, is adversely affecting its mine output. The basic position of both markets has not materially changed during the past week, although turnovers at the London Metal Exchange—particularly in the case of spelter—have shown a considerable decline.

Sales of lead on the London Metal Exchange: 1,750 tons on Monday, against 2,100 tons last week; 1,300 tons on Tuesday, against 2,050 tons last week; 1,200 tons on Wednesday, against 2,700 tons last week. The New York quotation on Wednesday was 6.00 cents per lb., against 6.00 cents a week ago and 6.00 cents a month ago. The official closing quotation in London for soft foreign for shipment during the current month was £27 5s. per ton, compared with £27 6s. 3d. a week ago.

Sales of spelter on the London Metal Exchange: 1,100 tons on Monday, against 5,000 tons last week; 1,300 tons on Tuesday, against 4,050 tons last week; 1,700 tons on Wednesday, against 3,000 tons last week. Wednesday's quotations in East St. Louis was 6.00 cents per lb., against 6.00 cents the week before and 5.45 cents a month earlier. Wednesday's official closing quotation in London for "good ordinary brands" for shipment during the current month was £21 16s. 3d. per ton, against £21 5s. last week.

TIN.—The market was again adversely affected by the United States strike movement which imposes serious restrictions on the buying activities of the largest tin consumers in the world. In addition, offerings are increasing; so that there is the possibility of a further slight deterioration in prices unless United States buying revives. According to the International Tin Research and Development Council's preliminary figures, the world tin output amounted during 1936 to about 171,000 tons, against 140,700 tons in 1935. Consumption reached 154,000 tons, against 142,500 tons. These figures give little basis for an improvement in the price of tin.

Sales of tin on the London Metal Exchange: 260 tons on Monday, against 150 tons last week; 200 tons on Tuesday, against 200 tons last week; 315 tons on Wednesday, against 175 tons last week. The New York quotation on Wednesday was 50.10 cents per lb., against 51.10 cents a week ago and 51.45 cents a month ago. Wednesday's official closing quotation in London for standard cash was £227 to £227 5s. per ton, compared with £229 10s. to £229 15s. a week ago. Stocks of tin in London and Liverpool at the end of last week totalled 1,391 tons, a decrease of 51 tons on the week.

PLATINUM.—Platinum prices, which had been stationary at £9 15s. per ounce since October 23, were raised by £2 on January 26th. The increase was due to the activities of the New York market, where a large demand by hoarders is in evidence. It is believed that this demand is connected with the restrictions imposed on holdings and movements of gold in various countries and that, therefore, no early signs of an abatement will occur. Industrial demand for platinum is running on a very high level at present, but offerings are quite sufficient to cover any possible demand by hoarders. Should prices be forced up further in connection with the demand by hoarders, the supply of old platinum, which has disappeared since prices have been at a low level, is likely to revive and may then lead to major disturbances in the market position of this metal.

OTHER NON-FERROUS METALS.—Among other non-ferrous metals, aluminium ingots and bars for home delivery were again quoted on Wednesday at £100 per ton, and rolling billets at £102 per ton. Nickel, for home and export, was maintained at £180 to £185 per ton. Quicksilver, on the spot, was quoted at £14 6s. per flask of 76 lbs., against £14 6s. a week ago. Chinese antimony was quoted at £65 per ton ex warehouse, as against £64 to £65 per ton last week. Chinese wolfram for "January-February" shipment was quoted at 34s. to 35s. per unit, c.i.f., compared with 33s. 6d. to 34s. 6d. last week. Refined platinum was raised from £9 15s. to £11 15s. per ounce.

TEXTILES

COTTON.—**Manchester.**—During the past week spinners and manufacturers have made further progress and most producers have sold more than current output. The general improvement in the market has been accelerated since the beginning of the year. Only minor fluctuations have taken place in raw cotton prices, the level of values being generally unaltered. Some particulars have been announced with regard to the plan in the United States for releasing loan cotton, but a good deal of confusion exists. There are fears in some quarters of an appreciable increase in the area under cultivation for the new crop. In the meantime consumption continues at a high level.

Prices for American yarns have again advanced and spinners have widened their margin of profit. The improvement has been particularly noticeable in ring beams. The larger sales have been well maintained. Demand in Egyptian qualities has been somewhat irregular, but some producers have had a better week. Steady buying has occurred in shipping yarns for India and the Continent.

A substantial business has again been done in piece-goods for foreign outlets. Speculative buying by local Indian merchants has contracted somewhat, but a larger indent trade has been done. A feature of the buying has been the activity in light bleachers and white shirtings, but printed and dyed fabrics have also moved off freely. Fancies have been booked for Hong Kong, Java and the Straits Settlements. More activity has shown itself in light bleaching descriptions for Egypt. Further buying has taken place in heavy shirtings and printed and coloured goods for West Africa with encouraging orders in printed and dyed sorts for South America. Rather more has been done in fine cloths for the Continent. The sales in home trade fabrics have been larger, the demand covering a wide range of goods. More idle looms have been restarted.

COTTON PRICES

	1937				Corresponding Date	
	Jan. 6	Jan. 13	Jan. 20	Jan. 27	1935	1936
Raw Cotton—Mid. American..... per lb.	6.99	d.	d.	d.	7.07	d.
„ Sakellaridis Fully Good Fair.....	7.21	7.16	7.23	7.07	6.14	
„ Egyptian..... per lb.	10.06	10.34	10.29	10.27	8.88	9.79
Yarns—32's twist..... per lb.	11½	11½	12	12½	10½	10½
„ 40's twist..... per lb.	11½	11½	12	12½	10½	10½
„ 60's twist (Egyptian)..... per lb.	17	17½	17½	17½	16½	16½
32-in. Printers, 116 yds., 16 by 16, 32's and 50's.....	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.
36-in. Shirtings, 75 yds., 19 by 19, 32's and 40's.....	19 4	19 6	19 8	19 10	18 3	17 3
38-in. ditto, 38 yds., 18 by 16, 10 lb.	27 0	27 3	27 6	27 9	24 3	24 3
39-in. ditto, 37½ yds., 18 by 15, 8½ lb.	10 7½	10 8½	10 10	11 0	10 8	10 0
	9 7½	9 8½	9 10	10 0	9 7	9 0

JUTE.—**Dundee.**—Some discontent has arisen in Indian jute mill circles, and the uncertainty as to what is to happen has created a weakness in the goods market. The Hooghly Jute Mill has been refused permission to extend the number of looms beyond 200 hessian and 254 sacking and has, in consequence, intimated resignation from the Mills' Association. As six months' notice must be given to the governing body, it will be near the end of July before withdrawal can be effected. There are rumours that other mills are displeased with the workings of the Association and a note of anxiety has crept into the trade. It will be remembered that strenuous efforts were made by the Associated mills to get the non-member mills to become members and work in conjunction with the Association, but though sixteen months have elapsed since the controversy first began, the question seems to be no nearer a solution and the "outside" mills continue to work as many hours as they please, generally 108 per week, compared with the Associated Mills' 54.

Raw jute is being fairly well maintained in price. The imports into Calcutta and Chittagong for the first six months of the season to December 31st last were 6,683,000 bales, compared with 4,938,000 bales for the same period last season, of which the Indian Mills have received 4,166,000 bales and 2,778,000 bales respectively. The additional quantity this season will be required to meet their greatly increased consumption. Exports for the six months totalled 2,350,000 bales, against 2,201,000 bales showing that the augmented production in India is not adversely affecting output in other countries. During 1936 the Indian mills produced 525,555,956 yards more of hessian cloth and bags and 130,497,219 yards sacking cloth and bags than in 1935, the combined total last year being 3,179,188,547 yards, representing 1,070,671 tons.

The full group of Daisee-2/3 fell to £18 8s. 9d. done, but since recovered to £18 12s. 6d. and Tossa-2/3 to £19 8s. 9d., February-March. Good First Marks and Lightnings are nominal in the absence of offers, while Heart CCP is quoted at £19 2s. 6d. and Ram at £19 5s., same shipment. Spinners are only buying small quantities.

A large business has been done in jute yarns and spinners are all very busy. Common 8 lb. cops have been sold at 2s. 1½d. and 2s. 2d. and 8 lb. spools at 2s. 2½d. and 2s. 3d., and the higher rates are now the lowest that spinners will accept. Other yarns are firm.

Cloth business continues quietly but steadily, and prices are well maintained at 2½d. for 10 oz. 40 in. and 2½d. for 8 oz. A good inquiry prevails.

Calcutta Hessians dropped sharply to 16s. 9d. for 10 oz. 40 in. and 13s. 5d. for 8 oz., February-June.

GRAIN MARKETS

WHEAT.—In response to increased selling pressure and a dull demand, the price of wheat was easy at the end of last week. Although a better tone was evident in the first half of the current week, prices showed a net loss at the close on Wednesday. Shipments from Argentina have been particularly heavy recently. Meanwhile, according to *The Corn Trade News*, Germany is accumulating a reserve of foreign wheat, while Italy seems likely to import larger supplies than had generally been supposed.

On Wednesday last, "May" futures were quoted in Chicago at 126½ cents per bushel, against 130½ cents the week before and 135½ cents a month ago. Quotations in London, Wednesday: No. 1 Northern Manitoba, ex ship, 49s. 9d. per 49½ lbs., against 50s. 9d. a week ago; No. 2 Northern Manitoba, ex ship, 48s. 9d., against 49s. 6d. a week ago. According to *The Corn Trade News* total shipments of wheat and flour last week totalled 2,207,000 quarters, against 1,535,000 quarters in the previous week and 1,352,000 quarters in the corresponding week a year ago.

FLOUR.—The market remains quiet and prices have again eased. Wednesday's London quotations (excluding quota payments) were: Straight run, delivered Home Counties, 39s. 6d. per 280 lbs., against 40s. a week ago; delivered inner London, 39s., as compared with 39s. 6d.

a week ago. Manitoba patents, ex store, 37s. to 38s. 6d., against 37s. 6d. to 39s. a week ago. Australian, ex store, 33s., against 33s. 9d. a week ago.

BARLEY.—After another week of dull trading, prices are again lower. "May" futures were quoted at 80½ cents per bushel in Winnipeg on Wednesday, against 80½ cents a week ago. Quotations per 44½ lbs. in London on Wednesday were: "English feed" at farm, 36s., as against 36s. to 38s. a week ago; "English malting" at farm, 38s. to 50s., against 38s. to 50s. last week. Californian (new), ex ship, 51s. to 60s., against 51s. to 60s. last week; Chilean, brewing (new), ex ship, 44s. 9d. to 50s., against 44s. 9d. to 50s. a week ago.

OATS.—On Wednesday, "May" futures were quoted at 49½ cents a bushel in Chicago, against 51½ cents a week ago and 51½ cents last month. Quotations in London, Wednesday: "English Black," at farm, 25s. to 27s. per 33½ lbs., against 25s. to 27s. a week ago; "English White," at farm, 25s. to 27s., against 25s. to 27s. a week earlier; mixed Canadian feed (Vancouver), landed, 23s. 9d. per 320 lbs., compared with 23s. 9d. last week.

MAIZE.—In sympathy with wheat and in response to heavier shipments from Argentina and excellent crop prospects in that country, the market has again eased. "May" futures were quoted on Wednesday at 106½ cents per bushel in Chicago, against 107½ cents a week ago and 105½ cents last month. Quotations in London, Wednesday: "Plate," landed, 24s. 6d. per 480 lbs., compared with 25s. 3d. a week ago; "Plate," ex ship, 23s. 6d., as against 24s. 3d. a week ago; "Plate," January, 23s. 9d., as against 24s. 3d. a week ago; yellow maize meal, ex wharf, was quoted at £6 10s. to £6 12s. 6d. per ton, as against £6 12s. 6d. to £6 17s. 6d. last week.

AMERICAN WHEAT MARKETS.—The following table shows wheat quotations for selected weeks in 1935-37:—

NEAREST FUTURE	Jan. 2, 1935	Dec. 31, 1935	Jan. 29, 1936	Dec. 30, 1936	Jan. 20, 1937	Jan. 27, 1937
Winnipeg (No. 1, Manitoba) —Cents per 60 lb.	82½	84½	86½	129	123	119½
Chicago (No. 2, Winter) —Cents per 60 lb.	98½	101½	99½	135½	130½	126½

The visible supply of wheat in Canada amounts to 56,288,000 bushels, against 58,280,000 bushels last week, and 130,545,000 bushels in the corresponding week last year.

SALES AND PRICES OF BRITISH CEREALS.—The following table gives the estimated sale of home-grown wheat during the harvest years 1933-34 to 1936-37:—

	1933-1934	1934-1935	1935-1936	1936-1937
Estimated sales of home-grown wheat.....	Cwts.	Cwts.	Cwts.	Cwts.
1 week to January 23.....	285,131	365,964	430,164	343,038
21 weeks to January 23.....	6,508,883	8,135,975	8,181,487	6,235,077
Average price of English wheat per cwt.	s. d.	s. d.	s. d.	s. d.
	4 4	4 10	6 6	9 11

The following is a statement showing the quantities sold and the average price of British cereals in the past two weeks, and for the corresponding weeks in each of the years from 1933 to 1936:—

Week ended	QUANTITIES SOLD			AVERAGE PRICE PER CWT.		
	Wheat	Barley	Oats	Wheat	Barley	Oats
January 21, 1933.....	Cwts.	Cwts.	Cwts.	s. d.	s. d.	s. d.
January 20, 1934.....	241,550	242,427	39,495	5 4	6 11	5 9
January 20, 1935.....	285,131	251,263	51,401	4 4	9 4	5 7
January 26, 1935.....	365,964	267,119	54,588	4 10	8 0	7 0
January 25, 1936.....	430,164	262,375	52,155	6 6	8 2	6 0
January 16, 1937.....	258,780	321,321	73,362	9 11	10 1	8 4
January 23, 1937.....	343,038	382,587	69,672	9 11	10 3	8 5

OTHER FOODS

BACON.—Demand has been quiet this week. The official quotations (per cwt. for No. 1 Sizable) which formed the basis for dealings on the London Provision Exchange this week were: English: 90s. to 94s.; Canadian, 80s.; Danish, 90s., the same as last week. Arrivals in London last week included Danish, 12,118 bales; Canadian, 7,385; Dutch, 2,302; Lithuanian, 748, and Polish, 2,049, as against 13,520, 7,387, 2,353, 1,105 and 2,592 bales, respectively, in the previous week.

BUTTER.—The market for Colonial makes eased under a slow demand; a better business was encountered at the lower level. Danish has risen in price this week. Quotations (per cwt.) on the London Provision Exchange on Wednesday were: New Zealand, finest salted, 89s.; Australian, choicest salted, 88s. to 89s.; Danish, 116s.; compared with 93s., 93s. and 112s., respectively, a week ago.

CHEESE.—Cheese has again been a quiet market, and prices for Colonial descriptions are lower on the week. Quotations (per cwt.) on the London Provision Exchange on Wednesday were as follows: English, finest farmers, 86s. to 88s.; Canadian, finest coloured, 71s. to 72s.; and New Zealand, finest coloured, 51s.; against 84s. to 88s., 70s. to 72s., and 52s. 6d., respectively, a week ago.

COCOA.—After the remarkable advance of the past few months, a sizeable reaction occurred this week. The spot quotation in New York on Wednesday was 11½ cents per lb., as against 12½ cents per lb. last week. In London, on Wednesday last, good fermented new crop, Accra, February-March, was quoted 52s. per 50 kilos, c.i.f. Continent, against 56s. 6d. a week ago. Last week's movements of cocoa in London were as follows: Landed, 11,269 bags; delivered, for home consumption, 6,223 bags; exported, 169 bags; stocks, 124,800 bags, against 119,627 bags a year ago.

COFFEE.—The London spot market has been steady. In New York prices were marked up at the end of last week, and a quiet tone has since prevailed. On Wednesday, Rio No. 7 (cash) was quoted at 9½ cents per lb. in New York, as compared with 9 cents per lb. last week and 8½ cents per lb. a month ago. Movements of coffee in London last week were as follows: Brazilian, landed, 149 cwt.; delivered, for home consumption, 72 cwt.; exports, nil; stocks, 8,192 cwt., against 12,493 a year ago.

Central and other South American, landed, 5,799 cwt.; delivered, for home consumption, 2,351 cwt.; exported, 1,749 cwt.; stocks, 58,331 cwt., against 59,253 last year. Other kinds: landed, 4,042 cwt.; delivered, for home consumption, 3,710 cwt.; exported, 486 cwt.; stocks, 103,401 cwt., against 132,664 last year.

EGGS.—Prices recovered somewhat this week, on smaller arrivals. At Smithfield, on Wednesday, English (ordinary packing, Grade 1, about 15-15½ lb.) realised 12s. 6d. to 13s. per 120, as against 12s. to 12s. 3d. last week; while Danish (15½ lb.) made 9s. 3d. to 9s. 9d., as against 8s. 9d. to 9s. last week.

FRUIT.—Partly on account of weather conditions, business at Covent Garden market has been rather slow this week, states *The Fruitgrower*. A spell of cold weather would now be welcome. Demand for apples is moderate, with stocks moving slowly and prices generally easier. English Cox's receive the best inquiry. Pears are in short supply and hold their price despite an inactive demand. Few English are on the market, and Californian are clearing slowly. Some excellent peaches and nectarines have been to hand this week from South Africa, while the first of the new season grapes from the same source are due in a few days, together with larger supplies of pears. Hothouse grapes remain short, and consequently sell at firm prices. Oranges are a slack trade, with ample supplies on hand, and prices are generally easier. Grape fruit sell rather better, but lemons are cheaper on a slow demand.

MEAT.—At Smithfield Market, business has been on a moderate scale and prices show little alteration. On Wednesday last, Argentine chilled hindquarters were quoted at 4s. 2d. to 4s. 6d. per 8 lbs., as compared with 4s. to 4s. 4d. a week ago. New Zealand frozen mutton was 3s. 4d. to 4s. per 8 lbs., against 3s. 4d. to 4s. a week ago. According to the Smithfield Market official report, supplies during last week amounted to 9,873 tons and an increase of 805 tons on the corresponding week last year. Beef and veal accounted for 5,116 tons, mutton and lamb 2,999 tons, and pork and bacon 943 tons, as compared with 4,961, 2,505 and 929 tons, respectively, in the same week of 1935.

TEA.—The following table shows the average prices (compiled by the Tea Brokers' Association) of tea sold in Mincing Lane on Garden Account in recent weeks:—

Week ended	Northern India	Southern India	Ceylon	Java	Sumatra	Africa	Total
Jan. 23, 1936.....	d.	d.	d.	d.	d.	d.	d.
Dec. 3, ".....	12.83	12.74	13.80	10.77	10.28	11.82	12.84
Dec. 10, ".....	12.67	12.44	14.50	11.61	10.24	11.61	13.03
Dec. 17, ".....	12.55	12.42	14.51	11.47	10.30	11.58	12.92
Jan. 7, 1937.....	12.54	12.58	14.67	11.47	10.35	12.14	12.97
Jan. 14, ".....	12.82	12.66	15.14	11.87	10.64	12.12	13.31
Jan. 21, ".....	13.12	12.95	15.42	11.75	10.71	12.21	13.53
Jan. 28, ".....	13.47	13.26	15.58	12.41	11.08	12.31	13.83

The quantities catalogued for this week's public auctions in Mincing Lane comprised 50,006 packages of Indian and 19,540 packages of Ceylon tea. The market in Indian grades was again strong and active, with quotations showing an advancing tendency. At Tuesday's Ceylon auctions there was a strong demand for plain and low medium teas up to 1s. 2d. per lb., and these were rather dearer. The higher-priced teas were rather irregular, but were usually dearer. Export demand was good.

PEPPER.—On Wednesday, Singapore white Muntok, spot, was quoted at 6d. per lb. in bond, against 6d. per lb. a week earlier. Black Lampung, spot, in bond, was quoted at 3½d. per lb., sellers, compared with 3½d. per lb. last week. Movements of pepper in London last week were as follows: Black, landed, 2 tons; delivered, 19 tons; stocks, 1,802 against 1,527 last year. White, landed, 138 tons; delivered, 45; stocks, 11,754, compared with 13,357 a year ago.

RICE.—The spot price of Burma No. 2, cleaned, was 10s. 3d. per cwt., ex warehouse, on Wednesday, as compared with 10s. per cwt. a week ago. New crop, "January-February," in singles to Continent and U.K., was quoted at 9s. 6d. per cwt., against 9s. 7½d. last week. Movements in London last week were as follows: Landed, 382 tons; delivered, 251; stocks, 1,291 tons, against 3,874 a year ago.

SUGAR.—In London the spot market in raw sugar has been firm, but rather quiet. The New York spot market has been quietly steady. The spot price in New York on Wednesday was 3.75 cents per lb., as compared with 3.75 cents per lb. last week and 3.90 cents per lb. a month ago. Wednesday's sales of raw sugar in London included "March" delivery at 6s. 0½d. to 6s. 1½d., against 5s. 10d. to 6s. a week ago.

VEGETABLES.—Canary Island tomatoes are easier at Covent Garden this week, and are not expected to improve, states *The Fruitgrower*. Steadily increasing supplies of cucumbers encounter only a moderate inquiry. Forced asparagus has eased on heavier arrivals, but house-grown beans are firmer. Rhubarb is down a point, on larger arrivals, and mint is more in evidence. Mushrooms are easy. Greenstuff remains plentiful and cheap, but cauliflowers are doing a little better. Onions are cheap, with looks a fair trade. Supplies of potatoes at the various London markets show a tendency to increase, but trade has been slow. At the Borough on Tuesday, quotations for best siltland King Edward were maintained at from 9s. to 9s. 6d. per cwt. ex market.

MISCELLANEOUS COMMODITIES

RADIUM.—During the past three years, the price of radium has fallen from about \$65,000 to \$70,000 to \$25,000 per gramme. This development is mainly due to cheap offering by the Canadian Eldorado Gold Mines, Ltd., which works the newly-developed uranium deposits of the Great Bear Lake region. By November 16th last, the Eldorado Company had completed the production of the first troy ounce of radium, and it is now producing at the rate of about 2 grammes per month. This compares favourably with the production of the Union Minière du Haut Katanga, in the Belgian Congo, whose output is about 5 grammes a month, and is sufficient to ensure that Eldorado will have an important influence on world radium prices. In the circumstances, it is of great importance that this concern does not intend to support the price-raising policy of the Union Minière. The present price, according to a statement of the general manager of Eldorado, is sufficiently remunerative and the company will not seek a higher return. There is certainly a large market for radium at this level of prices and an increase in production may be looked for in the near future.

RUBBER.—After considerable fluctuations, the spot price closed on Wednesday showing a gain of ¼d. on the week. The rise was due to the decision of the International Committee at its meeting on Tuesday to leave the quotas for the first and second quarters of the year at 75 per cent. and 80 per cent. of standard respectively, as previously arranged, but

The Truth about Germany under National Socialism

The present financial and economic position of Germany, and the relations between the National Socialist Party and the German Army Chiefs, have hitherto been wrapt in mystery.

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to raise the quota for the third quarter to 85 per cent. The market had feared a more bearish decision. Meanwhile, the outlook on the demand side is still obscured by the continuance of the American strikes. The spot price in New York on Wednesday was 20½ cents per lb., compared with 21½ cents per lb. a week ago and 21½ cents a month ago. Wednesday's official buyers' price for standard ribbed smoked sheet on the spot in London was 10½d. per lb., as against 10½d. on the corresponding day last week. In forward positions, business has been done at 10½d. to 10¾d. for March shipment, as against 10½d. to 10¾d. a week ago. Stocks in London and Liverpool at the end of last week totalled 73,059 tons, against 74,659 tons a week earlier. A year ago stocks amounted to 161,707 tons.

VEGETABLE OILS AND OILSEEDS.—Quiet and almost inactive conditions rule, and despite the fall in prices there is little desire on the part of consumers to do business. Shipments of the new Argentine linseed have continued at the rate of 50,000 to 60,000 tons per week, and the quantity now afloat for Europe (including 18,000 tons from India) now exceeds 195,000 tons. A considerable proportion of this will soon be

arriving off the coast or at ports of discharge to relieve the shortage of spot supplies. Crushers here appear to have their immediate requirements covered and are awaiting a favourable opportunity and a revival of the oil demand. The quantity of linseed arriving at the Argentine seaboard is reported to be twice that of a year ago. The Government report says that both in quality and yield the seed just harvested is irregular. Uruguay, it is estimated, will have a crop of 124,500 tons, as against 76,380 tons last season. Only small quantities of Indian linseed are now being shipped, and the balance of the old crop is put at no more than 22,000 tons. Linseed oil has further declined, but is steadier. There has been less anxiety to realise, though values have dropped 35s. per ton during the month. Current value of raw oil, ex Hull mill, for February–April delivery is now around £26 5s. per ton (ex Hull mill).

Cottonseed is easy in the absence of effective demand, and refined cotton oil is quoted 10s. per ton lower but is about steady. Most other vegetable oils have an easy feeling. Oilcakes are in good demand, and late prices are maintained.

WHOLESALE COMMODITY PRICES

UNITED KINGDOM: LONDON, January 27th

The prices in the following are revised with the assistance of an eminent firm in each department

CEREALS AND MEAT				POTATOES—				WOOL—			
GRAIN, Etc.—	s. d.	s. d.	s. d.	English King Edward	s. d.	s. d.	s. d.	English Southdown, greasy, per lb.	s. d.	s. d.	s. d.
Wheat—				per cwt.	9	0	9	18	0	5	0
No. 2, N. Man. 496 lb.	48	9						Dry and Drysalted Cape	0	8	0
Eng. Gaz. av., per cwt.	9	11						Market Hides, Manch'tr—	0	5	0
Barley, Eng. Gaz. av. ..	10	3						Best heavy ox and heifer	0	5	0
Oats ..	8	5						Best cow ..	0	5	0
Maize, La Plata, landed								Best calf ..	0	6	0
480 lb. ..	24	6									
Flour, Lon. stan. ex mill,											
280 lb. ..	37	9									
Rice, No. 2 Burma, per cwt.	9	6									
MEAT—											
Beef, per 8 lbs.—											
English long sides ..	3	8	4								
Argentine chilled hind	4	2	4								
Mutton, per 8 lbs.—											
English wethers ..	5	0	6								
N.Z. frozen ..	3	4	4								
Lamb, per 8 lbs.—											
N.Z. frozen ..	4	6	5								
Pork, English, per 8 lbs.	6	0	6								
OTHER FOODS				SPICES—				TOPS—			
BACON—				Pepper, per lb.—				Merinos 70's ..	39		
English .. per cwt.	90	0	94	Black Lampung ..	0	3		64's ..	37		
Irish ..	86	0	95	White Muntok ..	0	6		Crossbred 48's ..	22		
Danish ..	90	0		Cinnamon—1st sort, per lb.	0	8		46's ..	22		
Dutch ..	86	0		Cloves—Zanzibar, per lb.	0	8					
HAMS—				Ginger—per cwt.—							
Canadian ..	87	0	92	African ..	62	6					
United States ..	93	0		Jamaica, ord. to good	60	0	85				
BUTTER—				Mace .. per lb.	2	0	2				
Australian ..	88	0	89	Nutmegs, 65's ..	0	11					
New Zealand ..	89	0		SUGAR—							
Danish ..	116	0		(Duty, 11/8 per cwt.)							
CHEESE—				Centrifugals, 96", prpt.							
Canadian .. per cwt.	71	0	72	shipm., c.i.f. U.K./Cont.	6	0					
New Zealand ..	51	0		B.W.I., crystallised ..	17	3	18				
English Cheddars ..	86	0	88	Java, white, c. & f. India							
Dutch ..	45	0	53	Oct.-Dec. ..							
COCOA—				Refined—London—							
(Duty, British grown,				Yellow Crystals ..	19	3					
11/8; foreign, 14/- cwt.)				Cubes ..	23	3	24				
Accra, f.f. .. per cwt.	53	6		Crushed ..	21	9					
Trinidad ..	75	0	84	Granulated ..	19	7	20				
Grenada ..	70	0	76	Home Grown ..	19	4	19				
COFFEE—				TEA—							
(Duty, British grown,				Indian—per lb.—							
4/8; foreign, 14/- cwt.)				Pekoe ..	1	0	1				
Santos supr. c. & f. cwt.	50	0	64	Broken Pekoe ..	1	0	1				
Colombian, good ..	54	0	64	Orange Pekoe ..	1	0	1				
Costa Rica, med. to good	60	0	80	Broken Orange Pekoe	1	0	1				
East Indian ..	60	0	78	Ceylon—per lb.—							
Kenya, medium ..	64	0	78	Pekoe ..	1	0	2				
EGGS—				Broken Pekoe ..	1	0	2				
English .. per 120	12	6	13	Orange Pekoe ..	1	0	2				
Danish ..	9	3	9	Broken Orange ..	1	0	2				
FRUIT—Oranges—				TOBACCO—							
Valencia .. cases	6	0	12	(Duty, 9/6–10/6) per lb.							
Jaffa ..	8	0	12	Empire growth, 7/5½							
Lemons, Malaga ..	8	0	12	8/3½ per lb.)							
Sicilian .. boxes	15	0	18	Virginia leaf—							
Apples: Amer. (var.) bris.	22	0	28	Common to fine ..	0	8	2				
(var.) boxes	10	0	13	Rhodesian leaf ..	0	8	1				
" Australian ..				Nyasaland leaf ..	0	7	1				
Onions—				" strips ..	0	9	1				
Valencia, case ..	8	0	12	East Indian leaf ..	0	5	1				
Egyptian, bags ..				" strips ..	0	6	1				
Grapes, Almeria, barrels				TEXTILES							
Grapefruit, Jaffa ..	10	0	14	COTTON—							
LARD—				Mid-American .. per lb.	7	23					
Irish finest bladders ..	72	0	80	Sakellaris, f.f.g. ..	10	27					
U.S. .. per cwt.	72	0	73	Yarns, 32's twist ..	12	4					

† These prices are for fuel oil for inland consumption—other than for use in Diesel-engined road vehicles—and do not include the Government tax.

UNITED STATES

New York quotations unless otherwise stated

	Jan. 29, 1936	Dec. 30, 1936	Jan. 20, 1937	Jan. 27, 1937		Jan. 29, 1936	Dec. 30, 1936	Jan. 20, 1937	Jan. 27, 1937
Wheat, No. 2, Winter, nearest future, Chicago, per bushel ..	99½	135½	130½	126½	Sugar, Cuban Centrifugals, 96 deg., spot, per lb.	3	3	3	3
Maize, nearest future, Chicago, per bushel ..	59½	105½	107½	106½	Cotton, middling, spot, per lb.	3	3	3	3
Oats, nearest future, Chicago, per bushel ..	28½	51½	51½	49½	Rubber, smoked sheet, spot, per lb.	14½	21½	21½	20½
Rye, nearest future, Chicago, per bushel ..	56½	116½	108½	109½	Petroleum, Mid-continent crude 33 deg., to 33-90, at well, per barrel ..	104	104	104	104
Barley, nearest future, Chicago, per bushel ..	43½	84½	85	84	Copper, "Electrolytic," Domestic, spot, per lb.	8	55	11	57½
Coffee, Rio No. 7, cash, per lb. ...	6½	8½	9	9½	Copper, "Electrolytic," Export prompt, per lb.	8	77½	11	80
" Santos No. 4, cash, per lb.	9½	11½	11½	11½	Spelter, East St. Louis, spot, per lb.	4	85	5	45
Cocoa, Accra, nearest future, per lb.	5	19	11	61	Lead, spot, per lb.	4	50	6	00
					Tin, "Straits," spot, per lb.	48	15	51	45

(a) Nominal.

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An Anti-Tariff Move

FOR seven years the principal countries of the world have been fighting universal economic depression. Their weapons have been forged at home. Home markets in every trading country have been turned by State action during the depression into closed preserves for home producers, both industrial and agricultural. The apparatus which brought about the change has been fastened upon the economic life of every country—crisis tariffs, import quotas, restriction and marketing schemes, subsidies, and State-sponsored monopolies for large vested interests.

The result, after seven years, is that whereas the world's industrial activity is back at its 1929 level (it should normally have shown a very considerable growth in these past seven years) the volume of world commerce in 1936 was still only a little over four-fifths of its pre-depression magnitude. To-day, when unproductive State expenditure on armaments contributes an ever-growing stimulus, every country discovers a certain unbalance in its national economy. In highly protected home markets, for example, people begin to talk of boom conditions. On the other hand, in the sphere that is still conditioned by world economic influences, there are so-called distressed areas, languishing export trades, and redundant industrial or agricultural capacity.

To the dangers of such distortion, and of the complacent disregard of foreign trade to which it gives rise, three of our leading bank chairmen drew attention last week. Their warnings were timely. World trade is now reviving. World commodity prices and shipping freight rates have made a sudden and considerable spurt upwards during the last twelve months. The world's primary producers, first to succumb to the depression,

are utilising this access of purchasing power to buy finished goods. Indeed, a welcome breeze of cool reason is beginning to play about those novel expedients adopted in an atmosphere of panic during the depression.

During the last few weeks negotiations have been resumed between the Scandinavian countries, headed by Sweden, and the Netherlands and Belgium-Luxemburg Customs Union to vitalise the Oslo Convention of 1930. This only bound those countries not to raise their mutual tariffs without consultation; but even that proved abortive. Far more promising was the Ouchy Convention of July, 1932, between Belgium-Luxemburg and the Netherlands for the establishment of a freer-trading group of nations. That Convention provided for annual and reciprocal 10 per cent. reductions in the Customs duties of the two countries during five years, until these were halved. Its privileges were open to all countries who would make the same reductions. But, unfortunately for those countries who were not prepared to modify their barriers, it involved a qualification of their most-favoured-nation rights. On that ground, despite the blessing of the League Economic Committee, the British Government disapproved, and so destroyed it. At the same time, the British Government, acting within the letter of the most-favoured-nation clause but scarcely within its spirit, concluded the Ottawa Agreements, which effectively imposed fresh handicaps on the trade of many countries with Britain and her Dominions and Empire. The inevitable reaction to the Ottawa gesture, and to the new British tariff accompanying it, was that the countries most affected proceeded to strengthen their own barriers. Ottawa had, in fact, quite the opposite

effect to that which MR BALDWIN declared to be its intention—namely, to loosen the shackles of world trade.

This week the KING OF SWEDEN and his Foreign Secretary, HERR SANDLER, have made a visit to Brussels, after which HERR SANDLER proceeds to DR COLIJN at The Hague, to negotiate further. This week, too, the President of the Board of Trade, MR RUNCIMAN, returns from the United States, where he has utilised a nominally private visit to discuss with PRESIDENT ROOSEVELT and MR SECRETARY CORDELL HULL an Anglo-American commercial agreement. Again, this week it is reported from France that the rise in French prices, which has been throwing the franc slightly out of alignment with the pound and dollar, is to be kept in check by new reductions in tariffs and increases in import quotas. The Dutch Government this week have agreed to maintain import quotas, but to take the first opportunity of abolishing them. In Switzerland and in Belgium the same broad principle is being followed.

Here, then, we have what could be made the nucleus of a freer-trading group of nations. France, the United States and Britain are the three Powers whose joint manifesto on September 26th last enabled the gold *bloc* currencies to be brought into better alignment with those of the sterling and dollar countries. That tripartite statement expressly contained as its own *raison d'être*: "To

foster those conditions which will safeguard peace and will best contribute to the restoration of order in international economic relations and to pursue a policy which will tend to promote prosperity and to improve the standard of living." On the actions of these three Governments depend, to a decisive extent, those of the Scandinavian countries, Belgium, the Netherlands, and many others. These countries are the great colonial Powers of the world. If, now that world trade is stirring beneath its shackles like Gulliver waking in Lilliput, the British Government still maintains a *non possumus* attitude, which it did both in 1932 and again last autumn at Geneva after the tripartite currency agreement, it will be responsible for more than delay in the recovery of world trade. It will be blocking a course that offers high hope—possibly the only hope—of easing the political strain. It will run the risk of leading our unbalanced economy into grave future difficulties. It will tend to aggravate those autarkic influences, so stridently acclaimed in Germany last week-end, which may prove the undoing of our economic system. After seven years of depression and domestic recovery, we have to-day a chance to restore the economic balance, both of the nations and the world. The British Government should this time throw the whole of its weight behind a most propitious movement. As BENJAMIN FRANKLIN said: "No nation was ever ruined by trade."

Herr Hitler's Speech

HERR HITLER'S speech in the Reichstag last Saturday was ambiguous at every turn. If that was its aim, it was a masterpiece of rhetoric, though perhaps not so masterly an exhibition of statesmanship. It is the business of statesmanship to get things done. But HERR HITLER'S speech read like that of a man who finds he has carried out the programme on which he came into power four years ago, and does not know what to do next.

In his speech on Saturday, one last squeeze was given to the Versailles orange. The war guilt clause of the Treaty was repudiated, and the Reichsbahn and the Reichsbank were declared free from foreign servitudes, which in fact had already lapsed. The dictate of Versailles made HITLER'S fortune; but now the last drop of juice has been squeezed out of it "till the pips squeak"—to give a new application to a historic phrase. What is the Nazi leader—and the German nation—to make of the empty skin?

The FÜHRER said—and it is perhaps the most striking sentence in last Saturday's speech—that "the time of so-called surprises has thus been ended." This sounds precise. But ambiguity creeps in when we recall that he said exactly the same thing on the morrow of March 7th last. And we must also remember that he was probably speaking to the Reichswehr as much as the world; and the Reichswehr is known to be opposed to military surprises—for the present. Is it peace? We should have been inclined to believe him if, in this speech, his devotion to peace in the abstract had not merely been a refrain to so many refusals of other people's suggestions for ensuring peace in the concrete.

He rejects, for instance, the very idea of armaments limitation by international agreement. Germany alone will decide what scale of armaments Germany needs. "A general recognition of these principles would contribute to a lessening of the tension. Germany is happy to have found Italy and Japan to be of the same opinion," and she is content that Great Britain should likewise act as her own armaments assessor. But this sacred right of self-determination in armaments is not, apparently, applicable to "the armaments of that Power which is the basis of the armaments of all the

others." What is sauce for Germany, Italy, Japan and Great Britain is not to be sauce for Russia.

In the abstract, again, HERR HITLER smiles upon international trade. "I do not believe that there can be durable economic co-operation except on the basis of a new mutual exchange of goods." This confession of faith might have been copied from any issue of *The Economist* since 1843; but he quickly proceeds:—

I cannot build the future of the German nation on the assurances of a foreign statesman or on any international help, but only on the real facts of production. . . . I rejoice at every increase of our foreign trade, but in view of the political situation I shall not regret anything that will guarantee to the German people their existence when other nations have perhaps become the victims of Bolshevik infection.

In the Hitlerian analysis, durable economic co-operation across the frontiers is tantamount to giving a Nazi hostage to Communism!

Accordingly, the Four-Year Plan "does not allow of any change," and "it will give permanent employment to those workmen who are now being released from [*sic*] the armament industry." This German industrial programme with a Russian caption seems to wear a poker face. We had supposed from previous Nazi utterances that the purpose for which these formidable sacrifices were being demanded of the German people was to put Germany in a position to wage a great war. Now we are told that, instead of being for the promotion of German re-armament, it is really a means of supplying alternative employment. Swords into ploughshares instead of ploughshares into swords! But is it peace?

HERR HITLER proclaimed two lists of foreign States: a list of those with whom Germany's relations are "very friendly," and a quainter list of States which are "realities" in spite of the fact that their foundation-date has been subsequent to January 30, 1837. The latter list contains only three names: Germany, Italy and Poland. Italy and Poland figure in the first list as well, alongside Austria, Hungary, Bulgaria, Greece, Portugal, Spain, and notably Yugoslavia. But neither list contains the names of Czechoslovakia and the Baltic States. We are left to infer that these four un-

mentionable States—all of which are less than twenty years old—are in German estimation *Saisonsstaaten*, seasonal States, creatures of a day. This ominously expressive term was made in Germany for application to Poland before the German-Polish Pact of 1934. To-day it seems to be transferred to some of Poland's, and Germany's, weaker neighbours. Is it peace?

Happily the speech gives some warrant for guessing that it may really now be peace in respect of Spain.

Germany has no interest in Spain but the cultivation of those economic relations which Mr Eden himself has described as so important and profitable. Germany has no colonial claims on countries which have taken no colonies away from her. Our sympathies with General Franco and his Government are in the first place of a general nature, but they are also based on the hope that the consolidation of a real National Spain may lead to a strengthening of the European economic system. We are ready to do everything that may lead to a restoration of orderly conditions in Spain.

This passage—particularly the culminating sentence—reads as though HERR HITLER were contemplating a liquidation of the Spanish adventure. If this is really in his mind, he can be assured in advance that both the British and the French will be ready to build a golden bridge for him—when his Italian ally also retires from Spain.

The sentence about colonies leaves no room for the complacent assumption that, if only we go on re-arming

The British Film Industry—

Economics of the Films

EVERY week throughout the year some 30,000 transactions culminate in the delivery of more than 20,000 miles of film to provide entertainment for an average of 20 million persons in about 4,500 cinemas in Great Britain. From this enormous length of film material, some 4,500 programmes are built up every Monday, and 4,000 every Thursday, each programme containing, on the average, three to four separate items. These impressive results are obtained with an absence of fuss which pays high tribute to the efficiency of their organisation; with a precision that almost rivals the clock at Greenwich; and with an indifference to hail, rain, snow and fog which the newest Atlantic liners cannot excel.

In the present series of articles, we propose to describe the economic structure, function and financial basis of the British film industry. The first fact which confronts the inquirer is the preponderance of foreign over British films in the British market—a preponderance which has been materially reduced since the passing of the Cinematograph Films Act in 1927, but is still considerable.

Most of the foreign feature films come from America and are produced in Hollywood. These can be sharply divided into those made by the so-called major and the independent companies, respectively. The major companies have their own studios, their own large cinema circuits and their own exchanges (the American equivalent to our renting organisations). What most concerns us here, however, is that they also run their own renting (i.e. distributing) companies in Great Britain, through which all their films are marketed. On the other hand, the films produced by the independent American companies are distributed almost exclusively through British renters. They are distributed under contracts which involve substantial cash payments for each film delivered, as well as a participation in the results of their exploitation in Great Britain.

There are other distinguishing features between films

and sit tight on Tanganyika, Germany will give up hope of trying to recover her own colonies and will help herself instead to somebody else's—e.g. Angola or Netherlands India. It seems that the colonies which Germany wants back are, after all, the former German colonies now under mandate. But even here HERR HITLER later hinted that he might claim colonies anywhere.

One curious feature of the speech is HERR HITLER'S sensitiveness to the foibles of democrats, Christians, West Europeans and such small deer. Officially they no longer count—except perhaps as breeding grounds for the maggot of Bolshevism. Democrats? They are scum. Yet the Nazi prophet feels constrained to commend his own revolution by describing it as "democratic in the highest sense of the word." Christianity? Sheer treason to the tribal State. Yet the human FÜHRER has to proclaim his "gratitude to the Almighty" and his "faith in the consent of Him who stands above us" in order to intimate that he is as firm a believer as ever KAISER WILHELM was in the God of Abraham, Isaac and Jacob, instead of being an anti-God man like those Muscovite publicans or that sinner HERR ALFRED ROSENBERG. League of Nations? An insult to common sense. Yet it is an insult to Germany to accuse her of cultivating isolation.

HERR HITLER is doubtless satisfied that these propositions can be reconciled. The world asks: Is it, then, peace? HERR HITLER leaves the world wondering.

derived from these two main American sources. The services of all the leading star actors and actresses, which have high box-office value, are controlled by the major companies. The pictures made by them are, consequently, scheduled to cost, and actually do cost, many times as much as those produced by the independent companies. Well-authenticated estimates put the average cost of the major companies' productions in the region of \$400,000 per film, while those of the independent companies average less than \$100,000. It is therefore to be expected that all the best American films, which are produced and "dressed" most lavishly, and utilise the highest degree of technical efficiency, will find their way to the American-controlled British companies. The relatively inferior American pictures, on the other hand, which have stars and directors of a bygone year and stories which have been rejected by the major companies, will tend to find their way to the British renting companies. The cost estimates which we have quoted refer to feature films, whose running time is not less than one hour. But much the same differences apply to "shorts," consisting of cartoons, whose running time is six to seven minutes, to interest films, which run from nine to eleven minutes, and to two-reel comedies, whose duration is about twenty minutes. In short, nearly all the best American films are reserved to, and handled exclusively by, the American companies registered in Great Britain. The British renting companies are allowed to handle only the residue of films, which are much less lavish, much less attractive, and much less costly.

The importance of the British market to the major American companies is indicated by the figures of the estimated sums which are annually remitted to them for their films. Well authenticated estimates have put the total in recent years between £6 and £7 millions. It is a reasonable assumption that of this sum not more than half-a-million goes to the independent

companies in America. The balance of £5½ to £6½ millions measures the return which the British market yields to the major American companies. This is a decidedly substantial contribution to the cost of the entire output of pictures in American studios, which is believed to be not more than £20 millions. It accounts for the attention paid in America to every movement in the trade on this side, which might possibly affect the volume of remittances. All other non-American markets together yield the companies less than half as much as the British market alone.

When we turn to the position of British films we find a complete reversal of the high-lights and the shadows of the landscape. The cost of British pictures produced last year is said to have exceeded £4 millions. The output was similarly capable of division into major products—and others. The latter were largely composed of "quota" pictures, made for the American companies to satisfy their statutory obligations under the Quota Act. These pictures, which accounted for much more than half the total length produced, are believed to have cost an aggregate of about £800,000 to £900,000. The balance, whose average cost was four to five times as large, was financed and produced almost exclusively for British renters. It may be stated with confidence that the return obtained from America for the exhibition of British pictures makes an almost negligible contribution to their cost.

One further estimate deserves mention. The American-controlled British companies which, as we have seen, are concerned in the remittance to America of over £6 millions annually, are small in number. About eight companies probably account for more than £5½ millions, and two of these account for nearly £3½ millions. It follows that the individual concerns have large financial resources, which are likely to be of service to them in meeting any competitive threat or resisting any hostile combination on the consumers' side.

We may next consider the economics of the theatre side of the industry. As the fixed charges and running costs of a cinema theatre do not alter materially from week to week, the only real variable is the cost of the programme. In negotiating for films, therefore, the exhibitor concentrates the whole of his attention on the price he pays. He may decide, for example, that a particular film, featuring Garbo, Jessie Matthews, Robert Taylor, Shirley Temple, Clark Gable or Charles Laughton, ought to increase his average receipts by perhaps 50 per cent. On this estimate he determines the maximum cost he is able to pay. Suppose the average weekly receipts in a given house are £300, and the fixed charges and running costs £110. The average film programme will probably cost £90 to £100 each week. Now, suppose a good Garbo subject is offered which the exhibitor believes will increase his takings to £450, leaving him with about £340 to cover the cost of the film and his profits. He may possibly be compelled to agree to pay £225 for the film—which will bring his programme cost to £275 and his total costs for the week to £385—although this will leave him a profit of only £65, which is less than his average weekly profit. But he has two good reasons for this sacrifice. In the first place, the maintenance of the support he receives from his patrons may be contingent on his showing the best films; and in the second place, it may be essential to him to retain the goodwill of the renter who controls the distribution of the exceptionally attractive film.

The operations of renters in this country are severely controlled by the Quota Act. Before any dealings can take place with exhibitors, every film must have been shown either to a London trade audience (a trade show) or to a paying audience of the public (a première). No contract is valid unless it provides

that the date of exhibition shall be not more than six months after the contract date. Both provisions were introduced at the request of British companies. Though there have been notorious breaches of their terms, they nevertheless have produced a situation less unfavourable for the competition of British films than existed before the passing of the Act. But they impose limitations on freedom of contract which have no parallel in any other industry. Both renter and exhibitor are further affected by the quota obligation; the former must acquire a certain number of films, and the latter must screen a certain proportion of British films. Naturally, in view of the conditions we have already described, the exhibitor prefers to obtain his British films from British renters and his foreign films from American renters. But in practice it frequently happens that the foreign renter wishes to use his good American films as a lever for placing his inferior British films; while the British renter, similarly, is anxious to force his inferior foreign films on the exhibitor who wishes to obtain his superior British films.

Another factor in the film market, which cannot be ignored, is the system by which the entire body of exhibitors is broken up into what can best be described as a series of monopoly priorities. To illustrate this in its simplest form, let us suppose that in a given district there are three cinemas, of approximately equal value. Let us assume that each of these could afford to pay £150 for a particular film, but that three other adjacent cinemas can afford, respectively, only £70, £50 and £30. Now, any one theatre of the first series may negotiate for the film; but it is likely to insist on an agreement which will prohibit any simultaneous exhibition of the film by either of the other two houses, and its exhibition for some weeks afterwards by any of the second series of houses. The renter will, naturally, prefer to deal with one of the larger houses. But if any of the first run exhibitors refuses to pay the price demanded, the renter can still secure his gross return by dealing with the smaller houses, who may impose no ban on simultaneous exhibition.

There are two main types of contract between renters and exhibitors. The first is the simple flat-rate contract which calls upon the exhibitor to pay a fixed amount for a fixed period of exhibition. This is generally associated with inferior films when these are shown in leading theatres as a support to a "star top-liner," or in small theatres where the average takings are less than, say, £100 weekly; or for theatres which are open on Sundays; or for short films, including cartoons, interest films, one- and two-reel comedies and news reels. The second type of contract is a so-called sharing-term arrangement, which gives the renter a fixed share—varying from 25 per cent. to 50 or even 60 per cent.—of the net box-office receipts while the film is in the programme. Sometimes the sharing-term contract provides for a guaranteed minimum sum for the renter.

So much for the structure of the British film industry. The reader will now appreciate the economic forces determining the destination and distribution of films among exhibitors, and the prices which exhibitors can be induced to pay. These forces, it will be seen, are extremely complex, and, in some important respects, anomalous. The organisation of the whole industry is, to say the least, peculiar to itself. Its net effect can, however, be summed up in a sentence. Fixed prices for any film or class of film, at any given theatre, simply do not exist. In every case the skill of the salesman is exerted to raise, and the skill of the exhibitor to reduce, the price demanded. But there are certain modifying considerations which are present in the mind of the renter, and these will be the subject of a concluding article.

The Great Cities of Britain—III

Metropolitan Manchester

LARGE cities are usually associated in the popular mind with certain characteristics. Many of these popular ideas may be as fanciful as the golden street paving of London; some may be survivals from a distant past; and others will be sound impressions of the city of to-day. Manchester's list of popular associations includes rain, cotton, the Ship Canal, Free Trade, the Manchester School, Wythenshawe, *The Manchester Guardian*, the Hallé Orchestra, Miss Horniman and the Repertory movement, and, more popularly, the City and United football teams. Some might add the saying: "What Manchester thinks to-day, England thinks to-morrow," but they would be either naïve or malicious. Unkindest of all are those who add soot to rain and associate the city only with fog and gloom.

Some of these impressions—though not all!—nevertheless catch something of the spirit of the place. Its predominant theme is most readily found in certain of its institutions. Its social philosophy has long been regarded as bound up with principles sufficiently important and characteristic to earn the title of the Manchester School. The principle underlying this school of thought is a belief in individuality and in freedom from restriction, whether by way of tariffs or other types of governmental interference, or of the danger to the individual that comes from monopoly and privilege.

This rather aggressive individualism is still a characteristic of Lancashire folk. To the Southerner it sometimes appears to present a brusque and ill-mannered aspect. Undoubtedly, if natural environment really influences character, rugged countryside and wintry weather are reflected in Lancashire people. But it is fashionable to-day to seek for a material explanation of temperament and outlook. And certainly a rapidly expanding industrial community—with its captains of industry, its self-made men, and its prosperity based on selling in the markets of the world—would provide a basis for much of the philosophy of Manchester.

The industrialisation of the city began as far back as the sixteenth century, but the advance was most rapid after 1750. The period from 1800 to 1850 must indeed have been an exciting time for those who lived through it. During these years the population of the town expanded from 75,000 to over 300,000. Factories were being established and fortunes made; and the value of cotton manufactures exported rose at a sensational rate. Not all the city's energies, however, were absorbed in trade, for the period was equally momentous in political and social life. The establishment of the Manchester Statistical Society was but one example of its fertility. As the nineteenth century wore on, the fortunes of the city threatened to decline. But they were restored, with a new vigour, by the opening of the Ship Canal and of the Trafford Park trading estate. In the light of post-war events these developments were particularly fortunate, since they provided something to which Manchester could turn when disaster overtook the cotton industry.

The average export of cotton piece-goods in 1910-13 was 6,651 million linear yards. In 1925 this figure had

fallen to 4,637 millions and in 1931 to 1,790 millions; it has since risen to nearly 2,000 millions. That the cotton textile industry will regain a much larger share of its lost trade is doubtful, in view of the establishment of mills in other countries and the intensity of Japanese competition. In a contracting industry self-made men may become self-ruined, and the virtues of unmitigated individualism tend to become suspect. If at the same time there is a growing belief in governmental intervention, at home and abroad—a belief which finds expression in tariffs, quotas, subsidies and marketing schemes—the championship of free trade and individual enterprise is heroic, but a little hazardous. Despite the long period of depres-

sion, the Lancashire cotton industry still remains individualistic; but the acceptance of the recent Surplus Spindles scheme, after a long struggle within the industry, is a marked departure from earlier principles. Nor is it certain that a straightforward issue between Protection and Free Trade would sweep the Manchester seats in the latter's favour to-day as it did in 1906 and 1923. Manchester and the cotton industry still depend for their prosperity on the widest possible international trade, but two factors have modified their current outlook. The first has been the general raising of tariff barriers throughout the world, with its consequential technique of trade agreements. This development has, temporarily at least, turned Manchester's energies in the direction of securing favourable clauses in these agreements for its own industries. The second factor has been fierce competition from Japan, particularly in the coarser textile goods, which has reconciled some Lancashire manufacturers to a certain measure of protection, if only as a means of maintaining the standard of living of their workers. The Free Trade Hall, however, still stands as a monument to the Anti-Corn Law League, and in the face of adversity the Manchester School still struggles to maintain its loyalty to the principles on which its prosperity was founded.

No Manchester institution better reflects the outlook of the city than the City Council. During the nineteenth century, by its activities in every sphere of local government, this body came to be regarded as the "foremost example of English modern municipal government." In more recent years the burden of public assistance expenditure has somewhat limited the Council's activities. But the civic faith and energy which supported the Ship Canal have lost none of their vigour. The City may lay claim, for example, to the first municipal airport. Its policy is particularly well exemplified by the development of Wythenshawe, a garden city which will in time house about 100,000 people. This satellite of Manchester, which has been planned on the most up-to-date lines, is almost wholly owned by the Council. The Corporation even has power to lend money to industrialists for its suitable development. Its progress coincides with a five-year plan for slum clearance, in the course of which some 15,000 condemned houses will be demolished. Within the last couple of years two prominent citizens of Manchester have published books urging the planning and rebuilding of the city on modern standards. One writer,



indeed, has been sufficiently enthusiastic to produce a plan to rebuild the entire city by 1985.

To many people, Manchester's other name is still "Cottonopolis." As a commercial centre of Lancashire, the city necessarily is closely interested in the changing fortunes of the cotton industry. But Manchester is more than Cottonopolis. Even within the area limited by the boundaries of the City Council, its interests are widely diversified. But the activities of Manchester proper are closely bound up with the provision of finance, merchandising and other facilities for the products of a much wider area. Trafford Park, with its important electrical and other engineering works, is in Stretford; and the docks are mainly in Salford. As a measure of its importance, the population of the city is more misleading than that of any other town outside London, though the present estimate of about 770,000 places the city fourth in size in England. But in such a closely built area local authority boundaries lose their significance. Within the area covered by the Manchester and District Joint Town Planning Committee there is a population of about 3,000,000. But even this boundary touches on other industrial areas, and a 50-mile radius from the centre of the city embraces the West Riding and the Potteries, in all about 10 million people.

Manchester is the commercial and financial centre for much of this vast area. The Manchester Bank Clearings of £534 millions are easily the largest outside London. The same is true of the activities of Manchester as a financial and insurance centre. Other sources of employment arise from the metropolitan character of the city. The printing and publishing trades employ nearly 20,000 people in Manchester alone, partly because the city is the northern printing and publishing centre for the great national dailies. The demands of this large area for food

and clothing and the excellent transport facilities afforded by the port, railways and roads have made Manchester the chief provincial market for most kinds of foodstuffs and the headquarters of the Co-operative movement. The diversity of industrial activity in Metropolitan Lancashire can be illustrated by a few figures. The area included in the Manchester, Salford and Stockport sub-employment exchanges covers about 560,000 insured workers. Of this figure about 55,000 are in general and electrical engineering; nearly 50,000 in the clothing trades; 100,000 in distribution; 56,000 in cotton spinning and weaving; 30,000 in building; and 21,000 in printing and publishing. Among the smaller industries, rubber with 12,000, and furniture and chemicals each with 8,000 add to the diverse picture.

Clearly, the problems which face the city to-day are to maintain itself as a metropolitan centre and to make some re-adjustment for the decline in the cotton industry. The former problem is probably the easier, though it is partly bound up with a solution of the latter. Notwithstanding its diversity of industries, the Manchester district is still closely concerned with the fortunes of the cotton industry—as its unemployment rate of a little over 10 per cent. would suggest. But it is significant that, in the Metropolitan Lancashire area, the period 1925-34 saw an increase of 62,000 insured persons in the expanding industries and a decrease of 22,000 in the declining industries, bringing the number of insured persons employed in the expanding industries up to 54 per cent. of the insured population of the area. Such a change speaks well for the versatility and resources of the area. It only requires a continuance of the improved trend in the cotton industry, which has made its appearance in recent months, to restore Manchester fully to industrial health.

Canada's Illegal New Deal

WHEN the Supreme Court of the United States ruled successive measures of Mr Roosevelt's New Deal unconstitutional, the Press of Great Britain broke into many columns of report and comment. Last week, when the Judicial Committee of the Privy Council ruled the trump cards of Mr Bennett's New Deal invalid under the Canadian Constitution, the more earnest of the English papers duly and drily reported the fact, but the mass of newspaper readers might reasonably have been forgiven for failing to observe that it had happened at all. This contrast may be explained, but not excused, by the fact that the wealth and population of the United States are a dozen times greater than those of Canada. For the importance of the judgments does not lie only in their immediate effect on the economic and political life of a nation of eleven million people. They raise wider problems for Great Britain and for other countries of the Empire. They bring into the arena of controversy the relations between the British Parliament and the Constitution of Canada. They also provide an example, and reflect a tendency, which may apply to such federal countries as Australia and India will soon be.

The Judicial Committee has ruled that it is beyond the powers of the Federal Parliament of Canada to pass legislation dealing with minimum wages, hours of work and weekly periods of rest in industry, with unemployment and other social insurance, and with the regulation of marketing under schemes ostensibly modelled on our own agricultural Marketing Acts. The leading point in the judgments was their Lordships' rejection of the Dominion's claim to be able to enact labour laws under its power to make and carry out treaties, the treaties in question being International Labour Conventions. They also rejected what was, in effect, a plea of national emergency. On the Acts dealing with industrial conditions the Supreme Court of Canada had divided equally; the other two it also had ruled unconstitutional. Like-

wise, in declaring valid measures to enforce compositions between farmers and their creditors, and to make it a penal offence to engage in business practices in restraint of competition, the Privy Council endorsed the earlier decisions of the Supreme Court of Canada. Only as regards the Act applying a system of national marks and standards, which has been ruled valid contrary to the Supreme Court judgment, has any Canadian decision been reversed. Hence there is little fresh foothold for nationalist agitation against the Privy Council appeal, which Canada has already barred in criminal cases.

The issue of Canada's constitutional status is raised more indirectly. At present the Constitution of Canada, contained in the British North America Acts of 1867 to 1930, is excepted from the operation of the Statute of Westminster by a special clause in the Statute itself. It therefore can be amended only by Acts of the United Kingdom Parliament, which is legally able to amend it in any way it pleases, with or without the consent of the Canadian Dominion or provincial Governments. The theory is now commonly accepted, however, both here and in Canada, that the Canadian federation was an inviolable compact, and that substantial amendments of the British North America Acts must be supported by the unanimous voice of the Dominions and provinces. If that unanimity existed, there is no doubt that Parliament on this side would at once concur. If, however, the pressure of a majority in Canada in favour of extending federal powers, in the field of social and economic reform, became so great that Parliament at Westminster was asked to amend the Constitution notwithstanding the opposition of some of the provinces, then our legislators would be faced with an awkward problem. That possibility in itself is unlikely, but a similar issue may be raised in a roundabout way. Parliament may be asked to delete from the Statute of Westminster the clause safeguarding the British North America Acts, and thus

to enable Canada to amend her own Constitution. If the Dominion and the provinces were agreed on the process whereby the Constitution might be locally amended, again the British Parliament would have no difficulty in deciding what it should do. But if the agreement in Canada were not complete, the alternatives would once more be deadlock or an embarrassing responsibility for the Parliament of the United Kingdom.

The judgment raises even wider imperial issues, which we discuss in a Note on page 296. Meanwhile, what is Canada to do? Mr King has suggested a Royal Commission on the amendment of the Canadian Constitution, a delaying procedure that might put off the day of decision until sufficient agreement had been secured between Dominion and provinces to tide over until the next slump. Lord Atkin remarked in his judgment that Dominion-provincial co-operation was the proper means whereby Canada should fulfil internally her international obligations on matters outside the normal scope of federal powers. And at Ottawa this week the Government successfully resisted a motion to appoint a Select Committee on reform of the Constitution, on the ground that agreement between the Dominion and the provinces was essential. It is impossible, however, in the light of past experience, to hope for rapid progress in this direction. The Privy Council's judgment, altogether, has raised a host of problems, which call for speedy resolution in the interests of the Empire, no less than of Canada herself.

A Road and Rail Controversy

II: A Railway View

In the following article, written in reply to last week's statement of the case for freedom in fixing road charges, an expert in railway management contends that the railways are unfairly handicapped in their competition with road transport by the restrictions imposed by Parliament. The writer concludes that similar regulations should be made for road transport.

EVERYBODY engaged in public transport would agree with the writer of last week's article that the co-ordination of road and rail transport is "much needed." But before co-ordination can be achieved certain misconceptions must be cleared away.

In spite of the references in the preceding article to "stringent regulation," there is, in fact, no statutory control of the charges and conditions of carriage of road hauliers. On the other hand, there are stringent statutory conditions attaching to the carriage of goods by rail: there is a classified system of standard or maximum charges; companies are obliged to publish their charges and exceptional rates; they must not discriminate between traffics, and they must carry whatever goods are tendered. Moreover, traders can apply to the Railway Rates Tribunal for lower charges. Although it is generally agreed that this system should be continued, it is clear that it cannot co-exist with an unregulated system of charging by the highly competitive transport on the roads.

The argument of the previous writer that the systems of charging on road and rail were not, in fact, dissimilar, since both corresponded with the "cost of service," is unsound. It was supported by a table of figures, partly derived from the companies' returns, but arbitrarily altered and supplemented. From this table the writer deduced that the receipts on a wagon-load and on a wagon-mile basis were very similar for the different categories of traffic. But the figures compared were not comparable, and afforded little guidance to gross earnings from the several hundred million consignments carried annually, which vary greatly in their weighting from year to year.

The views of "cost" advanced in last week's article

were equally fallacious. Restricting his argument to haulage cost alone the writer stated ingenuously that it was not more profitable to haul merchandise than minerals or coal. It was then an 'easy step to the conclusion that "the net return per wagon-load does not vary greatly for the different class of railway traffic," and that "in practice rail rates are near to cost of service." But haulage costs are not the whole story; net return is not simply the difference between gross receipts and haulage costs; stations and the permanent way, for example, have to be provided and maintained.

Thus, the figures in "The Road Transport Case" were misleading. They were, further, one-sided. The writer quoted no figures of the "average net return per load" from road traffic. Nor did he consider the large volume of merchandise conveyed by passenger train. A comparison of average rail rates multiplied and divided by various numbers (where the average includes high and low class traffic and long and short distances) with unspecified average road rates but with different proportions of traffic carried, distances and services—leads us nowhere. Averages for like groups of commodities raise difficulties enough, but when the ranges of the groups are only partly connected the averages must defy valid comparison.

The suggestions which were advanced for reform were no more convincing than the writer's uncertain exposition of the present situation. It was suggested, for instance, that a better division of function between road and rail would be achieved by increasing rail rates for short distances and reducing them for main-line trunk services. The reaction of the coal exporter to this proposal would be to point out that the census of last March showed that the average distance of haul for the nearly 5 million tons of coal shipped in that month was only 21½ miles; 3¼ million tons were conveyed distances of less than 20 miles.

Actually, railway rates are already on a diminishing scale per mile, since Parliament has regard to factors other than haulage. In the case of shipment coal in railway wagons, the variations last March were from 9.89d. for one mile to 0.56d. per mile for over 300 miles.

It was stated in the preceding article that road rates are determined by competition. The same is true of rail rates where competition exists, but with the important addition that rail rates are in many cases further reduced by statutory requirements. This difference operates to the disadvantage of the railways. The railways are also required to publish their charges and to apply them without discrimination as and when required by a trader, who has selected the cheaper agent for the dispatch of a particular consignment. Rail rates are, therefore, finally determined upwards by statutory restraint and downwards mainly by competition; road rates, on the other hand, are fixed by competition, limited only by cost of service. There is no fair comparison.

Thus, the charges and the conditions of carriage on the railways are governed by Act of Parliament; while road transport companies have complete freedom in these respects. It is not true to say that "consignments on the railways must be charged according to what the traffic will bear"; value in relation to weight is merely one factor in the fixing of railway rates. What happens is that "what the traffic will bear" applies only as a reducing factor where the classified rate is more than a particular traffic can bear.

The law governing railway charges differs fundamentally from the law governing road charges; the two are incompatible, and in such circumstances co-ordination is impracticable. The prime desideratum is equality of treatment. Either or both must be changed to secure homogeneity, and Parliament should be guided by the national interest in deciding the direction of the change. There should be like treatment of the two means of transport; as regards the fixing and regulation of rates, and as regards publication, non-discrimination and the obligation to carry. Only when that is achieved will the way be clear for co-ordination. Meanwhile, the railway companies have on numerous occasions pointed out that disturbances of trade and consequent repercussions must occur if the existing system of rail rates is allowed to disintegrate into collapse.

Notes of the Week

The Honours List.—The delayed New Year Honours List was unexciting. Recent developments in economic policy were reflected by the conferring of a baronetcy on Mr Malcolm Stewart, the former Commissioner for the Special Areas; and industrial recovery was signalled by the granting of a peerage to Sir Harry MacGowan, chairman of Imperial Chemical Industries, and of promotion in the peerage of Lord Greenwood, chairman of Dorman Long. Recognition of the arts was limited but unexceptionable; the Warden of New College, Mr H. A. L. Fisher, had earned the Order of Merit by his unique position in the world of education and historical scholarship; and the Director of Music of the B.B.C., Dr. Adrian Boult, has done a great work for music and English musicians. The political implications of the list were perhaps less commendable. The accession of a new king, after a crisis in which the whole nation and all parties showed a striking solidarity, might surely have been marked by more generous recognition of men and women outside the circle of Government allegiance.

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Parliament and Merchant Shipping.—Depression and disaster at sea have produced a considerable decline, in recent years, in the tonnage of British merchant shipping—as we show in a subsequent Note. And it was only seemly that the House of Commons should consider, in one and the same week, the state of the industry and the seaworthiness of its ships. On the latter point there was little disagreement; the findings of the Wrecks Commissioner and the High Court judgment in the “La Crescenta” case of 1935, together with the wrecks and disasters of the last few years, had amply revealed that the intentions of Samuel Plimsoll, forty-three years ago, were still being evaded; that, though overloading was an offence, it did not at law constitute unseaworthiness; and that, therefore, overloaded ships might still put to sea. A Bill to remove this anomaly was read a second time. The safety of life at sea was recognised as a paramount consideration, not to be affected by exigencies of business or profit.

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A Bill to continue the subsidy of £2,000,000 paid to merchant shipping was less cordially received. There was some confusion in the arguments advanced by the Government spokesmen. It was alleged that the subsidy had saved the tramp shipping of this country—regardless of the contribution to this result made by the recovery in trade. It was claimed that every British ship and every British seaman could now find employment. And it was urged that the subsidy must be continued. But the recovery of world trade was not brought about by the British subsidy, nor is prevailing activity a sound argument for continuing that assistance. So long as freight rates maintain their present levels there may, in fact, be no actual payments. But so long as the subsidy remains *in posse* there is considerable danger that its potential recipients may come to look upon its indefinite continuance as a matter of right. It was comforting to notice that, not only from Opposition speakers, but also from the Conservative benches, came warnings that the subsidy must not be maintained longer than was absolutely, and objectively shown to be, necessary.

* * *

The Empire and the Crown.—At a first glance the Regency Bill, which secured its second reading on Tuesday, seems to imply nothing new in constitutional theory. There are, indeed, obvious innovations—the permanency of the provision for a possible regency, the separation of the regency from the guardianship of a minor Sovereign, the fact that the Regent will be the next in line of succession, never the Queen Consort or

Queen Mother—but they appear straightforward enough. Further study, however, shows the Bill to be an essential part of the re-drafting of the concept of a six-fold Commonwealth Crown that has been enforced by the abdication crisis and the approaching Coronation. The Bill, as Sir John Simon explained in the House, does not apply to the Dominions, who prefer (he said) to legislate for each necessity as it may arise. This in itself is new and far-reaching in its implications. Perhaps the most important innovation is the distinction drawn between the Imperial functions of the Crown and those which the King performs as quasi-Governor-General for the United Kingdom and its dependencies. This distinction is all but explicit in the Regency Bill, notably in Clause 6, which provides for the appointment of Counsellors of State in the event of illness not amounting to complete incapacity, or of the absence or intended absence from the United Kingdom. To the Counsellors shall be entrusted “such of the royal functions as may be specified.” This clearly refers to the United Kingdom functions, and leaves the residuum of imperial functions proper to be performed by the Crown in person. No doubt this is a shadow cast before the expected revision of the Coronation Oath and ceremonial.

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The Moscow Sentences.—The *dénouement* of the Moscow trial has been as bewildering to the outer world as all its earlier stages. Last Saturday death sentences were passed on thirteen out of the seventeen prisoners. The four whose lives have been spared include the two names of Sokolnikov and Radek, who are not only the most celebrated but also the most deeply self-implicated of all. Moreover, the alternative sentences passed on these four—that is, ten years’ imprisonment for the two just named and for Arnold, and eight years for Stroilov—are remarkably light. Indeed, short of an asylum in England, a prison in Russia is probably the safest place of residence for the next decade for any Russian Communist who has accused himself of being a Nazi agent. Why so light a punishment for men who have confessed, whether in accordance with the truth or not, to so sensational an act of high treason? Is it because mercy is popular? There are hints that it would have been still more popular if all the seventeen had been let off with their lives. But then why execute the death sentences—if, as is officially reported, they have been executed—upon the thirteen obscurer prisoners whose continued existence would at any rate have been less of a nuisance to Stalin than that of Radek? We can only take some slight satisfaction in the reduction of the death-roll by four units. The motives of the Russian Government remain as impenetrable as before.

* * *

The Factories Bill.—Four generations have passed in industrial England, and to each a law to regulate the conditions of work in factories has been belatedly given; the Factory Acts of 1833, 1867 and 1901 all came, in one sense, 25 years too late. The Bill introduced into the House of Commons this week has been pondered for over two decades. The Bill of 1913 was lost in the excitement of war; political alarms cut short the Bill of 1924; and since 1925 the present proposals have lain sterile in the Home Office, waiting for Parliamentary time. Meanwhile, the outmoded, unwieldy and unworkable Act of 1901 has “regulated” an industry changing completely in technique and organisation from the structure of the nineteenth century. Women and young persons may still (as in 1847) work in any week up to 60 hours; safety provisions are largely confined to the mere fencing of machinery, hoists and lifts; even the

classification of undertakings into “factories” and “workshops” is derived from a period when the use of mechanical power was mainly confined to large units. The obsolete character of the existing law has been further thrown into relief by the advance made in other countries, and the researches and conventions of the International Labour Office.

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The new Bill proposes to abolish the traditional and accidental distinctions between factories and workshops and between textile and non-textile concerns. It provides that the weekly working hours of women and young persons shall not exceed 48, and that the daily working hours shall not exceed nine. Every factory will be permitted, however, to work overtime up to an aggregate of 100 hours in the year, subject to a maximum of six hours in any week. Moreover, the Secretary of State may permit women to work 150 hours overtime annually in trades subject to seasonal pressure. The amount of cubic space required per person is increased from 250 cubic ft. to 400 cubic ft.; a standard of reasonable temperature is laid down; and there are provisions to secure sufficient and suitable lighting. Existing provisions for safety are recast; and new regulations are laid down for escape in case of fire. Cleanliness and the removal of dust are provided for; and young persons will not be allowed to carry any weight that is likely to cause injury.

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The proposed factories Bill is timely and welcome, and many of its provisions are doubly so. But the measure shows signs of its hoary origins and tardy arrival; and many of the vices of traditional factory legislation are perceptible. Why is this Nine-Hours’ Bill, like the Ten Hours’ Act of 1847, confined in its regulation of hours to women and young persons? In France, the new Forty-Hours’ Law applies to all adults. Why must the reduction of hours be largely invalidated by overtime provisions which will permit in fact the working of a 54-hour week? Is not a 48-hour week for young persons under 16 in any case excessive? Nor are certain of the Bill’s administrative provisions calculated to allay criticism; to make possible the postponement of the new safety provisions for four years is to ignore the recent rise in the accident rate; and a similarly possible postponement of the overcrowding clauses is barely justified by the plea that certain depressed industries cannot afford to make changes. We are still very far from correlating our law with the best modern practice; and the conditions of work for young persons hardly square with official pronouncements on the subject of physical fitness. The number of inspectors will be increased; they will have a great and difficult task before them.

Schoolchildren’s Meals.—Mr. Shinwell proposed a motion in the House of Commons on Wednesday which called for the provision, at the taxpayers’ expense, of at least one free meal per day, in addition to milk, for every child attending an elementary or secondary school. The great increase in the importance attached to the problem of nutrition was evinced by the fact that the provision of free meals was nowhere challenged in principle. The Conservative amendment merely deprecated the wholesale character of Mr Shinwell’s scheme and attempted to shift the responsibility on to the shoulders of local authorities. This latter suggestion is quite definitely retrograde; so long as local finance is what it is, local responsibility will mean local neglect in many of the centres where assistance is badly needed. It does not, however, follow that the Labour scheme can be accepted whole. There was some dispute about its probable cost, but it would in any case be large. The problem of adequate nutrition for the people of the country is so vast that it is probably a mistake to start on the assumption that free food is to be provided for all irrespective of need or circumstances. If the attack is concentrated on a narrower front, it can be all the more intensive. Experience with the Means Test does not encourage the suggestion of further inquiries into the incomes of individual families. But it is fully possible to establish other rough, and less inquisitorial, criteria of need (the fact, for example, of unemployment or of more than a given number of children in a family). Economies made in this way would enable the campaign for better nutrition to be carried beyond the State-aided schools—which, in any case, do not contain all the children of the nation.

* * *

Popular Front.—Several recent events have made it clear that there is no possibility of the early formation of a coalition of the Left. The disaffiliation of the Socialist League by the Labour Party emphasised the clear-cut division between Marxist and evolutionary Socialism; while the reply this week to the letter of the “For Intellectual Liberty” Group, made by the Executive of the Liberal Party, also throws into relief the differences between various sections of Left opinion. The reply sympathises with the appeal made for united action to support the League and collective security, to lower trade barriers, to overcome unemployment and malnutrition, and to maintain and adapt to modern needs our system of democratic government. It welcomes the attempt to explore these common aims by bodies such as the “Next Five Years” Group and the activity in the constituencies of bodies like the Council of Action which seek to focus public attention on them. But the Executive’s reply recalls the philosophic differences between the Liberal and Labour creeds in regard to private enterprise and the function of the State. It expresses the view that an electoral “bargain” is

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impracticable in the present state of political opinion and would not be implemented by constituencies; though under a system of Proportional Representation, it would be possible for progressives of all parties to work together for common ends. The net result is thus a negative from both Liberal and Labour headquarters. It may, however, be taken for granted that the attempt to focus opinion on matters of immediate reform, which to many seem more urgent than ultimate dogma, will continue.

* * *

Floods and Strikes in America.—The attention of the American public continues to be divided between the Ohio floods and the Michigan strikes. And in both there is nothing the public can do but wait for the crisis. In the case of the floods, the crest of the water is passing the junction of the Ohio and the Mississippi as we go to press. If the containing levees can hold at the junction, the anxiety will be directed towards the levee system of the Mississippi itself. Since the disastrous floods of 1927, a great deal of work has been done on the river banks. But it is still part of the strategy in the event of very heavy floods (such as this one) to allow some of the excess water to spill over into the flat lands on each side of the river and drain back into the main watercourse after the crest of the flood has passed. For this reason, large territories are being evacuated and it is said that the number of refugees is the largest ever known. In spite of these precautionary measures, however, there is some risk that the levees themselves may break. If that happens, the damage will be incalculable. The President's vast public works programme, announced this week, contains proposals to prevent future disasters of such a magnitude.

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The Government's struggle with the floods is at least a clear-cut one, in which future events are at least partly predictable. The same is not true of the automobile strike, where the main lines of strategy of the contending parties are entirely confused by momentary tactics. On Tuesday a circuit court granted General Motors an injunction against the "stay-in" strikers who are still occupying some of its plants at Flint. Before any attempt at eviction had been made, however, Mr J. L. Lewis, chairman of the Committee responsible for the strike, conferred with the executive vice-president of General Motors and the Governor of Michigan, but the results of these deliberations had not been announced when we went to press. Even in the confused labour history of the United States there has seldom been a strike in which the issues were less clear than in this one. The only thing certain is that with every day that it lasts the chance of real harm being done to the progress of American recovery as a

whole is sensibly augmented. Meanwhile, in Washington, the two crucial problems of the country are being discussed. These are the methods by which another speculative boom is to be avoided, and the fundamental principles of American policy in an arming world. In the one matter, a further step has been taken by another increase in bank reserves, which is discussed in a Note on page 306. In the other, so-called neutrality legislation is under discussion in Congress. Much depends, both for America and for the world at large, on the precise form in which this legislation is cast.

* * *

French Defences.—This week's debate in the French Chamber on the national defences ended in a notable demonstration of support for M. Blum's Government. The final vote of confidence was 405 to 186. The War Minister, M. Daladier, has won a striking measure of popularity with the Service chiefs for his, to them surprising, fervour in the cause of efficient national defence. In his speech on Tuesday he was extremely frank. He informed the Chamber that in the last few months Germany had doubled the original one-year conscript service, thus holding a larger military force available and increasing the reserve strength. The German General Staff had concentrated on mass production of extremely efficient artillery for plunging fire, on the perfection of the network of motor roads this year, and on mass production of aircraft. The French Government, viewing the increase in armed strength of Germany, Britain, Russia, Poland, Italy, Czechoslovakia, and even Belgium and Switzerland, had to follow suit. In this vicious prodigality, the old tag is justified: "*L'appétit vient en mangeant.*" France would remain true to the citizen army, but reinforce it with highly mechanised divisions of specialist troops, above all for the manning of the Maginot Line, which now stretches from Dunquerque to the Jura.

* * *

M. Daladier admitted that the armament programme had been about three months in arrear, but declared that the curve of production had touched normal, and that the delay was now being overhauled. M. Pierre Cot, Minister for Air, stated that the 1,010 first-line machines of the programme replacing the now obsolete material of the 1932 expansion were ready; and the further expansion to the 1,500 mark was forging ahead. In addition, new reserves would double France's air strength—giving, in effect, a total of 3,000 brand-new machines. The aircraft were superior to those of Germany and equal to those of any other country, save only, perhaps, Russia. Both the Ministers reported that the nationalisation of the factories turning out tanks and aircraft components had resulted in manifold increases in output. Doubtless, in the present state of Europe, *le brave bourgeois* reads this with an access of confidence. But it is another pungent example of the perversion of Western countries' economic effort to preparations for their mutual destruction.

* * *

Reichsbank and Reichsbahn.—Herr Hitler's announcement about the Reichsbank and the Reichsbahn made some stir in Berlin, writes our correspondent there. In foreign quarters it seems to have been wrongly taken as a threat to the security of the Dawes and Young Loans. Herr Hitler, however, made clear that his aim was to vindicate "equality of rights"; he expressly described the proposed bringing of the two undertakings "entirely under the sovereignty of the Reich" as a last blow at the Versailles Treaty. In fact the security of the loans could not be endangered by changes in the status of the bank or the railways. No change in the Bank Law of 1924, as modified in October, 1933, has yet been announced. Herr Hitler's announcement, however, implies that the Reichsbank's compulsory connection with the Bank for International Settlements, as estab-

lished by the Young Plan, has terminated. At present the President of the Reichsbank must belong to the B.I.S.; and to the B.I.S. was duly submitted the Bank Law amendment of 1933, which abolished the General Council, transferred the right to appoint the President and directors to the Chancellor, and legalised open market operations. Probably the connection between Reichsbank and B.I.S. will be voluntarily maintained, but it is certain that any future amendments of the Bank Law of 1924 will be put through unilaterally. Any such changes will certainly not be in the direction of nationalisation; for nationalisation was more than once rejected before the War. Under pre-War law the Reichsbank merely stood "under the supervision and direction of the Reich," with the Chancellor as supreme authority; and it is suggested that this condition may be restored. Possibly the present restrictions on the giving of public credits may be relaxed. Reichsbank law has, however, been of little interest to foreign creditors since the obligation to sell gold or foreign exchange disappeared.

* * *

Changes in the status of the Reichsbahn are also foreshadowed by the appointment of Dr. Dorpmüller, who has been Director General since 1926, as Minister of Communications. Posts will henceforth be separated from Communications, and will have their own Minister, Dr. Ohnesorge. At present the Railways Corporation is a joint-stock company, of which all the ordinary shares are held by the Reich; some of the preference shares are in private hands. The original Rm. 11,000 millions of Reparation bonds have been replaced in the balance sheet by a reserve of the same sum. The Reparations tax, which replaced the Dawes Plan bonds, is now collected as an ordinary tax. It is possible that the joint-stock company organisation may be abandoned; and that the railways, like the posts, will be operated by the Reich, but will be independent of Reich finance. Railway preference shares were heavily sold in Berlin this week; it was feared that they might be converted into bonds, and that the present high (7 per cent.) dividend guaranteed by the Reich would disappear.

* * *

Nazi Germany: A Survey.—The current February issue of *The Banker* is devoted to a most comprehensive survey of Germany during the four years of the Nazi regime. The Nazis' progress in the fields of national finance, re-armament, economic preparation for war, industrial organisation by the Party-State, unification of banking, agriculture, the Press, colonial claims, foreign trade, and the Reichsbank, is described, analysed, and appraised. This survey of Germany is the most authoritative that has yet come into our hands. The authors are both English and German and—as a glance at the articles on the Budget (on which no official figures have appeared since 1934) and on Germany's military machine and economic war preparations show—they have first-hand knowledge of Germany's latest military and administrative apparatus. The following estimates of Reich budgetary expenditure and armament expenditure are carefully calculated:—

Year	Reich Budget Expenditure (In millions of Rm.)	Expenditure on Armaments
1932-33	6,700	...
1933-34	9,700	3,000
1934-35	12,200	5,500
1935-36	16,700	10,000
1936-37	18,800*	12,600

* Approximately.

Four-years' total for armaments, Rm. 31,100 millions, or £1,730 millions at an average rate for depreciated marks of Rm. 18 to the £1.

The writers conclude that the system of financing the growing proportion of arms expenditure by bills constitutes only a *potentiel d'inflation*. The totalitarian State could nip an inflation, begun by a run to discount the

bills, in the bud. Germany can, they say, continue to build up armaments for some time without fear of financial collapse.

* * *

But it is very interesting to perceive, in one article after another—especially the authoritative article on German economic war preparations—that one main conclusion emerges: Germany is travelling as fast as Russia to State Socialism. Private concerns and persons are only allowed to take the risks of financial loss; the State takes the cash, and lets the credit go. Industry, banking, foreign trade, even agriculture, are already virtually run by the State; and they must now become more so. They subserve the Party-State's programme for organising people and country as a disciplined striking force, able to withstand shocks severer than those of 1914-18. In this light it is interesting to read the conclusion to the editorial foreword:—

The truth is that most Englishmen find it difficult to discover any fundamental difference between what the poverty of our language forces us to call the "principles" of Communism and Nazism. They certainly do not feel that England is well cast in the role of financial missionary to save Germany from Bolshevism. The conclusion of the whole matter is that Herr Hitler must reap what he has sown, and his "nuisance value" must be discounted in his own disillusioned country and not in the City of London.

This is plain speaking. The survey which prompts it should be read and pondered. Unhappily for Europe as well as Germany, its conclusion seems unescapable.

* * *

President Azaña Speaks.—The speech of President Manuel Azaña in Valencia was of far more importance than perhaps was conceded to it in the British Press, for two reasons. First, it was a clear enunciation of the principles for which the Government was fighting. It was, in this respect, a conservative speech which emphasised that the constitutional Republic must continue, as representing the interests of all Spaniards, and that the integrity of its territory and the independence of its Government must be maintained. Herein it acquired added significance from the fact that his utterances came after consultation with and full approval of his Cabinet of Ministers who now represent, not only the political parties of the original Popular Front, but the large mass of working population which a year ago held aloof from the Government, preferring to go along in its own revolutionary way. The second important feature consisted in his references to the international phases of the conflict; namely, Spain neither exports nor imports politics and "has contracted no manner of political compromise with any country in the world." The sovereignty of Morocco as a foreign State had been violated; the equilibrium of Western Europe had been broken by intervention of Foreign Powers in aid of the rebels for motives which went beyond the mere acquisition of air and sea bases and commercial advantages. There is also a growing tendency to realise the truth that in the new Spain things can only go well if it be made "the Spain of all Spaniards," where all mass opinions and tendencies are respected. This was given expression to by Señor Azaña when he said that the

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will appear our
Commercial History
and
Review
of
1936

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fight was not for a Communist Spain, or a Syndicalist Spain or a Spain of Republican parties. Quite the contrary. Worker and intellectual, professor and *bourgeois*, the syndicates and the political parties were fighting for the Spain of all Spaniards. This disposition to recognise that no Spain which is not "the Spain of all Spaniards" can succeed is also seen in a new youths' movement which, though in its infancy, is one of the most significant things born of the social revolution.

Détente in Spain?—From our Barcelona correspondent we learn that in Valencia a Youths' Congress was recently held, out of which there emerged a Youth Popular Front. It was proclaimed that youth must put a strong shoulder to the wheel to help along the task of Spain's transformation. What was particularly significant was the common accord that youth, whether Socialist, Communist, Syndicalist or Catholic, must stand together, sweeping aside the mere doctrinal views and the intolerance of their elders. The general secretary, Santiago Carrillo, stated, for instance (and there was no dissenting voice), "Catholic youth has a decisive rôle in the fight against Fascism. . . . The traffickers in religion must not be confounded with those sincere Catholics who, like ourselves, aspire for the liberty and prosperity of the worker." This is in the highest degree symptomatic. A passage from the speech of the Communist woman deputy, Dolores Ibarruri, known as "La Pasionaria," at the youths' congress, is significant as indicating how even outstanding *doctrinaires* are swerving to an acceptance of a social pattern which should be a mosaic of all shades of opinion and doctrine. She said: "I affirm that the burning problem of youth is the formula 'all in one'; Socialists, Communists, Anarchists, Republicans, Catholics, all who love their country, all united." It would thus seem that from widely separate points there proceed lines of convergence in the Azafia postulate of "Spain for all Spaniards." It is not a dream impossible of realisation. Spaniards themselves may yet surprise Germany, Italy, and also the world of non-Fascist States.

—**And the Moral.**—These recent tendencies in Spain are proclaiming the all-important message that a vindication of the Legitimist cause will not mean, as its enemies assert, a sweeping triumph either for Communism or for Anarchism. This come-back of the moderates began with President Azafia's speech. On January 28th, the President's speech was followed up by one in the same vein from the Minister of Public Works, Don Julio Just. On January 31st an appeal for Republican union was made by Señor Martínez Barrio, the Speaker of the Cortes. And on Monday *El Socialista* published an article from the pen of the Minister for Air and Marine, Don Indalecio Prieto, in which he spoke freely of the points of military weakness in the Government's camp and appealed for unity as the sovereign remedy. It has, indeed, been evident from the beginning that Anarchism, which is the native Spanish brand of Leftness, is not a dispensation under which any community can win, or even wage, a war. On this account the Communists, in spite of being an exotic growth in the soil of Spanish politics, have been gaining at the Anarchists' expense in virtue of combining Leftness with discipline. But the Communists cannot seriously hope to rule the roost on the Government side; and even if they did, this would merely give MM. Mussolini and Hitler a pretext for prodding General Franco into victory on the points of

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foreign bayonets. If the Communists have reconciled themselves in France to playing a modest part in a popular front, the case for their adopting the same policy in Spain is even more cogent.

The New Japanese Cabinet.—Within the last week General Ugaki's attempt to form a Government has broken down owing to the absolute refusal of his military colleagues to provide him with a War Minister. The task has been taken over, and carried through to success, by General Hayashi—an officer who is not *persona ingrata* to the other members of his own service. The personnel of the new Ministry, including the new Ministers of War and Marine, is not so reactionary as had been expected at first; and, in particular, the appointment of Mr Yuki, the president of the Industrial Bank, to the Ministry of Finance appears to have been received with relief and pleasure in the business world. In fact, for the moment the Army seems to be satisfied with its successful assertion of a right to prevent the formation of a Ministry by any statesman who is not to the Army's taste. The naked struggle for power between the fighting services and big business, which came to the surface the other day, has been temporarily allowed to disappear underground again. Since armaments mean profits for somebody, the desiderata of the two great powers in Japanese life can be reconciled to some extent; but in the long run the bill will have to be paid by a peasantry which has long seemed near its last gasp.

The Japanese Army, as has been amply proved by the events of the last half-dozen years, is now in a position to exclude from office any Government that would be unwilling to lend itself to the Army's policy, while at the same time this policy—which is one of sheer military expansion in Eastern Asia—can have no effect upon the domestic agrarian crisis in Japan except to aggravate it by the application of expensive false remedies which can work no cure. Under this military domination, Japan is piling up her troubles at compound interest. We devoutly hope that, when the bill is finally presented in some form in which payment can no longer be put off, the Japanese Army will not run amok and thereby make the rest of the world, as well as the unfortunate Japanese nation, take its share of suffering for the Japanese Army's political and economic ineptitude.

Canada and the Privy Council.—Last week the Judicial Committee of the Privy Council ruled some of the key measures of Mr Bennett's New Deal invalid under the Canadian Constitution. We discuss the question of Canada's constitutional status, in the light of this decision, in a leading article on page 290. What is likely to be the reaction of Mr Mackenzie King's Government to the repudiation of its predecessor's measures? While they were in Opposition, the Liberals did not oppose the New Deal measures (except the Marketing Act) on their merits, though they made the most of their opportunity to stand as defenders of the Constitution; and of course it is the Liberal Government that has pursued the recent appeals. But Mr King's political prestige was not at stake upon a judicial vote, as Mr Roosevelt's was or as Mr Bennett's might have been. There are, however, wider issues than these. The Judicial Committee's ruling, following the United States' cases and the Committee's own rejection of the Australian marketing laws, makes it clear that the strict interpretation of federal constitutions—if these were drawn up before Government intervention in economic affairs was so widespread as it is to-day—must be a bar to acts of governmental regulation in economic and social matters, on lines which are accepted as normal and wholesome in unitary countries like Great Britain.

The Canadian Federal Government had undoubtedly expected that the Committee would be more generous in interpreting federal powers, in view of its famous

decisions in 1932 on cases concerned with aviation and radio. In both of these the authority of the Dominion was upheld, chiefly under the treaty-making clauses of the Constitution. Lord Sankey said, in the former case: "The real object of the (British North America) Act was to give the central Government those high functions and almost sovereign powers by which the uniformity of legislation might be secured on all questions which were of common concern to all the provinces as members of a constituent whole." So long as federal constitutions are interpreted in this manner they appear to offer no insurmountable hindrance to social and economic measures which are capable of being justified on their merits as matters of national importance. But Lord Sankey's dictum has not, apparently, appealed to Lord Atkin and his fellow judges. The present tendency towards strict interpretation, and therefore towards the rejection of new economic measures, will cause serious thinking, not only in Canada, but also in Australia and in India. For India is looking forward to the setting up of a federal constitution in which appeals in constitutional cases will lie, as in Canada's case, to the Judicial Committee of the Privy Council.

Gold Dollar Bonds.—Too late for comment last week, the House of Lords on January 28th delivered the final decision on the petition of right brought against the Crown by the International Trustee for Protection of Bondholders Aktiengesellschaft. Of an original \$250 million United Kingdom Government 5½ per cent. American issue of Notes in 1917 the bonds in question are the part (\$143,587,000) which was converted into twenty-year bonds dated February 1, 1917. In 1934 the bondholding company claimed eventual repayment from the British Treasury in accordance with the wording of the bond, which gave an option of repayment at \$4.86½ to the £1 in London, or "in gold coin of the United States of America of the standard of weight and fineness existing on February 1, 1917." The company naturally elected to receive, after the devaluation of the dollar in 1933, an extra margin of devalued dollars sufficient to make up the value of the amount in 1917 gold dollars. In the court of first instance in 1935 Mr Justice Branson held that the law of England applied; and, after distinguishing *Feist's Case*, that, as the American Congress Resolution of June, 1933, had voided all gold-dollar clauses in bonds, and expressly released all obligors from paying their gold-dollar obligations in equivalent (and therefore greater) sums of devalued dollars, either the bond could be discharged in New York by the nominal sum in devalued dollars, or else at the optional fixed rate of \$4.86½ to the £1 in London.

The Court of Appeal reversed this judgment on November 1st last, maintaining that the clause in the bond fixed only a measure of value received and value to be repaid; not the mode of payment. They agreed the law of England applied. From this the Crown appealed, and won its case last week. Lord Atkin, announcing the decision, said their Lordships agreed that the law of the United States applied; and that, after the Congress Resolution of 1933, there was accordingly no doubt but that the suppliers (the company) were only entitled to receive "dollar for dollar, in any coin or currency which at the time of payment is legal tender for public and private debts" in the United States. (The Resolution expressly states that "obligation" means any obligation payable in money of the United States.) There seems little doubt after this case that, notwithstanding the sense of the language in which such bonds have been couched, if the Government of a country in whose currency payment *can*, at option, be made, have expressly released obligors from obligations to pay a sum measured in gold, the bonds can be construed according to the law of that country.

Recovery in Shipbuilding.—Shipbuilding, one of the last of the more important industries to emerge from the depression, continued to make rapid headway during

the past year. None the less, the mercantile tonnage of vessels launched during the past year was still 24 per cent. below the level of 1929. The trend of launchings in the United Kingdom and abroad in recent years, as given in the annual statistical summary published by Lloyd's Register of Shipping, is shown below:—

MERCANTILE TONNAGE LAUNCHED (In thousands of gross tons)			
	U.K.	Abroad	World
1913	1,932	1,401	3,333
1929	1,523	1,271	2,793
1933	133	356	489
1934	460	508	967
1935	499	803	1,302
1936	856	1,262	2,118

While progress last year has been satisfactory, the United Kingdom's share of total construction has fallen appreciably, from 55 per cent. in 1929 to 40½ per cent. in 1936. The capacity of mercantile vessels launched abroad in 1936 was almost as high as in 1929, while the tonnage constructed in this country was still 44 per cent. below the pre-depression level. There has been a serious decline in foreign orders, partly due to subsidised construction abroad, which is causing anxiety among shipbuilders in this country. Nevertheless, the rising trend of world trade points to a further improvement in the industry this year.

Shipping Freights Decline.—The sharp rise in shipping freight rates during December was followed by a setback in January. Despite the improvement in the shipping position last year, it has been evident that the recent rate of increase in freight charges could not continue. The reaction last month was partly due to seasonal influences. In any case, *The Economist* index of shipping freights for January is still 26 per cent. above the level of a year ago:—

	(1898-1913 = 100)				
	Average, 1913	Jan., 1936	Nov., 1936	Dec., 1936	Jan., 1937
European waters	110.0	96.7	126.1	142.5	135.5
North America	113.1	92.8	100.1	105.6	117.2
South America	123.4	86.1	102.9	127.8	141.8
India	106.3	102.5	123.1	125.0	130.7
Far East and Pacific	117.4	93.5	113.5	126.2	140.5
Australia	127.9	92.6	108.6	142.1	147.8
Total	116.3	94.1	112.4	128.2	118.9
1913 = 100	100.0	80.8	96.6	110.2	102.2

As will be seen from the more detailed analysis of changes in freight rates between December and January, there was a substantial decline in Home Trade charges:—

	Index No.	Inc. or dec. Points		Index No.	Inc. or dec. Points
Home trade	111.6	-22.7	South America:—		
Bay—outwards	146.8	-11.0	Outwards	89.9	+ 7.3
Bay—homewards	187.1	+ 8.1	Homewards	193.7	+20.7
Mediterranean:—			India—outwards	101.1	+ 8.5
Outwards	107.6	+ 5.8	India—homewards	160.3	+ 2.9
Homewards	148.4	+ 0.6	Far East, etc.	140.5	+14.3
North America	117.2	+11.6	Australia	147.8	+ 5.7

As the pressure for tonnage is normally highest towards the end of the year, the recent decline in rates does not necessarily portend a change of trend. Trade is still on the upgrade, and, as the latest returns of the Chamber of Shipping indicate, there is now practically no idle shipping tonnage in this country.

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From Our Special Correspondents

United States

Menace of Strike Disorder

NEW YORK, January 26.—Another phase of the negotiations for a settlement of the Automobile Strike terminated abruptly when Mr Lewis of the C.I.O. peremptorily called on Mr Roosevelt for retaliation on the "economic royalists" who had opposed the latter's reelection. That particular conference adjourned, but another was almost immediately called. The General Motors Corporation has declined to attend while the factories are occupied. In the meantime, the General Motors Corporation has announced that it intends to open certain of its plants, which gives rise to fears of disorder.

The situation is as obscure as ever. The corporation employs about 135,000 persons, most of whom are now out of work. It contends that 79 per cent. of them have no sympathy with the strike and wish to resume work. The U.A.W. asserts that a majority of the workers favour the strike, and that General Motors' statistical expression of opinion was obtained by duress. Considering the issues at stake (in Flint, for example, about 80 per cent. of the recently employed population is now deprived of income), one would suppose it to be possible to discern authoritatively the sentiments of the workers; but the strike has been in process for almost a month and the claims are as widely disparate as ever.

Flood Calamity

The floods along the Ohio seem to be even larger than the calamitous inundations of last spring. Three great cities are affected—Cincinnati and Evansville (Indiana) and Louisville (Kentucky)—and many smaller cities. Half of the forty square miles of Louisville is under water, and altogether 600,000 or more persons have been obliged to vacate their homes along the valley. In Cincinnati the flood was complicated by a fire which swept over an area of about two square miles. In the flood area, power and light plants have been largely put out of operation; the transportation systems are moving, if at all, on greatly reduced schedules; and in some places the drinking water systems have been injured.

The rise in the price of primary commodities, uninterrupted and violent in the last two months of 1936, has encountered a substantial setback. Nevertheless, it appears that there is still an underlying upward trend in the price structure which has not yet been fully felt. Whether the price trend is the result of a confident outlook or the cause of it, the fact is that, in spite of the

great strikes (the glass strike and the longshoremen's strike have just been settled), the year has opened with production and trade at a level which would have been called highly prosperous in the 'twenties. Steel operations, at 81 per cent. of capacity, were at a new high level, and the two-point decline this week is attributed to the floods rather than to any slackening of demand. Indeed, the strikes, large as they have been, have had no visible general effect, or rather, their influence has been obscured; while they have doubtless reduced activity in some areas, the fear of strikes elsewhere has probably stimulated activity. So far as one can conjecture, the recent decline in the price of primary commodities is not so much an indication of slackening demand as a setback in a movement which has become patently speculative.

The Implications of a Balanced Budget

In six years our public debt has increased by about \$18,000 millions, or at the rate of about \$3,000 millions a year. To a great extent, this deficit has been financed by bank credit, created *ad hoc*. Assuming that the revenues forecast in the present schedules are realised, it would appear that the public debt will increase by only a nominal sum in the current calendar year; unless the requirements of the Stabilisation Fund for gold purchases run into unusually large amounts. It would seem that the transition from a period of large and continuous deficits financed by bank credit to a period of small deficits and increased taxation must involve credit considerations of the greatest importance.

Cheaper or Dearer Money?

There is some talk of higher money rates. In 1936, the Federal Government borrowed about \$4,000 millions of new money, the State and local governments \$700 millions, and industry \$1,200 millions. The prospect is that, in 1937, the Federal Government will require less—perhaps very little; the local governments about the same, and industry more. But it would presume a very great increase in new corporate financing, or a very wide error in Treasury estimates, to bring up the total demand for new capital to the level of 1936. This is the argument for lower money rates. The argument for higher rates is antithetical. Industry borrowed little from the public in 1936; but it expended on plant and equipment far more than these figures would suggest, largely out of accumulated depreciation funds, undistributed profits from the depression years, etc. Such corporate cash savings are now reduced, and to maintain the 1936 rate of capital expenditure would require much greater demands on the new issue market. Furthermore, one of the largest, if not the largest, single source of capital accumulation in this country has been undistributed corporate earnings, a source now closed by taxation. Distributed corporate earnings are now dispersed among capitalists whose investing capacity is reduced by income and estate taxes.

For these two reasons, it is argued that the process of capital accumulation and mobilisation has been profoundly altered in recent years, when the "over-saving" theory of the business cycle has had a real influence on legislation. It is therefore concluded that, under existing conditions, a smaller fraction of a given national income becomes available to the capital market in the form of corporate or individual savings; thus, the demand for capital will press upon the supply of savings and occasion higher interest rates. It is not certain, however, that bank deposits will continue to expand by the same large percentages as in the past, since this expansion has largely represented the influx of foreign capital into this country in the form of gold.

France

The Strain on the Franc

PARIS, February 4.—The import surplus in January exceeded 1,300 million francs. It reached, for the four months after the devaluation, a total of more than 4,000 million francs. This was due to a considerable accumulation of imported raw materials in anticipation of the revival of business, a further rise of world prices and a second devaluation of the franc.

Payment for these purchases abroad, added to a slight but persisting efflux of capital and the non-repatriation of the proceeds of export sales, put a great strain on the Exchange Equalisation Fund; the difficulty was further increased by the pessimistic views of a former leader of the Opposition, who described the economic policy of the Government as leading the country to catastrophe. Rumours that the franc would fall to its lower statutory limit of 43 milligrams of gold, and a renewed speculation, compelled the French financial authorities to take energetic measures. M. Auriol declared that the rumour of a further devaluation was unfounded; the rediscount rate of the Bank of France, which had stood at 2 per cent. since October 14, 1936, was increased to 4 per cent.; and the rate for advances was raised from 3½ per cent. to 5 per cent. This step is in striking contrast to the cheap money policy of the Government. If the Minister of Finance were to abandon the present discrimination against devaluation profits; that is if gold were purchased at its real price of 140 francs; if, moreover, he were to announce that some attempt was being made to balance the Budget, now that the revival of business is an unquestionable fact; then the general rise in prices, which has stirred the Stock Exchange to activity, would rapidly improve the situation.

As things are, the horizon has not been cleared by the announcement of the new English loan of £40 millions, which is designed to afford merely a breathing space to French finance. But it is rumoured that foreign loans will be issued by other French public undertakings, and the Government hopes to reach the opening of the Paris Exhibition in May without difficulty.

Increased Imports of Coal

The rise in wholesale prices was arrested for the second consecutive week:—

	(1913 = 100)			
	Jan. 9	Jan. 16	Jan. 23	Jan. 30
General index	500	510	511	512
National products	528	534	537	540
Imported products	454	468	466	462
Foodstuffs	517	527	527	528
Industrial products ...	489	497	498	499

Total coal production in 1936 was 46,147,000 tons, against 47,107,000 tons in 1935 and 48,640,000 tons in 1934. It rose by 487,000 tons during the first five months of the year and fell by 1,448,000 tons during the last seven months of the year, because of the strikes, and because of the recent introduction of the shorter working week. Total consumption was 69,629,000 tons against 67,812,000 tons, an increase of 1,817,000 tons. Imports of foreign coal rose by 189,000 tons between January and May and by 1,000,000 tons from June to December. Total imports increased from 19,718,000 tons in 1935 to 20,907,000 tons in 1936. Of this total, 35 per cent. was imported from Great Britain, 30 per cent. from Germany (Saarland excluded), 18.8 per cent. from Belgium and 8.4 per cent. from Holland. The average price per ton of imports was 90 francs during the first quarter of 1936; 95-96 francs during the third quarter; and 123 francs at the end of the year, after the devaluation of the franc.

The number of men employed in coal mines has risen for the first time for many years. There were 231,900 men employed at the end of December, 1936, against 223,800 at the end of 1935. The average wage paid for the third quarter was 36.71 francs, against 32.47 francs in 1935. In the mines of the North it was 37.54 francs, against 33.17 francs in 1935. Costs, if paid holidays and

the 40-hour week are taken into account, have increased by 40 per cent., and the selling price has risen by only 39 francs a ton; the average yield of production has diminished by 6.8 per cent. compared with the first quarter of 1936.

Germany

Attack on Joint Stock

BERLIN, February 2.—The Nazi Party is hostile to joint-stock companies. It objects to "anonymity," which it contrasts with "personal responsibility" ("leadership"), and particularly dislikes the "democratic" system of ultimate control and management by shareholders. An earlier law was intended to change joint-stock companies into "open trading companies," with personal responsibilities and unlimited liability. For companies with large capital this was not practicable. The new law practically eliminates the authority of the shareholders' meeting and the boards of supervision, and transfers these powers to the salaried directorate. Hitherto boards of supervision have largely controlled company affairs. In future their only rights will be to appoint, discharge and fix the remuneration of the directors and to supervise their activities; but the boards will themselves have no power of management. The shareholders' meeting will have no influence on management, unless expressly appealed to by the directorate. It will be left to the shareholders to decide the distribution of profits, but since the shareholders will not determine the amount of the profit, their right will probably amount to little. Thus, it is argued, "shareholders' parliamentarianism" is abolished. Within the directorate, which henceforth will collectively exercise almost all power, the "leadership" principle is further strengthened by giving the chairman an ultimate right of decision.

Relaxation of Industrial Activity

The number of employed at the end of 1936, according to the Sickness Insurance Board, was 16,955,000, against 15,600,000 at the end of 1935. The pressure of work in the production-goods trades eased off very considerably in December; in consumption-goods trades the relaxation was less marked. In the construction of machinery and vehicles (which includes shipbuilding) employment improved. The retail trade turnover of 1936 is returned at Rm. 28,000 millions, against Rm. 25,200 millions in 1935. The number of marriages contracted on the basis of marriage loans since the loans were begun was 700,000, and the sum of the loans Rm. 420 millions. Half a million children have been born of such marriages.

The production of ingot steel in 1936 was 19,157,500 tons, against 16,419,200 tons in 1935 and 5,750,000 tons in 1932. The steel syndicates report little change in the home market. The wire market has been very active. Cement sales in 1936 totalled 11,530,000 tons, against 8,630,000 tons in 1935, and 644,000 tons were exported, against 531,000 in 1935. The sales of the Ruhr Coal Syndicate were 98,020,000 tons, against 88,720,000 tons in 1935. The shortage of coking coal and of coke caused by the iron boom has led to some improvement in prices.

Increased Liquidity of Business

The market for bank shares has recently been active and firm; one exception was the Dresdner Bank. Newspapers predict that the Deutsche-Disconto and Commerz- und Privat Banks will increase their dividends from 4 to 5 per cent. The Berliner Handelsgesellschaft, the first great bank to report for 1936, returns its net profit at Rm. 3,157,000, against Rm. 3,128,000 for 1935, and a dividend of 6½ per cent. against 6 per cent. The chief change in the profit and loss account is the doubling of profits from securities and investments. The increased liquidity of private business is shown by a sharp decline of loans and an increase of investments in

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The present financial and economic position of Germany, and the relations between the National Socialist Party and the German Army Chiefs, have hitherto been wrapt in mystery.

German foreign and military policy, and the resources of men and munitions which are available to support it, overshadow Europe and perhaps the world. What is the truth about Germany's policies and resources?

For many months economic, financial and military experts associated with THE BANKER—the organ of British banking—have been engaged on a Survey of the present condition of Germany. This Survey is as comprehensive as it is unbiased. No less than 75 pages have been given over to an analysis of the German War Machine in 1937, German finances under Nazi Rule, Germany's Economic War Preparations, and the real value of the former German colonies. A full account of the remarkable changes which have been made in every important Germany industry is also included in the Survey. Though moderation and the strictest care for facts have animated all who have contributed to this Survey, the result of their efforts can only be described as astonishing.

The description of the present condition of Germany as it is depicted in the February number of THE BANKER should be read by everyone interested in public affairs or in finance and industry.

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fixed-interest securities and bills. Standstill liabilities declined by Rm. 5 millions. The Reichskredit Bank's net profit in 1936 was Rm. 3,213,000 and its dividend was 6½ per cent.

The demand for credit at the end of January was normal. The increase in Reichsbank credits and investments in the last week was Rm. 437 millions, against Rm. 359 millions in the corresponding week of 1936. The Gold Discount Bank increased its circulation of notes in December by Rm. 300 millions. The *Deutscher Volkswirt* puts the present transfer on foreign loans at Rm. 220 millions a year, which is considerably below the last Reichsbank estimate. According to Dr Schacht, the capital foreign debt has shrunk to Rm. 11,000 millions. The last return by a Reichsbank official (which was unofficial) was for January, 1936, when the total was Rm. 13,000 millions. Dr Schacht's figure probably takes into account the recent gold *bloc* devaluations.

Spain

War-Time Trade

VALENCIA, January 29.—A scheme to co-ordinate foreign trade with the exigencies of the war is being worked out by the Department of Economy. This has led to agreements with England and France, and a contract for the sale of Spanish mercury through a London firm; the two trade agreements are compensation arrangements; 70 per cent. of British payments for Spanish goods, and 60 per cent. of French payments, are to be applied to payment for goods sent to Spain.

A new plan to reorganise the economy of Spain is being considered. This will include: monopoly-marketing through co-operative societies under Government control; a modern tariff system; the electrification of transport and industry; and the industrialisation of agriculture. The many rivers and streams of Spain could produce more energy than any other river-system in Western Europe; they offer vast possibilities of irrigation. There remains the problem of financing these projects.

Co-operation and Orange Production

Problems of agriculture and land-tenure are also engaging attention. The problem of the small-holdings on the Mediterranean and Atlantic seaboard is one of individual cultivation and co-operative marketing. That of the extensive and largely arid *latifundia* of the interior is one of irrigation and mechanical cultivation.

The rice industry has been organised on co-operative lines for nearly five years; and orange cultivation is being similarly reorganised. The domestic price of rice is fixed, and exports are subsidised. The orange market has been left free; the fruit has declined in quality, and it is hoped to remedy this by compulsory co-operation. It is urged that foreign statements that the orange plantations are being inefficiently run by peasants who have stolen them from their lawful owners are untrue; the proprietors fled; and peasant production is being organised and controlled. The export trade is now advancing rapidly.

The Remoulding of Spanish Life

The Communist Minister of Agriculture, Don Vicente Uribe, has defined the peasant problem. He maintains that the peasant must be made a "free man on free land," freed from the yoke of the local "boss" and the usurer. The difficulty, he states, is that the peasant, having been downtrodden for so long by a reactionary caste, is bewildered; he does not understand the efforts which are being made to help him; and is even inclined to resist them. The problem is to see the point of view of the peasant, to realise his ignorance and oppressive

traditions, and to ensure to him the fruits of his labour. In the last resort, however, "the interests of the collectivity of all must come before the rights of the individual," declares Senor Uribe.

The burden of these plans and theories is that the future Spanish State will be very different from the old one. Its social, political and economic structure will be very much modified. Collectivisation and co-operative management will be the ruling principles; of these, co-operation engages most attention. Collectivisation, if pursued too hurriedly, endangers production, and is alien to the Spanish character. There is already an outcry against an excess of committees, although it is realised that only under responsible control can things prosper.

Greece

Reducing Expenditure

ATHENS, January 18.—Expenditure has been reduced by over 1,500 million drachmas, and the Budget for 1937-38 will include further measures of economy. These economies will be made permanent by the decision of the Government not to fill the posts in the Civil Service which fall vacant. Moreover, the annual charge for public pensions, which increased in two years from 1,000 million drachmas to 1,200 million drachmas, will be reduced by a revision of all the pensions recently granted.

By this policy of economy the Government hoped to meet any possible deficit in the Budget; a deficit of more than 1,000 million drachmas was anticipated before the present Government was formed. The expenditure required for defence will also be covered, as well as the cost of social relief and of public works. The Finance Minister hoped to do this without increasing taxation. Since this statement was made, it has been found necessary, however, in order to devote an annual sum of not less than 500 million drachmas to social insurance and relief, to increase several taxes (taxes on tobacco and limited liability companies, stamp duties, telegrams, postage dues, etc.). Answering a question about the foreign debt, the Finance Minister replied that negotiations with the foreign bondholders, concerning the service of the debt, were going on. He expected that an agreement would be reached by the end of March, 1937.

The Control of Foreign Trade

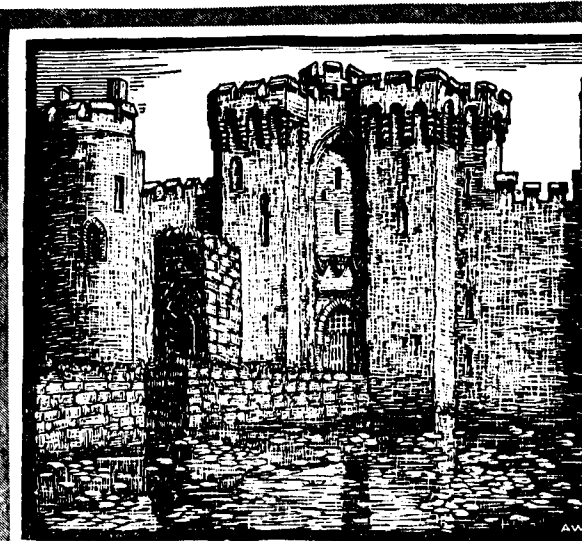
In the course of 1936, the foreign exchange reserves of the Bank were diminished by some 21 million gold (pre-war) francs. Owing to the import surplus, it is argued that a liberal exchange policy can not be introduced. There is no reason at present, it is officially stated, to intensify restrictions, and rumours that the Government will tamper with Greek properties in foreign countries are unfounded. On the other hand, there is nothing to justify a relaxation of control for the time being. A statement made by the Minister of National Economy anticipated a rise of Greek exports in 1937, and an inflow of foreign exchange, of not less than £8,000,000, from the export of tobacco alone. The Government's policy, he said, was to decrease imports from abroad and to increase exports, in order to reduce the import surplus. He admitted that the restrictions on imports had not yet fulfilled the expectations of the authorities. Consequently, private clearings had been discontinued, excess imports were no longer permitted, and the official clearing and the trade agreements with foreign countries were to be revised. On the other hand, he said, domestic industries would be encouraged. He particularly mentioned an expansion of the textile industry. Commercial relations with Germany were very close, the Minister added, and Greece would be very glad to participate officially in the Leipzig Fair.

Irish Free State

Industrial Grievances

DUBLIN, February 1.—The progress of industrialisation has received a great deal of publicity recently at the annual meetings of the Chambers of Commerce and the banks. In many of the protected industries saturation point has been nearly reached, and the pioneers of the new undertakings are now concerned less with seeking shelter from foreign manufacturers than with competition within the Free State. The Minister for Industry and Commerce is coming to be regarded less as the fairy godmother who by a wave of the magic tariff wand can make uneconomic enterprises profitable, than as the stern mentor who is unkind enough to insist that protection exists not for the benefit of the manufacturers but for that of the nation. Mr Lemass never makes a speech without pointing out that protection involves duties as well as rights, and that consumers are entitled to goods of a high quality at a reasonable price. The manufacturers, not unfairly, retort that their costs of production have been raised by the Government. The Conditions of Employment Act raises the cost of labour, the Control of Manufactures Act raises the cost of capital, and the policy of decentralisation deprives many of the new industries of the advantage of the external economies of production. The consequence is that the new concerns can never hope to produce for export. Indeed, even the old exporting industries are exporting less than the old, and are tending to supply their foreign customers from new factories situated outside the Free State. This is, of course, part of a world tendency for industries to develop branches abroad, but the tendency is being accelerated here by the artificially high costs of production.

The maintenance of an export trade depends therefore on the country's capacity to export agricultural products. Moreover, the income of agriculturists



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constitutes the principal demand for the output of the protected industries. Although prices have risen, Irish agriculture remains discouraged and depressed. The chairman of the Bank of Ireland referred with regret to the steady decline of deposits in the rural areas. At the annual congress of the Dairy Shorthorn Breeders' Association it was stated that there had been a deterioration in the quality of Irish livestock, in spite of the Livestock Breeding Act. The best cows and heifers are being exported, and the dairying industry is declining in spite of all the measures that have been taken to assist it.

Living on Capital

The deterioration of livestock is symptomatic of a general wastage of capital in Irish agriculture. The new industries have attracted much attention, but it is doubtful whether the amount of investment for which they have been responsible is as great as the amount of old investment which has been allowed to fall into dilapidation or decay.

The repayment of bank advances by farmers in many cases reflects an indisposition to invest in repairs and renewals of fixed and working capital. If the wastage of old capital is greater than the creation of new, the nation is living on its capital. If, in addition (as appears to be the case), the new capital investment is financed, not from current savings, but from the sale of external securities, the country is living on its capital in a second sense.

The following table shows that the external trading position has continued to improve:—

Year	Imports	Exports	Balance
1935	£ 37,347,860	£ 19,920,062	£ 17,427,798
1936	39,915,652	22,523,365	17,392,287

But the more thoughtful observers of the apparent prosperity of the Free State are deeply concerned by the extent to which the country may be said to be living on its capital.

Letters to the Editor

Bankers, Boom and Budget

TO THE EDITOR OF THE ECONOMIST

SIR,—I am glad that I misunderstood you in thinking that you were opposed to a further increase in bank deposits, if this were necessary to prevent a rise in interest rates. That is to say, on the assumption that there is no Defence Loan. But what is to happen, you ask me, if there is a Defence Loan? I agree with you, as you know, in urging that the Defence Loan, if any, should be kept as small as our reasonable capacity for taxation permits. But if, in spite of our arguments, there is a loan of (say) £50 million to £100 million this year, does it follow that we are forced back on reversing the downward trend of the rate of interest?

I do not think so. I still think that there are better expedients available to retard activity in directions other than rearmament, if we wish to retard it, and that these should be used by preference. But, if you will let me, I should like to explore a little further the technical aspects of the position.

In the first place, it does not follow that the Defence Loan cannot be gradually taken up by the public. With increased activity incomes rise and increased savings become available corresponding to the expenditure paid for out of borrowed funds; or if defence replaces other activities, then the savings which would have financed these activities are available to take up the Loan. Similarly, if it is convenient for business to finance itself through bank advances rather than through public issues, the savings which would otherwise have taken up the public issues are available to relieve the banks of part of their gilt-edged securities. Thus the need for increased deposits is not measured either by the size of the Defence Loan or by the increase in bank advances. It depends on two other factors; first of all, on activity as measured, roughly speaking, by the national income in money, which governs the demand for active deposits; and secondly on the psychological atmosphere towards gilt-edged and other securities which governs the degree of the desire to hold liquid balances. Unfortunately, though very naturally, the readiness to put savings into gilt-edged securities is largely influenced by the ideas which get about as to whether the gilt-edged market is likely to rise or to fall in the future.

It is the latter factor which needs careful handling. If the public is deprived of its normal supply of idle balances by the demand for active balances, or if it gets nervous about the prospects of the gilt-edged market, then I feel strongly that, unless we deliberately desire to raise the rate of interest, this demand for idle balances should be satisfied for the time being, the extra idle balances being subsequently withdrawn as a change in the atmosphere or in the circumstances permits.

Thus it is not a shortage of savings which will impair the position of gilt-edged securities, but a change in psychological expectations as to their future prospects. I believe that it is most important to prevent such a change by maintaining stability in the gilt-edged market. For,

if the change occurs, it will make the task of avoiding the slump more difficult. The weakness in gilt-edged securities during the last week or two is an illustration of how psychological the market is and how easily its nerves are upset. The weakness is partly due to anxiety about the Budget. But I believe that it is also partly due to the discussions which have been going on in various quarters about future policy. For, although almost all the participants in the discussion have deprecated a decline in the market and have taken, on the whole, a cheerful view against its likelihood, the discussion has drawn the attention of the public to the fact that the future of the gilt-edged market is not *certain*; and this has been quite enough to affect prices adversely. The actual movement so far is, of course, trifling. But if it were to be allowed to proceed to any length, the effect on public confidence would greatly aggravate the difficulty of our future task.

Yours, etc.,

J. M. KEYNES.

King's College, Cambridge.
February 2, 1937.

[We wish we could share Mr Keynes' confidence that the flotation of a large Defence Loan would create no insoluble monetary difficulties. But we fear that his wholly praiseworthy anxiety to avoid any rise in interest rates is leading him to ignore some of the dangers.]

It is *possible* that a Defence Loan would be gradually taken up by the public without any rise in interest rates. But in present circumstances it is very unlikely. Last year, the banks' investments increased by £25.8 millions (December averages) and there was no significant net increase in the supply of stock in the gilt-edged market, and yet gilt-edged prices sagged. If a Defence Loan were to be absorbed, it would require quite substantial assistance from the banks.

There is also a seed of danger in Mr. Keynes' phrase "the psychological atmosphere towards gilt-edged and other securities which governs the degree of the desire to hold liquid balances." One of the normal events of a boom is that the public discriminates between fixed-interest and other securities. If, when that happens (and it is already beginning), liquid balances are to be provided in sufficient amount to keep up the price of gilt-edged, will they not be more than enough to start a speculative boom in industrial equities?

Finally, Mr Keynes would expand the volume of deposits to supply any demand from the public for liquid balances. We have given our reasons for believing that this demand, on Mr Keynes' definitions, might be very large. What if there is then a change in the public's proportionate demand for active and idle balances (which is very likely to happen at the height of a boom)? Mr Keynes says that "the extra idle balances" should be "subsequently withdrawn." But how? By calling in advances? Or by selling investments? And what is to happen to the boom, or the rate of interest, then?

We agree with Mr Keynes that, even with a Defence Loan, the rate of interest *could* be prevented from rising—but only, we fear, at the cost of generating a runaway inflation.—*Ed., Econ.*]

TO THE EDITOR OF THE ECONOMIST

SIR,—Reading *The Economist* is pretty much like listening to Demosthenes' orations to me—it is Greek. Where and what is this boom of which you pundits are writing and speaking?

It seems to me that bankers' investments, overdrafts and credits are as speculative as that of private persons who (if they can) borrow to speculate on the Stock Exchange. As a small shopkeeper, I have never found banks to be the slightest use to me, except as a kind of "safe deposit," in which "current account" must exceed the value of the cheques that I draw. Any "savings" that I make go into "Old Consols," and the *cheaper* they are the better for me. I have bought them as low as 48; now they cost 81½. Banking business is too much entangled with a so-called money market. Consequently, the speeches of bank chairmen have no significance for the small trader.

Further, what you call a "slump" is a harvest time for both Woolworth's and myself.

Then, too, note the inequity of banking practice: my *surplus* current account is loaned to "Trusts," owning large numbers of retail shops, the shares in whose subsidiary concerns are accepted by banks at the Stock Exchange current price as collateral, whilst the goodwill of my business is, for that purpose, nugatory.

This system by which my competitors are financed at my expense will eventually throttle us; and yet Mr J. M. Keynes designates it "sound finance."

This rigmarole of "Day to day" money "Overnight" money, "Fixtures" (weekly money), "Floaters" (lodged by bill brokers), Treasury Bill tenders, and what not, all wants sweeping away. They were unknown to Dick Whittington, are unnecessary to traders, and an impediment to progress. Banks and finance should be *nationally* controlled.

Yours faithfully,

A DISGUSTED TRADER.

The Soviet Trials

TO THE EDITOR OF THE ECONOMIST

SIR,—With reference to your article on the Soviet trials, it is, I agree, easy to be mystified if one has only read the accounts which have appeared in the British press, most of which give a distorted impression of what took place.

I was able to be present at the whole of the proceedings, and I have a knowledge of the Russian language. It seems to me that your article is based in some respects on incorrect information.

Yours, etc.,

DUDLEY COLLARD.

First, it is not true that the seventeen defendants were all "Old Guard Bolsheviks." Some of them took no part in politics; some were common criminals, and of the leaders who did play an active role in 1917, most, if not all, were, I was told, frequently in opposition to Lenin. On the other hand, such companions of Lenin as Voroshilov, Ordjonikidze, Molotov and Kalinin occupy prominent positions in the present Soviet Government. It cannot therefore be said that Stalin is "the only Primitive Leninist left."

Secondly, I do not agree that the prisoners displayed "blitheness, jauntiness, almost gaiety." I observed them closely, and their attitudes varied. All seemed to appreciate the gravity of the charges; some made an attempt to defend their political opinions. Stroilov appeared genuinely penitent; Radek posed and grinned at the foreign press correspondents he knew; Sokolnikov was quiet and grave; Boguslavsky indignant at hearing for the first time what his leaders had concealed from him; Shestov proud of his exploits, and so on. There was no air of gaiety about any of the proceedings.

As to the confessions, I believe, after listening to the detailed examination of the accused for five long days, and observing their demeanour as carefully as I could, that they pleaded guilty quite voluntarily to crimes they really had committed. That they were acting parts is out of the question. Why they confessed is another question. It may be, as some of them declared, that the success of industrialisation and collectivisation led them, on reflection in prison, to realise that their policy had been wrong. In any case, no one who was present at the trial could possibly believe that their confessions had been extorted.

Thirdly, Sokolnikov was Assistant Commissar for Foreign Affairs, not Commissar of Heavy Industry, a post occupied by Ordjonikidze. You must be referring to Piatakov, who was Ordjonikidze's assistant. I do not understand why you think it odd that the accused accomplished so little. One would imagine that it is not easy to organise large-scale acts of sabotage undetected. Most English papers make an opposite criticism, namely, that too much was admitted, and that hundreds of train wrecks, for example, could not have escaped detection.

I do not desire to comment on the political aspects of the trial save to say that I think it is important for British opinion to be correctly informed on the real nature of these Soviet trials, if only to realise what methods are being adopted by Germany and Japan in their preparation for war against the Soviet Union.

6 Pump Court,
Temple, E.C.4.

Yours, etc.,
DUDLEY COLLARD.

Books and Publications

Women who Work

HERE are two books crammed with facts about working women, the one* dealing, in the main, with the working woman of Russia and the other† with the working woman of England. They are both very full of figures, the Russian one, indeed, almost so much as to be unreadable; for there is a limit to the amount of arithmetic which the ordinary human mind can swallow at a gulp, and Serebrennikov tends to exceed it. Some of the percentages of women working at various dates, and in various parts of the Union, to cite an example, ought to be taken out of the text and put in tabular appendices at the end.

Nevertheless, paradoxical as it may seem, what one feels, having read both books, is that one would like not fewer facts but more. For the contrast between the two pictures given is so strong that one would like them both to be expanded into really comprehensive social studies which would give a complete picture.

This is particularly true of Miss Joan Beauchamp's vigorous and telling little book. It is very well written, and it badly needed writing; but it is only 100 pages long, and that length, in a field of social research which

* "The Position of Women in the U.S.S.R.," by G. N. Serebrennikov. Gollancz. 7s. 6d.

† "Women Who Work," by Joan Beauchamp. Lawrence and Wishart. 2s. 6d.

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both in factory and in clerical work has increased in the past ten to fifteen years; though a journey along the Great West Road or Western Avenue at the hour of factory closing would go far to show them. This labour is, for the most part, young, dexterous, very low paid, and violently speeded-up wherever speeding-up is possible. It is dismissed, or dismisses itself, on marriage, and has in any event little chance of getting back afterwards into the factories, because its dexterity is gone; and, except in co-operative employment, in teaching, and to a lesser degree in the Civil Service, it is scarcely organised at all. Moreover, though the girls and women so employed are not "engaged in domestic work," a number of them do in fact perform a good many domestic duties after a day's work so long as to be severely commented upon in the latest report of the Chief Inspector of Factories and Workshops. Even leaving on one side the problem of the housekeeping women, to which Miss Beauchamp devotes a short but interesting chapter, this little book raises questions which demand a good deal of very careful thought.

Serebrennikov's book also shows an increase in women industrial workers; and it is extremely interesting to observe that, whereas the entry of women into Soviet industry upon equal terms dates from the Revolution and was, of course, a cardinal principle of Lenin and the pioneers, their actual influx is more the result of the Five-Year Plan. In table after table we see the great increase after 1928 or after 1931, and are led to the conclusion that the industrial employment of women is not a whim of the Revolution, but a phenomenon that has come to stay.

Its social aspect is naturally very different from that of the employment of women in Great Britain. There are two major differences: first, equality of pay; and, secondly, the State, aiming to use its women both for industrial and agricultural production and the production of citizens, is logically bound to make it easier to combine child-bearing and child-rearing with productive employment. Serebrennikov, like all Soviet writers, is an incurable advertiser, and almost stuns his readers with tables and anecdotes all aimed to show how immense is the provision of crèches, kindergartens, etc., in the Soviet Union, how great the productivity and emancipation of its women, and how enormous their appetite for training and education. Nevertheless, when all allowances are made for exaggeration, it remains a remarkable field for the student of sociology.

Shorter Notices

"World Trade and its Future." By Sir Arthur Salter. Humphrey Milford (London). 101 Pages. 7s. 6d.

The five very interesting lectures, here reprinted, were delivered at Swarthmore College in the spring of 1936. After discussing the pre-war position and the economic changes affecting world trade that took place after the war and particularly during the recent depression, Sir Arthur Salter examines the principal factors in the present situation and outlines a policy for the future. He thinks that the coming changes in world population are going to inflict all sorts of extremely difficult transfer problems on national and international economic systems. He also believes that the monetary problem will be increasingly important; and he assumes that "the restoration of an effective gold standard over the greater part of the world will depend on the central banks and governments being able in co-operation so to manage it as to secure a reasonable stability in the general level of prices and being able to eliminate the dislocations caused by immense mass movements of liquid capital, or changes of investment." In the transitional period Sir Arthur does not look for the re-imposition of rigid gold parities. Instead, he hopes for a provisional stabilisation in which each

country will "contribute to a joint equalisation fund, or, alternatively, undertake to use national funds in consultation to support this policy."

Sir Arthur Salter does not think that an actual frontal attack on trade barriers is likely to succeed. He consequently suggests that each country should first try to take a national rather than a sectional view of its own foreign trade problems; that bilateral efforts towards freer trade should then be undertaken; and that, finally, negotiations should be directed towards the objective of a low tariff bloc. This kind of strategy, Sir Arthur recognises, would involve the modification of the most-favoured-nation clause. As a whole these lectures present perhaps the most realistic programme yet devised for the freeing of trade in the circumstances of to-day.

"Hitler and the Empire." By James Turner, with a foreword by Air Commodore L. E. O. Charlton. Lawrence & Wishart. 40 pages. 6d.

This is an excellent and timely little book. The economic "proofs" of the German claim for special treatment in the distribution of colonies and raw materials are shown to be unsound. This conclusion is reached by a simple statement of the facts, as set out in the German official statistics. These figures show that there is no shortage of raw materials in the Third Reich; that German supplies of raw materials from all sources were higher in 1935-36 than in 1929; and that the civil population of Germany consumes a smaller amount of raw materials than in 1929, only because of the enormous increase in the amount of raw materials used for military purposes. Rearmament, and not shortage, is the real ground of the German plea.

Mr Turner shows how the restrictions imposed by the German Government upon foreign exchange are used to compel creditors to buy German goods; how the conquest of foreign markets has been given a political significance in the advancement of Germany's "Drang nach Osten"; and how British trade and shipbuilding have been adversely affected by this exploitation of a debtor position.

This book should enable students of politics to temper mercy and sympathy with some facts.

Books Received

The Value of Money. By B. M. Anderson, Jr. Richard R. Smith. (New York) \$2.50. A re-printing of the original 1917 edition, with a foreword by Prof. B. H. Beckhart of Columbia University.

The Incorporated Accountants' Year Book, 1937. The Society of Incorporated Accountants and Auditors. List of Members and Regulations.

The Possibilities of Jewish Settlement in Ecuador. By Alec Golodetz and Cyril Q. Henriques. London. 116 pages. 5s.

Incorporated Accountants' Society of London and District, Lectures, 1935-36. Incorporated Accountants Hall.

Hungarian Export 1937. Published annually by the Hungarian Economy, Budapest. Subscribable to Andrew Hajos, 38-40 Kensington Gardens Square, London, W.2. 2s. 6d.

A concise but comprehensive compilation of Hungarian import, export, trade, and financial statistics, together with detailed information on transport and communications with Hungary, requirements of clearing agreements, commercial credit operations, etc. Should be valuable to British manufacturers and merchants trading with Hungary.

One Year of the Currency Reform. Information Bulletin published by the Council of International Affairs, Nanking. 10 cents.

British Methods of Industrial Peace. By Ducksoo Chang. P. S. King. 332 pages. 19s.

The Law of Political Uniforms. By J. Baker. H. A. Just. 191 pages. 7s. 6d.

Official Publications

Annual Statement of the Navigation and Shipping of the United Kingdom for the Year 1935. 4s. net.

Customs and Excise Tariff of the United Kingdom of Great Britain and Northern Ireland in operation on January 1, 1937. 1s. net.

British Commonwealth Scientific Conference, London, 1936: Report of Proceedings. Cmd. 5341. 1s. 3d. net.

Seventh Annual Reports of the National Radium Trust and Radium Commission, 1935-36. Cmd. 5342. 1s. 6d. net.

Medical Research Council. A Dietary Survey in Terms of the Actual Foodstuffs Consumed. E. P. Cathcart and A. M. T. Murray. 1s. net.

MONEY AND BANKING

The French Credit

THE agreement for a loan by British banks to the French Government, to which we referred in *The Economist* last week, has now been concluded. The loan is for £40 millions at 3½ per cent., and it will run for a limit of ten months. The banks will thus have been repaid in time for any window-dressing operations in which they may wish to indulge at the end of this year. The first instalment of £8 millions was paid over on February 2nd, and similar sums will follow on February 5th, 12th, 19th and 26th. The proceeds are being taken officially by the French Railways, but the latter will pay over the money to the Treasury, which will use it for whatever purposes it sees fit. The security is of much the same character as that for last year's loan, with one important difference which strengthens the lenders' position. So long as the loan is running, the Bank of France has agreed to maintain an equal amount either of gold or of sterling balances. There is an additional clause, however, which stipulates that, should the French Treasury be unable to pay back the whole of the credit in sterling when it falls due, it shall buy with francs the necessary amount of this ear-marked gold or sterling balance to make up the total. This makes the security virtually water-tight.

In view of these very favourable terms, the fixing of the rate of interest at 3½ per cent. against 3 per cent. last year, and the improved security behind the loan, the fact that only £40 millions and not £50 millions have been placed has caused considerable comment. We are able to state, however, that at no time was £50 millions, as distinct from £40 millions, regarded necessarily as a fixed objective (last year's total was actually £40 millions); and that, had the French Government been willing slightly to postpone the announcement of the loan, there would have been little or no difficulty in obtaining another £10 millions. It is clear that, on commercial grounds at least, the terms of the loan are irreproachable. A number of the British subscribers, indeed, have been able to earn an extra profit through the sub-participation of a number of French banks which were precluded from direct participation by the terms of the agreement.

On broader grounds, however, many observers will regret that France should find herself under the necessity of borrowing abroad once again. Were it not for the policy of taking the profit out of repatriation of capital, and for the general lack of confidence in the immediate financial future, a dozen such loans could easily have been raised in Paris. Granted, however, that existing conditions make recourse to financial aid from abroad inevitable, the fact remains that no outside loan can have any permanent effect on the fundamental weakness of the French financial structure. The £40 millions is merely a stop-gap. It may allow the Government time to consolidate the advances they have made in other spheres, which should ultimately have a favourable effect on the financial situation. Everywhere but in the realm of finance there is, in fact, an atmosphere of increased optimism in France to-day. Industry, though by no means booming, is recovering rapidly, in spite of the heavy increases in manufacturing costs consequent on higher wages, paid holidays, and the 40-hour week. These, by increasing purchasing power, will in the long run help towards recovery. Foreign trade is also reviving, and now that the wave of strikes has subsided and the international tension has eased, the prestige of M. Blum's Government stands higher than ever. A proportionate improvement in the

financial situation would have far more effect than any number of foreign loans.

The disappointing financial results of the devaluation are, at least in part, due to the confiscation of profits realised by the repatriation of capital. These measures embody a political principle of which many may approve on moral grounds, but its practical effect has been unfortunate. Moreover, as Dr Colijn remarked when refusing to apply it to his own case, its justice is equivocal; for when it is impossible to penalise all profiteers, the penalising of a few becomes an injustice. The example given by the return of funds after devaluation to Holland and Switzerland should be an encouragement to M. Vincent Auriol to retreat as quickly as possible from an untenable position. His recent offer of special terms for gold subscriptions to an internal bond issue was a step in the right direction, but it did not go far enough, for it failed to offer any decisive inducement to repatriate funds. The time is more than ripe for another step.

A more immediate reason for the recent rapid outflow of capital from France has been the rumours that a new depreciation of the franc to its lower limit of about Frs. 112 is imminent. The report has been strenuously denied by the French Government, but it is likely to persist so long as the margin remains in hand. It has even been suggested that such a depreciation was one of the conditions of the British credit, but there is no reason for believing that this report is true. There are, however, technical reasons for departing from the rigid rate of Frs. 105.15 at which the franc has been pegged. A "peg," if there is complete confidence in its permanence, kills speculation. But if not it enables speculators to bear the currency with an easy mind, certain of the rate at which they could cover their commitments in case of need.

Fortunately there are now signs that this policy is being abandoned. Last Monday, the first full day after the granting of the credit, the peg was removed from time to time. Official intervention was needed on a substantial scale on Tuesday, to prevent the rate from running away, but the change in policy has certainly shaken the bear speculators, who will in future act with more caution. M. Cariguel, who is in charge of the French Control, will now be able to exercise his skill in manipulating bear squeezes, if he wishes, by letting the rate run down a little and bringing it back overnight. There is, indeed, no reason why the rate should not be allowed to fluctuate, say, by as much as two francs each way; for freedom of movement was one of the objectives of devaluation. The pegged franc was in fact more rigid than the old franc, since under the gold standard movements of a few centimes at least were possible, within the gold import and export points. It is clear that unpegging cannot in itself be expected to restore confidence. But it is a policy long advised in London, which will certainly alleviate immediate pressure on the franc.

As for a further depreciation of the franc, we remain unconvinced of its long-term necessity. French prices, it is true, have risen rapidly during the last four months, and the franc is probably overvalued. But prices in other countries, particularly in Great Britain and the United States, are also rising. The disequilibrium may therefore be reduced in the near future—provided, of course, that the French Government can prevent their own prices from rising still further. The majority of the increases are due to the incidence of the recent social legislation. In many cases, however, prices were arbitrarily marked up soon after the legislation came into

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force, and before the full effect of higher costs had been experienced. If the Government can use its influence to persuade manufacturers to discontinue this practice, and even modify some of the prices they have already fixed, a further rise may be averted. Prices may also be kept down by a relaxation of tariffs and import quotas, if the protests of the vested interests can be ignored. For example, the price of wheat in France has been maintained at an unnaturally high level to win the support of the farmer. M. Blum may not feel himself politically strong enough to make a break in this policy.

It is clear, in short, that there is no inherent weakness in the French economy except in the sphere of finance; and here it is the Government's plain and urgent duty to restore confidence. If the breathing space allowed them by the £40 millions British credit is turned to good advantage, it will have justified itself. More than that, at present, cannot be said for it.

Financial Notes

Bank Advances.—One of the minor recommendations of the Macmillan Committee, which reported five-and-a-half years ago, was that the London clearing banks should publish a regular analysis of their advances in accordance with a classification which the Committee itself had drawn up. Lord Wardington announced last week, in his speech at the annual general meeting of Lloyds Bank, that the clearing banks had decided to accept this recommendation. He proceeded to give the figures for "the nearest available date to October 31st last." The decision is none the less welcome for the long delay in arriving at it. The first year's figures, which are given in the following table, can be compared only with the Macmillan Committee's figures, which refer to "dates between October, 1929, and March, 1930." The interval of time is so long that comparison is of limited value, but it is of interest to set out the different items in order of their relative declines:—

CLEARING BANK ADVANCES, 1929-36

	1929-30	1936	Change
	£	£	%
Amusements, clubs, churches, charities, etc.	26,502,720	40,459,790	+ 53
Building trades	47,824,549	61,547,687	+ 29
Other advances	218,402,248	258,542,153	+ 18
Local Government authorities and public utility cos. (ex. railways)	52,384,672	50,397,983	- 4
Shipping and transport (inc. railways)	25,176,565	23,167,305	- 8
Total advances	987,711,344	869,453,122	- 12
Miscellaneous trades	146,496,288	67,367,142	- 53
Retail trades		60,060,190	- 16
Agriculture and Fishing	68,630,471	57,657,404	- 16
Financial (inc. banks and building societies)	142,547,506	109,554,025	- 23
Heavy industries (iron, steel, engineering and shipbuilding)	62,962,675	40,681,469	- 35
Mining and quarry (inc. coal)	30,003,440	18,091,024	- 40
Leather, rubber and chemicals... ..	21,969,950	12,593,550	- 43
Textiles (cotton, wool, silk, linen, jute)	81,632,371	39,929,997	- 51
Food, drink and tobacco	63,177,889	29,403,403	- 53

It will be noticed that the clearing banks have subdivided the cumbrous item of "Miscellaneous and retail trades."

The experience shown by these figures is curiously mixed, and makes it very difficult to generalise about the course of bank advances. The items which show the largest declines are, in the main, the very depressed industries which have been able in the last year or two to pay off some of their heavy accumulations of debt. But the biggest decline of all is shown by the highly prosperous food, drink and tobacco industry, and is obviously due to the much greater possibility now open

to these trades of financing themselves out of their own liquid resources accumulated out of profits. On the other hand, the rise in the standard of living is clearly reflected in some of the items which show large increases. Chief of these is, of course, the omnibus item "Amusements, clubs, churches, charities, etc." But the organisation of the building trades is also apparently such that greater activity requires larger borrowings from the banks.

Big Five's Experience.—It may be of interest to compare the figures of advances given in the preceding note with the proportionate changes in approximately the same period (December, 1929, to December, 1936) of the advances of each of the Big Five banks:—

	December 31, 1929	December 31, 1936	Change
	£	£	%
Barclays	172,926,488	178,859,150	+ 3
Lloyds	191,010,596	149,054,263*	-22
Midland	210,374,230	189,265,053†	-10
National Provincial ...	156,678,357	122,077,391	-22
Westminster	146,756,553	125,249,310	-15
Total Big Five ...	877,746,224	764,505,167	-13

* After deducting provision for bad and doubtful accounts.
† After provision for doubtful debts and contingencies.

Those who are familiar with the geographical distribution of the business of individual banks may be able to trace correlations, in some cases, between the figures in the two tables.

A Banker on Cotton Exports.—In a leading article last week we drew attention to the warning included in several of the bankers' speeches that industrialists should not rely entirely on the home market. Mr Dewhurst, in his address to the meeting of Williams Deacon's Bank, made it clear that the revival in the cotton industry is due very largely to internal demand, as the export trade, though improved as regards the Dominions and Colonies owing to reduced import duties, has suffered as regards India, which is the largest customer. Now that India has denounced the Ottawa Agreement, it is obviously of extreme importance that a mutually beneficial trade agreement should be rapidly concluded. As the United Kingdom takes more than twice as much of India's exports as Japan, which is the chief competitor in cotton, this should not be impossible. It is imperative that the cotton trade, which is the largest consumer of raw materials in the country, should be assured of its export demand in the event of a recession at home.

U.S. Excess Reserves.—The American Federal Reserve Board has ordered a further increase in the minimum reserves to be kept by Member Banks of the Federal Reserve system. The increase is to be of one-third of the present minimum percentages, bringing the required reserves up to 26 per cent. of demand deposits for banks in New York City and Chicago, 20 per cent. for banks in other so-called reserve cities and 14 per cent. elsewhere; reserves of 6 per cent. must be kept against time deposits by all banks. This action has been expected for many months. It will be remembered that a first increase of one-half of the original reserve percentages was made on August 15th last. Immediately before that change took place, required reserves were \$2,946 millions and reserves in excess of requirements reduced excess reserves to \$1,810 millions. But by January 28, 1937, they had again increased to \$2,150 millions. Since it is the avowed and determined intention of the present Administration to do everything in its power to prevent boom conditions from developing, the further increase has clearly been impending. If it were

applied to the figures of January 28th, it would absorb about \$1,540 millions of the excess reserves, leaving \$610 millions remaining. This second increase exhausts the powers of the Federal Reserve Board, and if it is desired to raise reserve requirements still further new legislation will be required. It is doubtful, however, whether any further action will be needed. The increase in excess reserves during the past three years has been due to the enormous imports of gold, and the recent announcement of measures to "sterilise" future gold imports should prevent any further swelling of reserves for this reason. The excess reserves now remaining amount to only about 10 per cent. of the total of Member Bank reserves, and provided that further accretions can be avoided they do not provide the basis for more than a moderate further expansion of credit.

The Brokerage Controversy.—In the light of the recent controversy concerning foreign exchange brokers and their charges, the following figures are of interest as showing exactly why some foreign exchange business is now being done in Paris instead of in London. It must be borne in mind that the Paris "brokers" in fact act as principals and derive their income from the spread between their buying and selling quotations. For some time past the Paris brokers have been willing to buy at 105.15½ and sell at 105.15 (this latter being the Bank of France's buying rate), working on a margin of only ½ centime. This is equivalent to 10 shillings per 1,000,000 francs, and certainly compares very favourably with the 30 shillings, divided between buyer and seller, which the London brokers make on a purchase and re-sale of francs. But if only brokerage were in question it would probably pay very few buyers or sellers to put through a telephone call to Paris. Unfortunately, the buying and selling margin of the banks also has to be taken into consideration. At present the banks are buyers at 105½ and sellers at 105¾. Converting these rates into decimals and allowing for brokerage, this means that a buyer in London receives only 105.11½ to the £ (against 105.15 in Paris), while a seller must hand over 105.16½ (as compared with 105.15½ in Paris). Thus the Paris quotations favour buyers to the extent of 3½ points and sellers to the extent of ½ point, equivalent to £3 5s. and 17s. 6d. respectively on a million francs. Since a single-period telephone call to Paris costs only 6s., it would be a long-winded dealer, indeed, who could not save money by putting through a transaction of any magnitude in the Paris market instead of in our own.

Swiss Bank Corporation.—The figures of the Swiss Bank Corporation for December 31, 1936, show that last September's devaluation of about 30 per cent. has, financially, been a complete success. The feeling of confidence that followed devaluation resulted in a reflux of funds both from abroad and from private hoards, and money has been plentiful in the Swiss capital market. The total figures of the balance sheet of the Swiss Bank Corporation have made a remarkable advance over 1935, from Frs. 1,044,045,192 to Frs. 1,389,041,967. By far the biggest expansion on the liabilities side has been in deposit and current accounts, and more particularly in the latter, which have risen from Frs. 343,258,000 to Frs. 653,983,000, an increase of Frs. 310,725,000. It is natural that so rapid a reflux should find the bank unable to employ more than a small proportion of it profitably, and, in fact, it has gone very largely to swell cash assets. Cash has increased by Frs. 202,919,000 and funds with bankers at sight by Frs. 59,426,000. Debtors and other advances have actually decreased during the year, and of the working items only bills receivable have increased. However, this has not affected profits, which are Frs. 8,242,828, against Frs. 7,116,142 in 1935. This has enabled the dividend to be raised from 4½ to 5 per cent., and the amount carried forward is increased from Frs. 1,056,085 to Frs. 1,298,913. Now that the effects of devaluation

have been absorbed, and with a successful winter sporting season as yet unfinished, a feeling of optimism would appear to be justified.

The Money Market.—Conditions have been very quiet in the money market in spite of several large operations that have taken place during the week. The payment on Tuesday of the first instalment of £8 millions of the French Credit seemed to have little effect, except that money subsequently became a little more usable. One or two of the banks have even been calling. Rates, however, remain unchanged.

	Jan. 14, 1937	Jan. 21, 1937	Jan. 28, 1937	Feb. 4, 1937
	%	%	%	%
Bank rate	2	2	2	2
Clearing banks' deposit rate	½	½	½	½
Short loan rate:—				
Clearing banks	½-1*	½-1*	½-1*	½-1*
Others	½	½	½	½
Discount rates:—				
Treasury bills	½	½	½	½
Three months' bank bills	½-1	½-1	½-1	½-1

* Loans against Treasury bills and other approved bills and British Government securities within six months of maturity; 1 per cent. Treasury Bonds and other gilt-edged stocks within six months of maturity; and other collateral respectively.

The clearing banks have been buying maturities up to the end of April at their minimum rate of ½, but the demand has not been great. The market was a little more successful at last week's tender, securing 30 per cent. against 24 per cent. the week before.

The Foreign Exchanges.—Apart from the franc, the position of which we discuss in full above, there have not been any movements of interest in the foreign exchange market. Swiss francs were bid up to Frs. 21.38 at one time, but the rate slipped back again to Frs. 21.41. The premium of 2½ centimes for three months is only a measure of confidence in the exchange, as there is little or no forward business passing. Guilders remain firmly pegged to the dollar and vary accordingly, which is to say very little. The three months' forward premium of 1 cent is in effect equivalent to parity. The belga has shown a slight weakness, the rate going out to 29.06½ on one occasion before coming back to 29.03, but the three months' premium has remained at a minimum of 4 cents. There is, in fact a striking contrast between the weakness of the franc and the strength of the other currencies which were devalued last autumn, as shown in the premiums on the forward rates.

The Bank Return.—The most interesting feature of this week's bank return is the expansion of £5 millions in the note circulation, compared with £2.7 millions at the same time last year. This might suggest a recrudescence of French hoarding, but in fact there have been no signs of it. This expansion, then, may be taken as a measure of returning prosperity and the increased domestic demand for currency.

	Feb. 5, 1936	Jan. 13, 1937	Jan. 20, 1937	Jan. 27, 1937	Feb. 3, 1937
	£ mill.	£ mill.	£ mill.	£ mill.	£ mill.
Issue Department:—					
Gold	200.5	313.7	313.7	313.7	313.7
Note circulation	399.8	455.0	450.5	452.3	457.3
Banking Department:—					
Reserve	61.4	59.0	63.6	61.8	56.8
Public deposits	11.0	12.4	13.6	12.1	12.2
Bankers' deposits	102.9	106.7	100.3	98.4	96.1
Other deposits	37.0	38.3	37.6	38.4	38.3
Government securities	79.4	83.2	74.9	78.6	80.4
Discounts and advances	14.4	12.5	8.9	8.0	8.5
Other securities	13.9	20.8	22.1	18.7	18.9
Proportion	40.6%	37.4%	42.0%	41.4%	38.7%

Other changes are a slight drop of £2.3 millions in bankers' deposits and an increase of £3.8 millions in Government securities.

THE STOCK EXCHANGE

American Company Leverage

THE English language owes many enrichments to American usage. In the realm of company finance, however, there is less philological free trade, and the investor must needs be bi-lingual. So, when we pursue our study of company capitalisation (inaugurated in *The Economist* last week) across the Atlantic, "gearing" undergoes a sea-change and becomes "leverage." Both terms describe the relationship between fixed-interest and variable dividend capital; and both confront the investor with the same problem. How far can changes in industrial earning power be distorted by changing the relative proportions of these two forms of capital?

In our first article, the effects of gearing were examined from two aspects: first, the proportion of fixed to variable dividend capital; and, secondly, proportionate changes between total profits and ordinary share earnings during recovery. For American concerns, only the second method is available, owing to the ubiquity of the no-par share. The disadvantage, however, is not serious, for the earnings aspect of leverage, after all, is crucial, and the existence of the no-par share throws it into high relief.

It would be informative to compare the experience of the eight British companies whose results were analysed last week with their exact American counterparts, but unfortunately this is hardly practicable. Lever Brothers may, it is true, be ranked with Procter and Gamble, and Imperial Chemical Industries with Du Pont. But there is no precise American parallel for Allied Newspapers or even J. and P. Coats. In many cases, again, the recovery of corporation earnings is too recent to be serviceable for comparative purposes. The steel industry is a case in point. We have been compelled, therefore, to draw our American examples from a similar range of consumption and constructional trades, rather than to seek exact parallelism.

In measuring the change in the profits and common earnings of the average American corporation, from the

trough of depression to the latest year of recovery, the analyst is confronted by a mathematical dilemma. The 1932 profits depression brought deficits for the common capital of the majority of concerns, and, indeed, many were "in the red" before meeting their prior charges. Outside the higher mathematics there is no way of measuring the subsequent percentage change in these cases. Accordingly, the information given in last week's table has been extended to include not merely the worst and the latest years, but also a "first recovery" year, in which positive earnings were again available for both prior charges and common stocks. Consequently, the measure of improvement, shown in the accompanying table, is in several cases based on the second rather than the first phase of recovery.

The prevalence of deficits in depression shows that leverage is an important factor in the choice of recovery stocks, and an essential criterion for selling policy. When earnings are falling, the investor must know what reduction in equity earnings would follow from a given percentage fall in total profits. The different speeds at which deficits appear or are replaced by positive earnings are a function of leverage. But our figures also suggest that American undertakings as a whole are subject to a wider degree of fluctuation in total profits than British industry. For a "young" community which includes vast agricultural areas, this phenomenon is to be expected.

In the present series of articles we are concerned not with the amplitude of fluctuations in total profits between bad and good times, but with the effect on equity earnings of a given change in total earnings. It may be that the total profits of American companies are liable to move much more widely, over periods of years, than those of British companies. But to justify the suggestion that the American companies have the more highly geared capitalisation it is necessary to show that a given percentage rise in their total profits has produced a greater percentage rise in their equity earnings than the

same percentage rise would have produced in the equity earnings of their British counterparts. Now, reference to our table will show that six out of the eight American concerns have recorded an advance of more than 75 per cent. in total profits during the recovery period. In several instances, indeed (for reasons already discussed), this measurement covers only part of the actual progress. But two of these companies have not yet doubled their common stock earnings and a third shows slightly more than a 100 per cent. increase. In other words, their equity earnings have increased only a little faster than their total earnings. It is the relationship between the percentage rises in the two categories of earnings, shown in the last two lines of our table, which is relevant to the question of gearing.

Even this method of comparison, however, is open to mathematical objection, for the "percentage rise" figures are avowedly based on the results of a period when earnings were low; and a moderate absolute increase in subsequent earnings may be given a wholly exaggerated significance when it is expressed as a percentage of a small initial figure. Thus, the gearing of Johns-Manville appears decidedly high at first sight, because a rise of 189 per cent. in total earnings during the recovery period has produced a rise of no less than 630 per cent. in equity earnings. But the company's equity earnings in 1934, the base year, were microscopic, and the comparison gives no idea of the actual gearing to-day.

If we put ourselves in the shoes of an investor who is concerned with the question of buying or selling a particular share to-day, we may ask what percentage change in *present* equity earnings would be caused by a 1 per cent. rise or fall in *present* total earnings. Measured in this way, the gearing of the majority of the American companies in our list does not look particularly high. A one per cent. rise in the total earnings of General Motors will produce an increase of only 1.06 per cent. in equity earnings. An increase of similar proportion will secure an equity rise of 1.07 per cent. for Procter and Gamble, 1.12 per cent. for Du Pont, 1.18 per cent. for Liggett and Myers, 1.32 per cent. for Johns-Manville and 1.72 per cent. for American Smelting. If the same test is applied to the eight British companies shown in last week's table it will be found that the equity increases or decreases for every 1 per cent. rise or fall in total earnings exceed 1.3 per cent. in six out of eight instances, exceed 1.5 per cent. in four instances, and exceed 2 per cent. in three instances. The conclusion would seem to be that, at the present time and the present level of profits, the capitalisation of our selection of representative British companies is more highly geared than that of the American companies in our list.

But this statement is subject to an important qualification. A parent company may have no prior charges in issue, but its income may be derived from a chain of subsidiaries and sub-subsidiaries, each of which has prior charges to meet before passing the residual profits to the next in line of succession. In these circumstances, formidable leverage is inevitable. Suppose, for example, that an operating company, earning 7 per cent. over-all, has 25 per cent. of its capital in equity form. If four successive holding companies, each having half their capital in prior charges and half in equity stock, divide these operating earnings in turn, the ultimate rate of return on the common stock of a "top-tier" holding company with small equity capital will be fantastically distorted. If the assumed earnings of the operating company are reduced from 7 per cent. to 5 per cent. the earnings stability of the whole group will be completely shattered.

Leverage, therefore, is not a matter which can be judged on the balance sheet of one single company alone. It determines not merely the method of distributing earnings, but also, for holding companies, their actual amount. But whether leverage is accomplished within the agency of one company, or pushed to extreme limits through group finance, its nature and its consequences remain the same. We propose to explore, in a final article, its practical effects upon investment policy.



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LEVERAGE OF AMERICAN COMPANIES

	Sears Roebuck	Allis Chalmers	General Motors	Liggett and Myers	E. I. Du Pont de Nemours	Procter and Gamble	Johns- Manville	American Smelting
Capital, as shown in latest accounts (a) :—								
Funded debt (\$'000s)	Nil	15,000(d)	Nil	22,782	Nil	Nil	Nil	25,000(k)
Preferred (No. of shares and par)	Nil	Nil	1,875,366 (n.p.)	208,741 (\$100)	1,092,948(i)	192,017 (\$100)	75,000 (\$100)	684,000 (\$100)
Common (No. of shares and par)	4,832,447 (n.p.)	1,344,394(e)	43,500,000 (\$10)	3,136,939(h)	11,065,762 (\$20)	6,325,087 (n.p.)	750,000 (n.p.)	1,829,940 (n.p.)
Worst year (date ended)	Jan., 1933(b)	Dec., 1932	Dec., 1932	Dec., 1933	Dec., 1932	June, 1932	Dec., 1932	Dec., 1932
First recovery year (date ended)	Jan., 1934	Dec., 1935	Dec., 1935	Dec., 1933	Dec., 1933	June, 1933	Dec., 1934	Dec., 1933
Latest year (date ended)	Jan., 1936	Dec., 1935	Dec., 1935	Dec., 1935	Dec., 1935	June, 1936	Dec., 1935	Dec., 1935
Total earned for prior charges (\$'000s) {								
Worst	Dr. 2,544	Dr. 2,182	165	18,396	26,235	9,133	Dr. 2,681	Dr. 2,736
First Recovery	11,249	83,213	...	38,895	10,811	750	7,997	...
Latest	21,519	167,226	18,232	62,085	16,142	2,165	15,782	...
Total required for prior charges (\$'000s) {								
Worst	Nil	773	9,206	3,214	6,529	1,041	525	6,470(l)
First Recovery	Nil	...	9,179	...	6,545	1,041	525	6,687(l)
Latest	Nil	769(c)	9,178	2,836	6,557	1,031	525	6,618(l)
Total earned for common (\$'000s) {								
Worst	Dr. 2,544	Dr. 2,955	Dr. 9,041	15,182	19,706	8,092	Dr. 3,206	Dr. 9,206
First Recovery	11,249	74,034	...	32,350	9,770	225	1,310	...
Latest	21,519	1,985(e)	158,048	15,396	55,528	15,111	9,164	...
Proportion of total earnings absorbed by {								
Worst	Nil	(f)	(f)	17	25	11	(f)	(f)
First Recovery	Nil	...	11	...	17	10	70	84
Latest	Nil	28(c)	5	16	11	6	24	42
Percentage rise, latest year compared {								
with first recovery year	92	(g)	101	— 1(j)	137(j)	77(j)	189	97
with first recovery year	92	(g)	114	+ 1(j)	182(j)	87(j)	630	600

(a) Excluding issues since made. (b) 56 weeks. (c) Also first recovery year. (d) Since called for redemption. (e) Since increased by conversions. (f) No positive earnings shown. (g) No comparison yet available for 1935 and 1936. (h) Of which 859,856 common and 2,277,083 Class "B" Common. (i) 6 per cent. debenture stock. (j) Change compared with worst year. (k) Since reduced. (l) Figures include current year's preferred requirements.

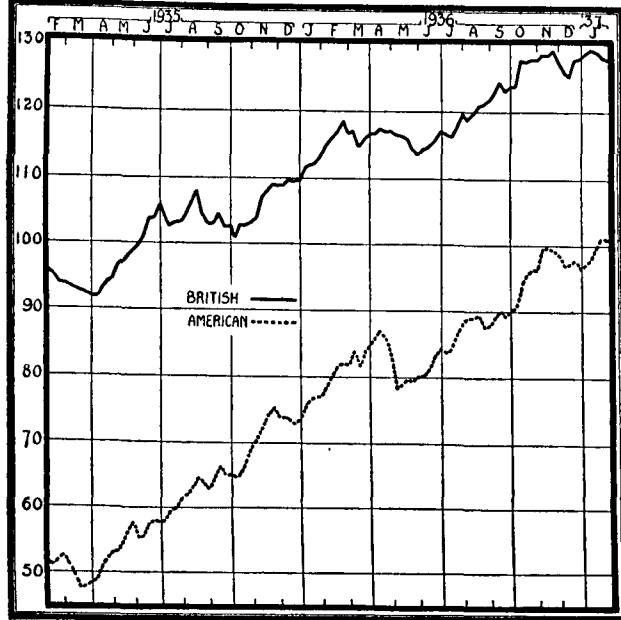
Investment Notes

Course of Share Values.—January was a month on which few British investors will look back with pleasure. Although Wall Street (as the annexed chart shows) continued its upward movement, the trend of prices in

BRITISH AND AMERICAN INDUSTRIAL SHARE VALUES OVER THE PAST TWO YEARS

(1928 = 100)

British: "Financial News" Index of 30 Ordinary Shares
American: "Standard Statistics" Index of 50 Common Stocks



London was reactionary. In the market for industrial and commodity shares, the recession was carried only to moderate lengths, and left values comparatively near the highest points reached in the present cycle. The

effects of a change in sentiment from ebullient confidence to half-incredulous doubt were more clearly visible in the market for gilt-edged securities and fixed interest stocks generally, though initial selling was somewhat overdone, and a limited recovery occurred this week. The market, in fact, has been concerned over the possible presence of a spectre at the Feast of Prosperity. The word boom has been inseparably associated with its ugly sister, slump. Though the market would like one without the other, it is convinced that, rather than have both, it would prefer neither. But can a boom be avoided now? Mr Keynes, in a further letter to *The Economist*, printed on page 302 of this issue, admits that the protestations of bank chairmen and other speakers and writers, that there must be no boom and no rise in interest rates, have had the opposite effect from that intended. The bankers, in fact, have made the market remember all that it wished to forget. Nor can it be said that confidence has, as yet, been restored. If the Government agrees that action designed to maintain the level of security values is most necessary, it must be prepared to stretch out a strong right arm, and that speedily. Now, in the market's view, is the time for the Party to come to the aid of all good men.

"Up and Up" on Wall Street.—Prices have been rising steadily on Wall Street since the middle of last week, for a number of substantial reasons. Steel shares have forged ahead on the good fourth quarter earnings now being reported, and because neither floods nor strikes seem to be able to affect output. *Iron Age* estimates steel mill activity this week at 79 per cent. of capacity, compared with 75 per cent. last week; and there are suggestions of a further increase in finished steel prices at the end of the current quarter. The decision to raise reserve requirements to the full extent permitted by law to the Federal Reserve Board acted as further encouragement to the market; for the market doubted of there being any significant rise in interest and money rates. This week there were renewed hopes of a settlement of the General Motors strike when Mr Knudsen agreed, on pressure from the President, to take up the negotiations broken off with Miss Perkins. Rail securities are overshadowed at the moment by the application of the unions for a 20 per cent. wage increase, and by the controversy between the Treasury and the Interstate Commerce Commission regarding the imposition of the undistributed profits tax upon the railroads, which the Commission strongly opposes. Utility issues were not adversely affected by the decision of the Federal Court upholding the constitutionality of the registration part of the Public Utility Act. In general, the most encouraging feature of recent Wall Street's strength is that it has developed despite the many factors which might in the short run have been made an excuse for weakness. Wall Street is not in that sort of mind.

Provident Societies and the Investor.—"Prospectus of *Stag Pool Loan*. Loan capital now offered for subscription, £50,000. Loan capital guaranteed against loss. Special Trust Fund created. Monies invested may be withdrawn at ten days' notice. Objects of the *Stag Pool Loan*: to make application for shares in high quality new issues—and turn same to profitable account in due course. How large profits are made: the profit arising from one operation of this type is not large, but it is made very quickly, and it will be multiplied within a short period by the regular repetition of the same operation. Estimated profits, 25 per cent. minimum." The society issuing the "prospectus" from which the above extracts have been culled is registered under the Industrial and Provident Societies Acts, 1893 to 1928. It is bound by none of the rules which apply to prospectuses issued under the Companies Act of 1929, or to statements for public information advertised under the rules of the London Stock Exchange. There is no public market in its capital. . . . An Expert Committee was set up last year by the Advertising Associa-

tion under the chairmanship of Sir Josiah Stamp. This committee has recommended, in a report published this week, that when societies registered in this way undertake public advertising, and seek to obtain money from the public generally, they should be subject to restrictions, at least as satisfactory as those imposed upon concerns utilising the Companies Act. As the report also finds that societies registered under the Industrial and Provident Societies Acts were intended for the small investor, there will be the widest possible agreement with the Committee's view. It may be hoped that early action will be forthcoming in the proper quarter.

Chinese Customs in 1936.—The full returns of Chinese Customs revenue in 1936, which are now available, show an increase of revenue to \$324,583,291, against the 1935 total of \$315,519,712. These totals include import and export duties, inter-port duty and surtax, tonnage dues, flood relief surtax and revenue surtax. The improvement during the past year is a reflection rather of the depreciation of the Chinese dollar than of expanding trade, for it is estimated that imports expressed in gold Customs units would show a decrease of perhaps 20 per cent. during 1936, against a slight increase in exports. The import duty yields more than ten times the export duty, so that an improvement in the balance of trade at the cost of falling imports, in Customs values, is not an unmixed blessing for the Chinese National Government. Smuggling continues unabated in the North; receipts from Tientsin, in Chinese dollars, fell by 13 per cent. during 1936, and there is no sign of an easing in the situation, particularly after recent developments in Japan. But while the Chinese Government may face a more difficult position in the future, the foreign holder of Customs loans need have no immediate concern. The service of foreign loans and Boxer Indemnities, expressed in Chinese dollars, was higher in 1936 owing to the depreciation of the dollar, but at last year's figure of \$76.7 millions it was covered four times. After providing \$6.5 millions for American Loans, and \$129.1 millions for the internal debt, a surplus of \$112 millions was available for the National Government revenues. The internal loan charges were greatly reduced in 1936 through the debt consolidation. In a negative sense, these results are satisfactory.

Foreign Bond Movements.—A further rise in "commodity bonds" is recorded by the "Municipal and General" index of foreign bond movements. South American provincial issues rose by no less than 20 per cent. during the past month, and are now over 50 per cent. higher than a year ago. The market's main emphasis is still upon defaulted bonds, and as a result of their further rise all the component series now stand above the base level of January-June, 1934:—

Month	Europe	Near and Far East	Egypt	South and C. America			Complete Index	Unde-faulted	De-faulted
				State	Prov. Govt.	Total			
(No. of Bonds)	(32)	(31)	(4)	(36)	(11)	(47)	(114)	(60)	(54)
1936									
Jan. . .	96.2	100.1	98.9	102.9	85.4	98.6	98.3	103.4	92.5
Feb. . .	96.4	107.7	98.8	103.5	86.5	99.3	100.7	104.1	96.8
Mar. . .	95.1	109.9	99.2	100.2	85.9	96.7	100.0	103.7	95.3
Apr. . .	97.6	110.0	98.7	101.3	87.9	98.0	100.8	104.7	96.5
May . .	96.1	106.5	99.2	101.3	88.6	98.1	99.8	104.3	95.0
June . .	96.3	104.4	99.4	100.2	89.2	97.5	99.1	102.8	95.1
July . .	94.7	110.6	100.9	99.1	89.2	96.7	99.8	104.4	95.0
Aug. . .	95.1	113.2	100.7	99.3	89.8	97.0	100.7	105.7	95.3
Sept. .	94.7	110.7	99.9	98.8	89.0	96.4	99.7	104.3	104.8
Oct. . .	95.2	111.7	99.7	105.3	93.0	102.3	102.5	104.3	100.6
Nov. .	95.4	110.6	99.6	107.2	101.0	105.7	103.9	104.5	103.2
Dec. . .	97.7	114.0	99.7	120.2	110.0	117.8	110.3	105.8	115.3
1937									
Jan.†	103.6	116.2	100.6	128.5	131.7	129.3	117.0	107.3	28.5

* From November, 1936, Europe 31 Bonds; Complete Index 113 Bonds; Unde-faulted 59 Bonds.
† From January, 1937, South and Central America, State, 35 Bonds; South and Central America, Total 46 Bonds; Complete Index 112 Bonds; Unde-faulted 58 Bonds.

The relatively small advance in Far Eastern issues masks a vigorous rise in Chinese loans, coupled with a setback in Japanese issues owing to political uncertainty.

Short Particulars.

BOOTH'S DISTILLERIES LIMITED

Authorised and issued. SHARE CAPITAL:		Paid up.
£195,250 in 5 per Cent. Cumulative Preference Stock . .	£195,250	£195,250
£500,000 in 6 per Cent. Cumulative Preference Stock . .	£500,000	£500,000
£200,000 in 6½ per Cent. Cumulative Preferred Ordinary Stock	£200,000	£200,000
£600,000 in Ordinary Stock	£600,000	£600,000
£1,495,250		£1,495,250

LOAN CAPITAL:		Outstanding.
£600,000 in 5 per Cent. First Debenture Stock . .	£588,300	£588,300

Notice has been given to redeem this Stock and a conversion offer has been made to the holders.

The List of Cash Subscriptions will open and close on Wednesday, the 10th day of February, 1937, for an

ISSUE OF £1,000,000 FOUR AND ONE QUARTER PER CENT. FIRST DEBENTURE STOCK AT £105 PER CENT.

This Stock will be secured by a first specific charge upon the Freehold Distilleries and other real properties of the Company with a floating charge upon the remaining assets of the Company, including uncalled capital. Such charges will rank subject only to the charges securing the old Debenture Stock until paid off.

This Stock will be redeemable by the operation of a Cumulative Sinking Fund of 1% commencing in 1940, either by purchase on the market at or below 106%, or by drawings at 106%.

Subject to the requirements for conversion purposes of the holders of the existing 5% First Debenture Stock, all stockholders and customers of the Company applying on the special Buff forms provided will receive preferential consideration in allotment in the public issue.

The Prospectus will show that:—

- The Company, incorporated in 1897, whose business was originally founded in 1740, is the distiller of the world-famous **BOOTH'S MATURED DRY GIN** and carries on an important general wholesale wine and spirit trade, and owns (amongst others) the following brands and businesses:—
Wm. Sanderson & Son Limited, owners of "VAT 69" Whisky.
The Millburn Distillery, Inverness, owners of "MILLBURN HIGHLAND MALT WHISKY."
- The objects of the present issue are to replace the outstanding Debenture Stock by a Debenture Stock carrying a lower rate of interest and to provide additional working capital.
- Total assets (including net surplus proceeds of the present issue) amount to **£2,596,262** more than two and a-half times the nominal amount of the present issue.
- The net profits of the Company as shown by its published accounts for the three years ended 31st March, 1936, before charging income tax, Debenture interest and any sums set aside for redemption of Debenture Stock, but after deducting all working charges including Depreciation and Bank interest, have been as follows:—
For the year ended 31st March, 1934 **£100,655 12 9**
" " " " 1935 **108,782 4 6**
" " " " 1936 **156,375 5 11**

On the basis of the average net profits for the last three years the amount required to meet the annual interest on the new Debenture Stock now being issued, namely £42,500, is covered over two and a-half times, and over three and a-half times by the net profits for the last financial year.

It is estimated that the net profits for the year ending 31st March, 1937, on the above basis will not be less than £175,000.

Prospectuses and Application Forms are now available from:—
LLOYDS BANK LIMITED, Issue Department, 72 Lombard Street, London, E.C.3, and Branches; and from the Brokers, MYERS & CO., 19 Throgmorton Avenue, London, E.C.2, and Stock Exchange.

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Company Notes

Some Manchester Investments.—We discuss the economic achievements and prospects of the Northern Metropolis in a special article on page 289 of this issue. It is no easier to define a "Manchester" share than to identify each ingredient of a Lancashire hot-pot. There are Manchester concerns known to investors in every county; there are others situated between Manchester and

Company and Share Denomination	Earned for Ordinary		Ordinary Dividend		Ord. Share Price		Yield (%)
	Previous Year	Latest Year	Previous Year	Latest Year			
Blackpool Tower (£1) ...	30.4	32.8	20	22½	125 0	£ 3 12 0	
District Bank ("A" shs. £5, £1 paid) ...	19.5	19.5	16½	16½	90 0	3 14 0	
Lancashire Dynamo and Crypto (£1) ...	6.8	15.5	5	10	67 6	2 19 3	
Lancashire Electric (£1) ...	7.5	8.1	7½	7½	38 0	3 19 6	
Manchester Ship Canal (£1) ...	1.9	1.8	1½	1½	8 6	4 2 0	
Ribble Motor Services (£1) ...	18.4	18.1	10	10	75 0	2 13 4	
Trafford Park Estates (£1) ...	5.8	6.6	6	7	32 6x	4 6 2	

Oldham whose shares are almost exclusively a matter of local interest. Among the latter must be included the shares of smaller spinning mills, which enjoy a specialist following in the two centres. Even these, however, are now attracting the outside investor. But there are other concerns which, having taught Manchester their merit, have sought further following in the South. We can include the *District Bank* and *Lancashire Electric* under this heading without flattering Manchester or offending

London. The more independent excursions into local finance which London has periodically made have sometimes been less fortunate. Investors in the South, for example, have paid rather dearly for the opportunity to assist in the large (too large) scale capitalisation of *Lancashire Cotton Corporation*. Manchester's traditional dependence upon free trade provides a group of warehousing and transport companies. *Manchester Bonding Warehousing* and *Lloyds Packing Warehouses* both have a consistent dividend record through good years and bad. Local transport services include *Manchester Ship Canal*, whose traffics have steadily increased during the past year, and *Ribble Motor Services*, a Tilling and B.A.T. undertaking. New industries find their home in *Trafford Park Estates*, where a number of industrial concerns, including *Lancashire Dynamo and Crypto* and *Rubber Regenerating* have built their works. Finally, "laiking" Yorkshiremen and "wakeing" Lancastrians cease fighting the Wars of the Roses among the entertainments of Blackpool, and so provide increasing dividends for shareholders in *Blackpool Tower*. The Palatinate may not match its pre-war economic strength, but, as the accompanying table shows, its representative enterprises are stretching out towards increasing prosperity. And if the current revival of the cotton industry proceeds, the case for including a selection of Manchester shares in a diversified investment portfolio must be strengthened.

* * *

Thomas Tilling Finance.—The disclosed profits of Thomas Tilling for 1936 were £428,752, against £388,005 for 1935. After fees, interest and preference dividend, there remains £388,110 (equivalent to 12.3 per cent.) to cover the 10 per cent. dividend, of which the gross cost is £329,600. For 1935, £346,952 was available for the ordinary dividend, which was also at the rate of 10 per cent., but on a smaller capital. It is difficult to assess the significance of these figures. The company is now almost entirely a holding company; and its largest individual holding is of 1,610,880 ordinary shares in Tilling and British Automobile Traction, another holding company. No consolidated accounts are issued. Yet, over a period, there is evidence that relative stability of profits may be approaching. The following table compares the ordinary earnings with the amounts distributed by both Tilling companies:—

	Thomas Tilling		Tilling and B.A.T.	
	Earned for Ord.	Ord. div. cost (gross)	Earned for Ord.	Ord. div. cost
1931	308,365	158,205	210,105	160,000
1932	312,325	197,756	214,801	160,000
1933	324,125	197,756	215,264	180,000
1934	280,916	197,756	256,877	225,000
1935	346,952	263,675	308,718	250,000
1936	388,110	329,600	347,423	333,333

Though earnings have risen vigorously over the six years, dividends have risen more steeply still, and now absorb much the greater part of earnings. Under the Road Transport Act of 1930, the road passenger transport industry has been stabilised and controlled. With the risk of competition virtually eliminated, the larger undertakings have concentrated on savings by way of improved equipment and organisation. Those savings no doubt account for most of the improvement in profits shown above. But, with rising petrol, tyre and vehicle costs and the possibility of higher wages, the scope for further savings begins to appear more limited. In the absence of a substantial further expansion in traffics, stability is the logical prospect. Behind such uninformative accounts, however, there lies the possibility of "hidden" reserves. Over-generous depreciation charges might be reduced; or the operating companies' earnings might be more lavishly distributed. In valuing the ordinary shares of Thomas Tilling at 73s. (cum dividend) to yield £2 15s. 6d. per cent., however, the market seems to assess these chances—and further share bonus possibilities—distinctly highly.

Retrospect for Gas Stockholders.—For undertakings which are subject to steady changes of trend, there is point in the much-despised process of "jobbing backwards." This suggestion applies even to an undertaking like the Gas Light and Coke Company, which has maintained its 5½ per cent. ordinary dividend since 1929. It is at least equally relevant to such a concern as South Metropolitan Gas, whose dividend has been reduced from 6½ per cent. in 1930 to 5½ per cent. for 1936. In the following table we show the changes in the main operating and financial figures for Gas Light and Coke between 1929 and 1931. The base date is open to the objection that it precedes the acquisition of the Southend undertaking in 1932, but the principal lesson of the table is to be drawn from the widely differing rates of change between the items:—

	1929	1936	Per cent. Change
Revenue:—			
Sales of gas	8,463,739	8,725,012	+ 3
Rentals	1,405,510	1,829,835	+30
Residuals	1,945,300	2,410,630	+24
Costs:—			
Manufacture	5,890,176	5,418,432	— 8
Distribution	2,539,421	3,668,924	+45
Operating:—			
Gas sold (000's of therms)	257,044†	266,210	+ 3
Coke sold (000's of tons)	1,495	1,703	+14

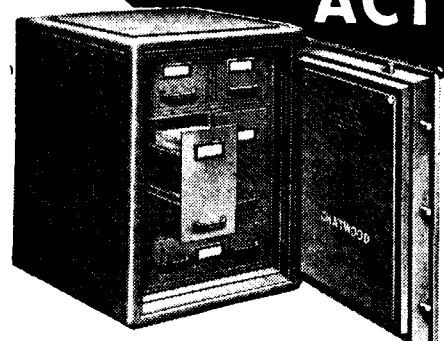
† Figure for 1931; 1929 figure not available.

During the period, sales of gas have increased by 3 per cent., much of the advance being attributable to last year. Rentals, up by 30 per cent. and costs of distribution, up by 45 per cent. reflect the progress of an extensive campaign for popularising new appliances and for supplying new housing areas. Important economies have been achieved in manufacture, and the percentage fall would have been more impressive but for increased coal costs in 1936. Finally, the treatment and sale of residual products has been greatly improved; at present this source of income is equivalent to no less than 27½ per cent. of the revenue from gas sales. The figures, indeed, suggest that more consumers are using less gas per head, owing to more efficient apparatus and to changes in the public's dietary. At this stage cost factors appear more expansionary than revenue. Holders of Gas Light and Coke ordinary stock should be able to count upon the maintenance of the present dividend at present gas prices. But the prospect of a further rise in interest rates confronts the purchaser with a choice between some capital depreciation with a more or less stable cash return. The stock stands at 26s. 1½d. and yields £4 6s. per cent.

* * *

Progressive Footwear Profits.—The reports of boot and shoe companies for 1936 make, on the whole, a more satisfactory showing. Rising costs have, for the most part, been passed on to the consumer, and steady improvement in profits is generally reported. Among firms which retail their own manufactures, *William Timpson* stand out with a 20 per cent. rise in profits to £152,162. In addition to a 2½ per cent.

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CAPITAL ISSUED	...	...	...	...	...	...	...	...	£ 8,125,000
CAPITAL PAID UP	...	...	...	...	...	...	...	...	1,875,000
RESERVE FUND	...	...	...	...	...	...	...	...	800,000
CURRENT AND DEPOSIT ACCOUNTS	...	...	...	...	...	...	...	...	37,577,781
CASH IN HAND AND AT BANK OF ENGLAND	...	...	...	...	...	...	...	...	4,088,303
MONEY AT CALL AND SHORT NOTICE	...	...	...	...	...	...	...	...	5,600,269
INVESTMENTS	...	...	...	...	...	...	...	...	12,878,342
BILLS DISCOUNTED	...	...	...	...	...	...	...	...	2,499,609
ADVANCES	...	...	...	...	...	...	...	...	11,955,042

31st December, 1936

increase in the dividend of 25 per cent. on the old capital, a 6½ per cent. capital bonus has been distributed. In the same category, *Stead and Simpson* show the more moderate increase of about 4 per cent. in profits, and maintain the 10 per cent. dividend. This company, in fact, distributes only half of its equity earnings, but its total profits of £47,151 are still well below the pre-depression level. That condition, however, is common to most companies in the group. It applies, for example, to *H. E. Randall*, whose earnings of £28,929 are, indeed, slightly below those for the previous year. On the manufacturing side, increases in profits, as exemplified by *Lotus, Limited*, and *L. J. Weber and Phillips*, are more substantial. Earnings for Lotus ordinary shares are equivalent to 11.1 per cent. against 8.6 per cent., and total income has reached a new record at £110,886. The dividend, however, is modestly raised by only 1 per cent. to 7 per cent. *L. J. Weber and Phillips*, with profits of £18,237, have made comparable progress, and a rising output, apparently, more than offset the rising prices of materials. Among distributing companies, *John Loveys and Company* report a remarkable increase in income from £5,715 to £10,232, in keeping with its somewhat erratic record. *J. Darnell and Public Benefit Boot* have earned about 6 per cent. more in profits, and the latter company has resumed deferred ordinary dividends with a 5 per cent. payment. Boot company shares are experiencing a late and modest form of recovery. And in the struggle between increasing turnover and higher costs, it is difficult for the general investor to find a verdict.

Qualcast Finance.—Modern methods of industrial finance divert business not merely from the banks but also from the new issue market. The observer may detect signs that many leading industrial concerns are stoking up their cash resources, with the intention of securing a comfortable margin of net current assets to finance further extensions of business. The Turner and Newall and Triplex issues to shareholders may be cited. So might the proposed Qualcast issue, but for one sentence in the directors' announcement. It is stated that the offer of 100,000 5s. shares at 20s. will enable the company to finance its activities entirely out of its own resources. "At certain periods of the year," the circular proceeds, "the company has to finance considerable stocks in its lawn-mower department, which have, in the past, necessitated obtaining advances outside the business." Shareholders will doubtless be gratified to have the opportunity to subscribe for new shares on attractive bonus terms, in view of the directors' anticipation that they will be able to maintain at least the usual distribution. During the last three years, 20 per cent. has been paid out of remarkably stable earnings approximating to 30 per cent. The last three balance sheets, at June 30th, show no lack of net current assets, although large sums are locked up at that time of the year in debtors and stocks. But is it necessary to make a permanent increase in capital merely to avoid legitimate recourse to temporary accommodation for seasonal fluctuations in the business? Qualcast is not a holding company. With a number of subsidiaries, capable of smoothing out their seasonal requirements. If temporary requirements are permanently financed in this way, can satisfactory employment be found for the free cash during other periods of the year? It would be interesting, indeed, to see a Qualcast balance sheet drawn up to September 30th.

Rubber Prices and Prospects.—During the past two months the rubber share market has not lacked incident. The commodity price, after reaching 11d., is

now slightly below 10½d., yet it is only three months ago since 8d. was used as a reasonable basis for calculations. The 70 per cent. for the first half of 1937 has been superseded by quotas of 75 per cent. and 80 per cent. for the first and second quarters, and for the third the committee has ordained a further increase to 85 per cent. For companies whose financial year ended round about October, 1936, it is a far cry from the 65 per cent. quota then in force to the average of 80 per cent. for the first nine months of the current year. Whatever may be the real advantages of a system of freely adjusted quotas over unregulated output, freer supplies became necessary when rubber prices began their rapid climb. Moreover, for technical reasons, the longest possible notice of quota revisions is necessary for the plantations. The direction of future prices may be clearer when the General Motors dispute is settled, but until increased supplies become available, fluctuating prices of rubber appear likely. But a considerable rise in demand will be necessary to support a 10d. price when production under the higher quotas is forthcoming. We have, therefore, taken the commodity price both at 9d. and at 10d. in the following estimates of earnings:—

Company (and last accounts, 1936)	Latest Costs†	Latest		Est. Ord. Earnings, Rubber at		Share Price	Potential Earnings Yield on 9d. Rubber
		Ord. Earnings	Ord. Div.	9d. per lb.	10d. per lb.		
	d. per lb.	%	%	%	%	s. d.	%
Bah Lias (Oct.)	4.9	9.9	9	16.1	20.0	38 9	8.3
Sednak (Oct.)	4.4	8.1	6	14.0	17.0	35 0	8.0
Sedayan (Sept.)	4.4	8.3	7½	14.2	17.3	31 3	9.1
Toerang (Oct.)	5.0	9.3	9	19.1	24.0	43 1½	8.9
Bila (Sumatra) (Aug.)	4.9	4.4	4.0	15.5	19.3	2 1½	8.6

† Estimated all-in London cost plus prior charges if any, from latest accounts.

In each case, average production of 75 per cent. has been assumed for the current financial year. Taking 9d. and 10d. as a possible range of prices, there may be a possible variation in equity earnings of between 3 per cent. and 4 per cent. On the lower price basis, the market does not appear to have lost touch with the realities of the situation.

"Writs."—As anticipated, the West Rand Investment Trust made its official debut on the Stock Exchange after the Committee had given permission to deal at mid-day on Wednesday. The actual "opening" price was 1½-1½ for the 10s. shares (subscribed by finance companies in the Anglo-American Corporation group at 15s. per share). Between the subscription and the official opening many unofficial dealings were done, precisely of the kind which is understood to be authoritatively frowned upon and is certainly not calculated to attract commendation. Some "placing" appears to have been done in the region of 25s. 6d., but the placing price to brokers through the market was fixed at 27s. 10½d.—at which level only about one-twentieth of the demand was satisfied—and *sub rosa* transactions before the granting of permission to deal ranged up to around 32s. The bulk of the company's assets is represented by the holdings in West Witwatersrand and Western Reefs, both of which could have been bought a few weeks ago well below the present level as represented by the price of the West Rand Investment shares. "Writs," as the company has established itself in the market, is not, however, merely a holding company, and it is to be presumed that the present market capitalisation includes something for the goodwill which attaches to a strategic position in the prospective development of the great potentialities of the Far West Rand. Point was given to this aspect of the company's prospects by the announcement, before the commencement of official dealings, of the acquisition of options covering approximately 165 square miles in the Orange Free State, situated 60 to 70 miles south of the Western Reefs property near Klerksdorp. Meanwhile, permission to deal in the shares of the company on Johannesburg Stock Exchange has been temporarily postponed—it is understood for purely technical reasons.

The Rand's Market Capitalisation.—Last week we published a comparative table showing the ore reserve re-estimates of the majority of the Rand's gold mines as at December 31, 1936. The figures revealed an almost general expansion in tonnage. Since South Africa left the gold standard in December, 1932, changes in the status of her leading industry have been momentous. In 1932, the thirty-two principal producing mines of the Rand crushed some 35,000,000 tons of ore. The average recovery was 6.5 dwts. per ton—equal to 28s. per ton, with gold at 85s. per ounce; and the working profit was £14,500,000. Last year, thirty-five important mines crushed 44,000,000 tons. Their recovery of only 4.5 dwts. per ton was equal, at the higher gold price of 140s. per ounce, to 31s. 6d. per ton; and their working profit was £32,000,000. The expansion has been even more pronounced in so far as it affects the investor. Five years ago there were quoted on the London Stock Exchange the shares of thirty-two producing mines and one mine in the active development stage. These mines had an aggregate market capitalisation of £70,000,000. To-day, the shares of over sixty important mining companies are quoted, thirty-four of which are producers and dividend-payers, while the remainder are in varying stages of development. The aggregate market capitalisation of these sixty companies exceeds £400,000,000.

Of the thirty-two producers of 1932, some twenty-six were on the dividend list. These companies distributed an aggregate of £8,500,000, representing 12 per cent. on their 1932 market capitalisation. Last year's total distribution by thirty-four companies was approximately £17,000,000, giving a yield of 6½ per cent. on a market capital value of £255,000,000. These figures afford striking testimony to the efficacy of three tendencies: expansion in the gold-mining industry, reduced interest rates, and the increased investment prestige of the Rand. South Africa's departure from the gold standard has more than doubled the potential life of the Rand within its former limits. But it has done more; for it has brought within the orbit of profitable exploitation extensive tracts of country on lateral extensions of the field, both East and West.

Union Corporation Ore Reserves.—The feature of the December ore reserve estimates of the Union Corporation group is the expansion at East Geduld. The reserves at the end of 1936 are computed to be 9,000,000 tons, averaging 6.3 dwts. over an estimated stoping width of 60 inches. This compares with 7,950,000 tons, averaging 6.5 dwts. over 59 inches a year earlier. The latest calculation, however, includes 600,000 tons in shafts and safety pillars not at present available for mining, with a value of 7.7 dwts over 59 inches. The ore reserves of Geduld Proprietary are slightly higher at 9,100,000 tons, with a value of 5 dwts., compared with 5.2 dwts. previously—both over 57 inches. Although Modder Deep (now in liquidation) has in the meantime treated about 600,000 tons of ore, the reserves stand at 600,000 tons, and show a reduction of only 200,000 tons. The average value, however, is 0.4 dwts. lower at 2.9 dwts. The latest estimate includes a substantially increased tonnage of Kimberley reef material.

Company Results of the Week.—*British Investment Trust and Olympia, Limited*, are among the 28 other companies whose profit and loss accounts are tabulated on page 336. A discussion of the results appears on page 335 under the heading "Shorter Company Comments."

Company Meetings of the Week.—On later pages of this issue will be found the reports of the following company meetings:—Lloyds Bank, Williams Deacon's Bank, General Consolidated Investment Trust, Central and District Properties, Governments Stock and Other Securities Investment, Ashanti Goldfields Corporation, Bibiani (1927), and Gold Coast Associated Companies. At the Lloyds Bank meeting Lord Warrington gave the first analysis of total advances classified by industries which the clearing banks propose to publish annually. A comparison was given between advances outstanding at about October 31, 1936, and those reported to the Macmillan Committee for 1929-30. Mr Gerard Dewhurst, addressing Williams Deacon's Bank shareholders, considered that the Cotton Spinning Industry Act for dealing with redundant machinery was having a definite psychological effect on the trade. At the Central and District Properties meeting, Mr Horace Boot reported the purchase of two new properties, and discussed the position of flat accommodation generally. The chairman of General Consolidated Investment Trust explained to the proprietors the duty of trust directors to forestall the inevitable fluctuations in economic and market conditions. At the Governments Stock and Other Securities Investment meeting, Viscount St. Davids drew attention to the disappearance of the depreciation on investments, which four years ago was 36 per cent. Mr J. H. Batty, speaking to Ashanti Goldfields Corporation shareholders of reduced working costs, estimated that the dry-crushing and roasting process costs might eventually come within 8s. 3d. per ton. At the Bibiani (1927) meeting, he spoke of the urgency of increasing haulage capacity and installing a new treatment plant. Sir Cecil Rodwell, at the Gold Coast Associated Companies meeting, after estimating the saving from changes in the company's administration, pointed out that the downward trend in the value of mining investments had been checked.

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Bankers to the Imperial Government in South Africa; and to the Governments of Northern Rhodesia, Southern Rhodesia, Nyasaland and Tanganyika

CAPITAL Authorised and Subscribed	£10,000,000
CAPITAL PAID UP	£2,500,000
RESERVE FUND	£2,500,000
CAPITAL UNCALLED	£7,500,000
	£12,500,000

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THE WEEK IN THE MARKETS THE STOCK EXCHANGE

SETTLING DAYS

TICKET: FEBRUARY 16 ACCOUNT: FEBRUARY 18

THE market has entered February with much more heart than it showed during the last account. The "House" generally presents a more settled appearance, and while spectacular price advances are still rare, there is a sufficient strengthening in prices to make a perceptible impression on the index numbers. Gilt-edged have produced their expected rally, and the smaller type of seller has fled at the appearance of the Government broker. Herr Hitler's week-end speech produced no specific reaction in the market—except in Dawes and Young loans. And with sufficient features to keep the pot simmering, greater public and professional interest has been attracted to the industrial sections.

Gilt-edged opened too erratically to stage large gains, but a general growth of confidence was evident on Tuesday and Wednesday. Support was not on a large scale but it was sufficient—thanks to the eager covering of small bears—to produce a half-point rise in Old Consols on Wednesday and Thursday's close was strong. Indian stocks staged a recovery in sympathy, and Australian loans were better on the trade figures.

Sino-Japanese issues opened firm in the foreign market, and continued to advance on later days with good support. German bonds made a delayed reaction to Herr Hitler's speech, after some initial support. Peru Corporation and Brazilian issues improved.

The home rail market, buoyed up with dividend optimism, did not stay the pace. Some demand was reported for junior issues, but professional operators turned sellers of Southern deferred in anticipation of the traffics. Apart from a further rise in Great Western, Tuesday was a spasmodic day, and general slackness prevailed in midweek. Argentine rails made an impressive bow, but some excellent traffics found the market unresponsive later. Some speculative purchases of Canadian Pacific ordinary lifted the price more than a point on Tuesday.

The new account has seen business on a modest scale in industrial markets, but the tone has been firm, and has improved as the week progressed. Cable and Wireless stocks

have been consistently favoured in expectation of good accounts and better traffics, and trans-Atlantic issues have moved in sympathy with the upward trend on Wall Street. Iron and steel issues registered an all-round improvement, with Colville prominent on dividend hopes, John Brown higher for similar reasons, and United Steel in demand on the expansion scheme. Stewarts and Lloyds shares and Tube Investments weakened against the trend. In the coal group, William Cory improved on dividend and bonus hopes, and Powell Duffryn on trading reports. Prices improved slightly in the aircraft section, and in the motor group Standard were the outstanding feature. Electrical equipment issues were irregular at the opening of the week, but strengthened later, particularly General Electric.

The textile group contained several bright features and prices improved generally with Lancashire Cotton Corporation debentures at par on Thursday. British Celanese were in the lead in the rayon group. Brewery issues were irregular despite the good beer production figures. In the miscellaneous industrials section British Oxygen were subject to profit-taking. International Combustion improved slightly, and a recovery was registered in cement and building material issues, with Tunnel Portland Cement prominent.

Oil shares enjoyed an active week. Apex and Trinidad Leaseholds attracted most attention in a market encouraged by the increased posted prices of American crude oil. This evidence of a strengthened price structure brought good support for the leading issues, and no share, whether of petrol or crude oil producers, lacked buyers. We examine the prospect for oil shares on page 313. Scant interest was shown in the rubber market, and apart from an intermission of French buying, on Tuesday, the market was largely featureless. Tea shares lost ground on the poorer tone on Mincing Lane, and the mid-week prospect seemed somewhat bleak.

The tone in the mining market has remained good. Early in the week more attention was paid to established concerns, but interest centred mostly round the new West Rand Investment Trust. Before dealings in "Writts" started on Wednesday, there was considerable activity in developing mines. The start of business in the new company's shares was awaited eagerly, the opening quotation being 31s. 3d. to 32s. 6d. Rhodesian copper issues improved on the better outlook, while in West Africans, and also in base metals generally, prices were firm, though there was little business. The Burma Corporation dividend was well received, being rather more than was expected.

"FINANCIAL NEWS" MARKET INDICATORS

	Jan. 28	Jan. 29	Feb. 1	Feb. 2	Feb. 3	Feb. 4
Approximate total of bar-gains recorded in S.E. List	10,875	10,260	11,510	10,900	10,275	11,650
Corres. day 1936	11,828	11,041	13,402	11,588	11,450	12,000
SECURITIES MOVEMENTS						
Index of 30 Ordinary Shares (July 1, 1935 = 100)	122.5	122.0	122.6	122.9	123.1	123.5
Index of 20 Fixed Interest Securities (1928 = 100)	134.0	133.9	133.7	133.8	133.9	133.9
Highest 1936: Ordinary Shares 124.9 (Nov. 18); Fixed Interest 138.8 (Feb. 10).						
Lowest 1936: Ordinary Shares 107.4 (Jan. 2); Fixed Interest 138.2 (Sept. 23).						
Highest 1937: Ordinary Shares 124.8 (Jan. 4); Fixed Interest 136.6 (Jan. 4).						
Lowest 1937: Ordinary Shares 122.0 (Jan. 29); Fixed Interest 133.7 (Feb. 1).						

ACTUARIES' INVESTMENT INDEX

The Actuaries' Index of 178 industrial ordinary shares stood on Tuesday last at 90.2 against 90.5 a week ago, and 90.8 a month ago. The respective percentage yields are 3.76, 3.71 and 3.71. A selection of the separate indices follows:—

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)			Yield (%)		
	Month Ago (Jan. 5, 1937)	Week Ago (Jan. 26, 1937)	This Week (Feb. 2, 1937)	Month Ago (Jan. 5, 1937)	Week Ago (Jan. 26, 1937)	This Week (Feb. 2, 1937)
Insurance Companies (24)	134.8	132.0	130.1	3.17	3.24	3.28
Building Materials (5)	104.3	103.9	105.3	4.83	4.84	4.77
Coal (7)	119.9	116.4	118.0	3.18	3.21	3.23
Cotton (6)	54.6	56.0	57.4	2.00	1.87	2.14
Iron and steel (12)	83.2	81.1	80.2	3.75	3.88	3.91
Oil (5)	100.1	102.3	103.9	2.75	2.65	2.87
Breweries and Distilleries (21)	151.3	149.7	147.5	4.17	4.22	4.28

OVERSEAS STOCK EXCHANGES

NEW YORK

VERY firm conditions have prevailed in Wall Street during the week. At the opening of markets on Monday prices rose generally on the increase in reserve requirements announced by the Federal Reserve Board. Steel issues were higher on the rising steel mill activity, which has not been affected

greatly either by strikes or floods. Utilities were firm despite the Federal Court decision that the registration section, at least, of the Public Utility Act is constitutional. Oil issues improved on higher petrol prices. Rail and rail equipment shares, and motor issues with the exception of General Motors, led the market later in the week, Chrysler in particular benefiting from the effect of the shut-down of its competitors. Rail equipment shares are being helped by larger orders placed by the companies for new equipment. Steel shares continued to be strong in mid-week on the *Iron Age* estimate of activity at 79 per cent. of capacity against 75 per cent. for last week. Conditions in the bond market improved after the announcement of the increased reserve requirements, but Treasuries turned slightly weaker later, although substantial gains were made by second-grade industrials.

	Jan. 27, 1937 (Close)	Feb. 3, 1937 (Close)	Feb. 4, 1937 (Latest)		Jan. 27, 1937 (Close)	Feb. 3, 1937 (Close)	Feb. 4, 1937 (Latest)
1. Rails & Transport				4. Manufacturing			
Atchafalaya	73½	74½	74½	Briggs	55½	56½	55½
Balt. and Ohio	22½	23½	23½	Chrysler	119½	127½	127½
B.M.T.	50	50½	49	Electric Autolite	41½	44½	44½
Can. Pacific	15½	16½	16½	General Motors	66	67½	67½
Ches. and Ohio	65	65½	67½	Hudson Motor Car	22½	34½	22½
Gt. Nthn. Ry. Pl.	43½	45½	45½	Murray Corp.	18½	19½	19½
Illinois Central	23½	24½	24½	Nash Kelvinator	23½	23½	23½
N.Y. Central	41½	34½	43½	Packard Motor Car	11½	11½	11½
Nor. Pac.	28½	28½	29½	Bendix Aviation	26½	27½	27½
Pennsylvania R.R.	41½	42½	42½	Boeing Aircraft	36½	36½	38
Southern Pac.	46½	48½	48½	Douglas Aircraft	73½	70½	70½
Southern Ry.	27½	30½	30½	United Aircraft	30½	30	29½
Union Pac.	129	31	131	Air Reduction	75½	78½	77½
Greyhound Cp. New	15½	15½	15½	Allied Cheml. xid.	234½	240	223½

	Jan. 27, 1937 (Close)	Feb. 3, 1937 (Close)	Feb. 4, 1937 (Latest)		Jan. 27, 1937 (Close)	Feb. 3, 1937 (Close)	Feb. 4, 1937 (Latest)
2. Utilities and Communications				5. Retail Trade and Food			
Am. Waterworks	26½	26½	26½	Montgomery Ward	54½	59½	59½
C'wealth & S'tern (Cons. Gas of N.Y.)	3½	3½	3½	C. Penney Co.	98	100	99½
now Cons. Edison	46½	47½	47½	Sears Roebuck xid	84	87	86
Col. Gas & Electric	18	17½	17½	United Drug	14½	14½	14½
Elec. Bond & Share	25½	25½	25½	Walgreen xid	38½	40	42½
Nat. Pwr. and Lt.	13½	13	13½	Woolworth	63½	61½	61½
North American	31½	31½	31½	Gen. Foods	43½	44	43½
Pac. Gas & Electric	35	34½	34½	Kroger Grocery	22½	23½	22½
Pac. Lighting	50	49½	48½	Nat. Biscuit	31½	31½	31½
Pub. Service N.J.	52½	51½	51½	Nat. Dairy	23½	23½	24
Stan. Gas & Elec.	122	122	122	Standard Brands	15½	15½	16
United Corp.	7½	7½	7½	Am. Tobacco B.	113	113	113
U.S. Gas Imp.	15½	15½	15½	Liggett Myers B.	23½	25½	26½
Atch. Tel. & Tel.	183½	183½	183½	Reynolds Tob. B.	56½	56½	57
Int. Tel. and Tel.	12½	12½	12½	National Distillers	28	27½	28
Western Union	11½	11½	11½	Schenley Distillers	43½	44	44½
Radio	78	78	78				
Radio B. Pref. New	78	78	78				

	Jan. 27, 1937 (Close)	Feb. 3, 1937 (Close)	Feb. 4, 1937 (Latest)		Jan. 27, 1937 (Close)	Feb. 3, 1937 (Close)	Feb. 4, 1937 (Latest)
3. Extractive and Metal Industries				6. Finance			
Am. Rolling Mills	33½	35	34½	Commercial Credit	65½	65½	66½
Beth. Steel	128½	128	128	Atlas Corp.	17½	17½	17½
Repub. Steel	31½	35½	35½	Com. Invest. Trust	78½	75½	77½
U.S. Steel	88½	99½	99				
U.S. Steel Pref.	149½	150	149½				
Alaska Juneau xid	14½	14½	14½				
American Metal	89	89	89				
American Smelting	91½	94½	93½				
Anaconda	53½	56½	55½				
Bohn Aluminium	43½	44½	44½				
Cerro de Pasco	67½	70	70				
Int. Nickel	62½	65½	65½				
Kennecott	58½	61	60½				
Patino Mines	14½	14½	15				
Texas Gulf Sulph.	40½	41	42				
U.S. Smelt.	86	88	89				
Vanadium Corp.	30½	31½	33½				
Atlantic Refining	34	34½	34½				
Phillips Petroleum	52	56½	56				
Shell Union	28	29½	29½				
Shell Union Pref.	104½	104½	104½				
Socoxy Vacuum	17½	19	19				
Stand. Oil Calif.	45½	47½	48½				
Stand. Oil N.J.	69½	70½	71				
Texas Corp.	53	58½	58½				

By courtesy of the Standard Statistics Company, Inc., of New York, we print the following index figures of American values calculated on closing prices (1926 = 100):—

	1936	1937	Beginning of Year 1937	Jan. 20, 1937	Jan. 27, 1937	Feb. 3, 1937
	Lowest Apr. 29	Highest Nov. 10	Lowest Jan. 6	Highest Jan. 20		
347 Industrials	112.7	145.9	143.2	151.9(s)	149.0	151.9
32 Rails	42.8	60.2(b)	54.6	57.1	54.6	56.7
40 Utilities	91.2	111.0(c)	111.7	116.4(d)	114.2	112.9
Total, 419 Stocks	97.7	125.4	123.5	128.2	123.5	129.8
Average yield*	4.50%	2.65% (e)	4.53% (f)	4.20% (g)	4.53% (h)	4.20% (i)

* 50 Industrial Common Stocks. (b) Oct. 14th. (c) December 23rd. (d) April 8th. (e) December 2nd. (f) February 3rd. (g) January 13th. (h) January 13th. (i) January 13th.

DAILY AVERAGE OF 50 AMERICAN COMMON STOCKS (1926 = 100)

	Highest*	Lowest†	Jan. 27	Jan. 28	Jan. 29	Jan. 30	Feb. 1	Feb. 2	Feb. 3
	174.6	161.8	169.1	169.3	171.0	171.6	172.3	173.4	174.6

* February 3rd.

† January 4th.

TOTAL DEALINGS IN NEW YORK

	Jan. 28	Jan. 29	Jan. 30*	Feb. 1	Feb. 2	Feb. 3
Stock Exchange—						
Shares (No. Thous.)	2,340	1,960	1,190	2,360	2,430	2,450
Bonds (Thous. \$) ...	13,300	10,870	6,960	18,661	13,760	14,100
Curb—						
Shares (Thous.)	649	616	381	629	683	777

* Two-hour session.

CANADA

THE stock markets during January were continuously active, with a progressively upward trend for most reputable stocks. On the immediate outlook, the advance is expected to continue. Utility, construction and equipment stocks have been high in popular favour, but newspaper issues have risen freely and even the common stocks of companies in liquidation are in demand owing to the certainty of high newsprint prices in 1937. C.P.R. has also strengthened, less on account of higher net earnings than of the prospects for increased profits from its holdings in Consolidated Smelters. The bond market has been firm, and high-grade bonds have advanced; but certain Western Provincial issues have again been weak. The mining market has been booming as the result of better earnings and higher prices for copper and other base metals, but speculation is being carried to extremes.

	Price, Dec. 30, 1936	Price, Feb. 3, 1937	Price, Feb. 3, 1937 Eng. Equiv.†		Price, Dec. 30, 1936	Price, Feb. 3, 1937	Price, Feb. 3, 1937 Eng. Equiv.†
Bell Telephone	158	163	166½	Cockshutt Plow	14½	16½	16½
Canadian Car and Foundry	20½	19	19½	Dominion Glass	112	110	112½
Do., pref.	29½	29½	29½	International Petroleum	34	35	35½
Power Corporation	28½	31½	32½	Brazil Traction	18	23½	24½
Domie Mines	49	49	50	British Columbia Power "A"	38	37½	38½
Hollinger	38½	40	40½	Do., "B"	10½	10½	11
McIntyre	39½	40	40½	Canada Cement	14½	15½	16½
Bank of Canada	58	58	59½	International Nickel	63½	65½	66½
Bank of Montreal	211	238	242½	Massey Harris Com.	8	8½	9½
Bank of Nova Scotia	312	333	339½	Montreal Light	33½	35½	35½
Royal Bank of Canada	201	225	229½	Ogilvie Flour Mills	242	270	275½
Canadian Bank of Commerce	182½	205	209½	Quebec Power	22½	22½	23½
Canadian Pacific Ry.	14½	16½	16½	Shawinigan Water	31½	32½	32½
				Steel Co. of Canada	84	82	83½

PARIS

AFTER an uneasy beginning, with further anxiety about Spain, and labour troubles at home and in the U.S.A., the tone became good for the rest of January, despite a few irregular sessions. The settlement of the Lille metal workers' strike and the improvement in conversations helped the market, and the improvement in Young Loan was marked. French industrials were steady, Renten and bank shares alone being sensitive to changes in feeling. Some temporary weakness in Renten followed M. Blum's speech at Lyons towards the end of the month, as the market's expectations were somewhat disappointed. As the fall in the franc became accentuated, a waiting attitude was adopted; there were no serious falls, but business became restricted. Finally, the Bourse was relatively unmoved by the bank rate increase, as it still preferred to await the results of negotiations for a sterling loan. It seems that any tendency to weakness was offset by relief that earlier rumours of further devaluation and political difficulties had been disposed of.

	Dec. 30, 1936	Jan. 15, 1937	Feb. 3, 1937		Dec. 30, 1936	Jan. 15, 1937	Feb. 3, 1937
3% Perp. Renten	73.95	75.05	75.10	Royal Dutch	49,250	49,050	51,420
4% Renten 1917	72.40	74.40	74.20	Wagons Lits	84½	91	119
Banque de France	7,500	8,250	8,705	Mexican Eagle	188	165	170
Credit Lyonnais	1,606	1,762	1,725	"Chartered"	238	254½	255½
Suez Canal	26,200	27,080	27,525	Ford	58½	104	116
Chargeurs Réunis	425	525	594	De Beers	1,568	1,685	1,923
Rio Tinto	2,225	2,330	2,518	"Johnnies"	471	480	512

BERLIN

DURING the greater part of January the market was dull, with slightly weakening prices for industrials. In general, firm quotations were made in shipping shares and the leading

ADVICE ON AMERICAN STOCKS

Recognizing the demand of both private investors and financial institutions in Europe for first-hand advice regarding American securities and the cyclical trend of the American Stock Market, Major L. L. B. Angus of 301

commercial bank issues. The new year regulations restricting the purchase of stocks with blocked marks, and uncertainty as to the incidence on company finance of the new tax on currency-depreciation profits restrained the market. In mid-January the favourable blocked marked rate induced some selling by foreigners. Activity developed in the minor industrial issues quoted in the "cash list," many of which had been neglected. At the end of the month, after a dull opening, the market became more cheerful, and a pronounced advance occurred, in which potash issues, public utilities, and automobile shares made greater progress. Colonials were irregular, Otavi Copper being heavily sold towards the close. Throughout the month reichsmark bonds were very firm. Young Loan rose from 102½ to 103½. Among foreign currency bonds, Mexicans were a speculative feature. Certificated dollar bonds were active, but nominal quotations weakened, industrial issues losing around 3 points. The official shares index number (1924-26 = 100) for December, 1936, was 105.40, against 106.58 for November, but the bond index number was fractionally higher at 96.38, against 96.32.

	Dec. 30, Jan. 15, Feb. 3, 1936 1937 1937		Dec. 30, Jan. 15, Feb. 3, 1936 1937 1937
Reichsbank	186.60 188.75 186.00	A. E. G.	38.50 38.50 38.60
D.D. Bank	111.00 114.00 117.00		
Dresdner	107.50 108.00 106.90	Siemens & Halske ..	201.25 199.50 200.50
I.G. Farben		A. K. U.	53.00 52.75 52.00
Industrie 173.00 168.75 170.10		Hamburg-Amer.	
Norddeutscher		("Hapag New") ..	15.50 16.25 17.60
Lloyd (New) 15.40 16.25 17.90			

(a) No quotation.

AMSTERDAM

No new tendency emerged during January, for the Bourse was inclined to mark time, and day-to-day movements were irregular. Rubber shares continued to dominate interest, quotations closely following changes in the commodity price. The General Motors dispute caused some weakness, but this was partly offset later on by satisfaction with the quota decision for 1937. On several occasions, sugar issues were in good demand on the large Java sales, and interest was again shown in shipping shares. Early in the month the Royal Dutch dividend caused some disappointment, and the shares fell, but they improved later when the dollar loan judgment was announced. As in Paris, Young Loan was a good feature in the second fortnight.

	Dec. 30, Jan. 15, Feb. 3, 1936 1937 1937		Dec. 30, Jan. 15, Feb. 3, 1936 1937 1937
2½ % Dutch Loan	84½ 84½ 84½	Steel Common	58½ 60½ 72½
5½ % German	18½ 21½ 22½	A. K. U.	45 48½ 55½
Unilever N.V.	167½ 172½ 173½	Ford Motor	241½ 244½ 239
Philips Lamps	299 315½ 329½	Deli Batavia Tob.	260 256 281
Netherlands Ship		Royal Dutch	421½ 410½ 431
Union 115½ 116½ 116½		Handels Amis	498½ 494½ 510

CAPITAL ISSUES

A QUIETER week has been experienced in the new issue market—a not uncommon consequence of unsettled market conditions during the previous account. Two industrial offers for sale have appeared, together with a mixed issue of debenture and preference stocks by *South Suburban Gas*. The latter are well secured issues, as their issue price suggests; the debenture, indeed, is offered on a 3½ per cent. basis over a twenty-year life. The fixed-interest investor is also catered for by the offer of 1,750,000 5½ per cent. £1 preference shares at 21s. by *Jays and Campbells (Holdings)*. This is a chain furniture retailing concern. The vendors receive the whole ordinary share capital of the company as part of the purchase price. On the average profits of the past three years the preference shares are covered rather more than three times. These profits, however, are derived largely from hire-purchase business, and although the stock figure in the combined assets is suitably valued, this type of business is not free from risk. Since this concern has been formed as a holding and not a merger company, an indication that consolidated accounts will be presented would have been welcomed. *Barracks Fabrics Printing* 6 per cent. preference shares are issued at 5 per cent. premium and the 4s. ordinary shares at 137½ per cent. premium. The company has made rapid progress during the past three years, but an earnings yield basis of 16 per cent. on the issue price of the shares appears more generous than some recent

offers have been disposed to give. But the terms of the offer, nevertheless, are based on the results of a single year. Statements for information only have been published by *Linway Trust*, *West Rand Investment Trust* (discussed on page 314), *Chinese National Government* (details of the 6 per cent. Shanghai-Hangchow-Ningpo railway bonds, which, like a previous issue, have run the gauntlet of the Foreign Transactions Advisory Committee without apparent difficulty), *Albert E. Mallandain, Rheostatic Company, M. Cook and Son, Ley's Foundries and Engineering*, (which, very commendably, indicates the Company's intention to provide Consolidated Accounts).

TOTALS OF CAPITAL ISSUES DURING WEEK

Net Sales of National Savings Certificates, Week ended January 30, 1937, £150,000.				
	Nominal Capital £	Conversions	New Money £	
To the Public	2,304,250	...	2,469,837	
To Shareholders only	728,169	...	993,466	
By Stock Exchange Introduction	Nil	...	Nil	
By Permission to Deal	1,775,494	...	9,915,561	
Total Capital Raised—				
	Including Conversions £	Excluding Conversions £		
1937 (New Basis) ...	63,846,175	56,800,093	Whole Year (New Basis)—	
1937 (Old Basis) ...	35,434,215	28,538,033	1936 ...	642,017,245
1936 (New Basis) ...	83,164,227	52,948,835	1935 ...	698,313,125
1936 (Old Basis) ...	67,203,412	36,888,020	Whole Year (Old Basis)—	
1936 ...			1936 ...	402,470,903
1935 ...			1935 ...	548,351,393
1934 ...			1934 ...	410,980,300
1933 ...			1933 ...	467,921,500
1928 ...			1928 ...	683,000,056
January 1 to date (Old Basis)—				
1935 ...	71,980,583	16,407,901		
1934 ...	23,324,485	9,199,737		
1928 ...		129,710,207		

Destination of Capital (Excluding Conversions)

	United Kingdom	British Empire (excluding United Kingdom)	Foreign Countries	Total
January 1 to date—				
1937 (New Basis)	46,731,337	9,972,756	96,000	56,800,093
1937 (Old Basis)	26,703,584	1,834,449	Nil	28,538,033

Nature of Borrowing (Excluding Conversions)

	Debentures	Preference	Ordinary	Total
January 1 to date—				
1937 (New Basis)	19,380,795	6,566,136	30,853,162	56,800,093
1937 (Old Basis)	16,082,341	3,748,217	8,707,475	28,538,033
1936 (New Basis)	33,455,887	5,219,702	14,273,246	52,948,835
1936 (Old Basis)	31,088,496	2,386,280	3,493,244	36,888,020
Whole Year (Old Basis) —				
1928 ...	212,917,900	45,062,600	111,177,600	369,158,100
1929 ...	222,064,300	12,733,700	9,982,500	244,780,500
1930 ...	102,769,300	21,461,900	44,878,400	169,108,700
1931 ...	167,185,509	31,696,741	37,285,387	236,167,637
1932 ...	160,521,116	24,423,647	70,626,230	255,570,993
Whole Year (New Basis) —				
1935 ...	193,599,713	48,806,822	115,118,905	357,525,440
1936 ...	184,255,833	41,580,731	268,303,201	494,139,765

PUBLIC OFFERS

South Suburban Gas Company.—Issue of £200,000 3½ per cent. debenture stock at par, redeemable at par 1957, and £250,000 3½ per cent. redeemable preference stock at par, redeemable at par 1967. Rank *pari passu* with existing stocks. Area of 250 square miles. Associated with South Metropolitan Gas. 1935, 24,591,197 therms sold; 185,468 consumers. Proceeds to repay bank loan and for general purposes. Capital, £3,734,607.

BY OFFER FOR SALE

Jays and Campbells (Holdings), Ltd.—Offer for sale of 1,750,000 5½ per cent. cumulative £1 preference shares at 21s. (500,000 underwritten firm). Acquires capitals of four operating companies with two subsidiaries; house furniture retailers (150 stores). Combined profits, after bank interest and depreciation, years ended in 1933-34, £299,296; 1934-5, £279,268; 1935-36, £311,983. Total surplus of combined assets, £2,814,784; (stocks with customers under hire purchase, £1,351,919; overdraft, £302,809). Purchase price, £3,250,000 in 3,500,000 10s. ordinary and 1,500,000 £1 preference shares. Suffolk Trust purchase issue at 20s. 7d. net. Company pays £16,250 expenses. Lists opened at 9 a.m., February 2nd, and closed at the end of banking hours.

Barracks Fabrics Printing Company.—Offer for sale of 49,250 6 per cent. cumulative £1 preference shares at 21s., and 275,000 4s. ordinary shares at 9s. 6d. (4,250 preference and 100,000 ordinary shares applied for). Silk printers and dyers; founded 1924. Profits, after depreciation, years to June 30, 1934: £16,574; 1935, £24,407; 1936, £35,468. Net assets, £77,098, acquired for £107,890 (goodwill, £30,792), payable by £32,890 cash; also 375,000 ordinary shares (of which ordinary shares offered are part). Gairloch Trust take issue at 20s. per preference and 8s. per ordinary share or 9s. 3½d. including expenses. Lists closed 9.5 a.m., February 2nd. Heavily oversubscribed.

BY STOCK EXCHANGE INTRODUCTION

Chinese National Government.—Particulars of £1,100,000 6 per cent. Shanghai-Hangchow-Ningpo Railway Completion Sterling Bonds. Issued in 1936 in Shanghai at 94. Free of Chinese taxes; obligation of Government; secured on railway revenues. Redeemable 1941-1961 by twenty drawings, or on notice between 1946 and 1952 at 102½ and at par thereafter. Proceeds to repay advances and to complete and construct railways, etc.

West Rand Investment Trust, Ltd.—Issued capital 6,000,000 10s. shares, subscribed in cash at 15s. Formed in S. Africa to acquire interests in mining companies. Chairman, Sir E. Oppenheimer. Holdings acquired include 548,113 Western Reefs, 210,028 West Wits., 200,158 Libanon, and 200,158 Venterspost shares.

Linway Trust, Ltd.—Investment, lending and agency company, formed as private company 1925, public company 1929. Issued capital: ordinary stock, £94,816; 5 per cent. cumulative preference stock, £142,224; 3½ per cent. debenture stock, 1946, £35,000; 4 per cent. debenture stock, 1960, £50,000. Loan capital part of £100,000 created (maximum equal to share capital). Total assets £371,588. Profits, after interest, years to January 31, 1934, £6,165; 1935, £7,616; 17 months to June 30, 1936, £12,558.

Mallandain (Albert E.), Ltd.—Issued capital, 1,000,000 4s. ordinary shares. Makers of coated and embossed papers, boxes, etc., founded 1905. Owns also Henry Wolff and Company (1927). Combined assets £176,878, acquired for £174,117 cash; vendors take 498,000 4s. ordinary shares at par, and pay £5,000 towards expenses. Combined total profits after depreciation: 1934, £21,811; 1935, £28,400; 1936, £33,141. Seton Trust take 500,000 shares at par.

Rheostatic Company, Ltd.—Issued capital, 350,000 4s. ordinary shares, and 100,000 6 per cent. cumulative 10s. preference shares. Thermostat and heat control specialists. Net assets, £95,057. Thermostat and heat control specialists. Net assets, £95,057, acquired for £95,000, payable by £100 cash, 50,000 preference and 349,500 ordinary shares. Profits, after depreciation, years 1933, £5,188; 1934, £12,623; 15 months to March 31, 1936, £16,126; 6 months to September 30, 1936, £7,835. London Industrial Finance Trust take 100,000 preference shares at 10s. 4d. and 120,000 ordinary shares at 5s., including expenses.

Cook (M.) and Son, Ltd.—Issued capital 320,000 5s. ordinary shares and 80,000 5½ per cent. redeemable cumulative £1 preference shares. Manufacturing stationers, founded 1860. Hatfield factory to be built for £100,000. Profits, before depreciation, year to March 31, 1935, £21,986; three months to June 30, 1935, £4,540; year to June 30, 1936, £29,924. Total assets £91,952 (goodwill £15,000). Holland & Balfour take 80,000 preference shares at 20s. 6d. and 80,000 ordinary shares at 7s. 6d. and expenses.

Ley's Foundries and Engineering.—Issued capital £550,000 ordinary stock and £450,000 5 per cent. cumulative preference stock. Acquires capital of Ley's Malleable Castings Company and Ewart Chainbelt Company by exchange of shares. Profits, years to September 30, 1934: £93,845; 1935, £79,472; 1936, £119,856. Net assets, £976,196.

Henri Selmer and Company.—Issued capital, 600,000 2s. ordinary shares. Acquires four musical instrument businesses. Net assets £34,926, acquired for £48,749 (payable on 487,493 shares)

Goodwill £16,819. Combined profits, after depreciation, years to August 31, 1934, £5,707; 1935, £15,741; 1936, £20,742. Messrs Wise and Burnell take 294,000 shares at 2s. 11d. per share net.

FORTHCOMING ISSUES

Booth's Distilleries.—Issue of £1,000,000 4½ per cent. first debenture stock at £105. Lists will open and close on Wednesday next, February 10th for this issue, which is to replace the outstanding £600,000 5 per cent. stock, and to provide £462,785 additional working capital. The prospectus will show that the stock is redeemable at 108 from 1941 on six months' notice, and finally on January 1, 1979, at 106. Cumulative sinking fund of one per cent. commences in 1940 to redeem stock by drawings or purchase at or below 106 per cent. On the basis of average profits for the past 3 years, the interest is covered over 2½ times, and over 3½ times by the latest profits.

Rhodesia and Mashonaland Railway Companies.—Arrangements are in hand for conversion of debentures of the Rhodesia and Mashonaland Railway Companies providing for voluntary winding up of Mashonaland Railway Company for purpose of merging with Rhodesia Railway Company and for the repayment of existing debentures of the two companies. The issue will total £21,750,000 of stock. Cash lists will open on February 23rd.

UNIT TRUSTS

Scottish Bank, Insurance and Investment Trust Units.—An initial issue of 150,000 units at 18s. 6d. has been taken up. The Trust is managed by a company of similar name, with directors associated with the Trust of Bank Shares. The managers have powers to invest in a range of securities of Scottish banks, insurance companies and investment trusts. Trust life, 20-25 years; service charge, 4 per cent. (including commission) and semi-annual charge of ¼th of 1 per cent. on mean market value. Managers undertake to convert units into cash at net realised value, and Equity and Law Life Assurance has undertaken to purchase units or underlying securities to value of £100,000 on demand. Trustee, Royal Bank of Scotland.

BONUS ISSUE

Fleming Reid and Company.—It is proposed to distribute to ordinary shareholders one bonus ordinary share for every four held.

ISSUES TO SHAREHOLDERS ONLY

Warner's Radio and Electric, Ltd.—Issue to ordinary shareholders at 2s. per share of 1,100,000 1s. ordinary shares created on November 4, 1936, on basis of one new share for each old share held.

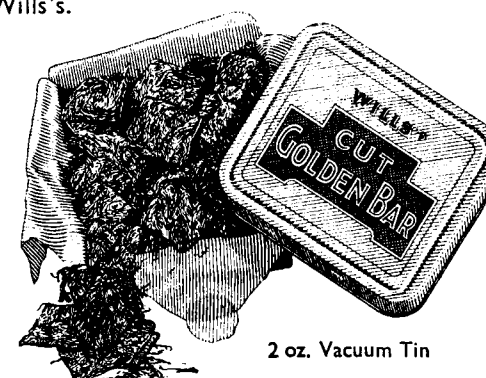
(Continued on page 322)

GOLDEN MOMENTS

Hockey

A fast run, two backs cleverly beaten, and he drives the ball home for a brilliant goal—victory for his side and a Golden Moment for him.

But even he can't buy a better tobacco at a shilling an ounce than "Cut Golden Bar." But it must be Wills's.



WILLS'S CUT GOLDEN BAR

READY RUBBED
in 2 oz. Pocket Vacuum Tins
and 1 oz. Airtight Tins
FLAKE FORM
in 2 oz. Vacuum Tins
and 1 oz. Packets

1/2 AN OUNCE

C.B.82.B

Issued by the Imperial Tobacco Co. Ltd. Great Britain and Ireland, Ltd.

SLUMP AHEAD IN BONDS

A critical examination of the outlook for American bonds (and common stocks) under managed money. (Similar principles apply in England.)

By L. L. B. ANGAS

Author of "The Coming American Boom" 1934

Internationally known investment consultant

Somerset Publishing Company, 461 Eighth Ave., New York City

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LONDON ACTIVE SECURITY PRICES AND YIELDS

In calculating yields on fixed interest stocks quoted below allowance is made for interest accrued since the last date of payment, less income tax at the standard rate. Where stocks are definitely redeemable at a certain date the yield includes any profit or loss on redemption; where stocks are redeemable at the option of the holder the yield is calculated by reference to the latest dividends, account being taken of any enhancement or reduction of interim dividends. Allowance is made for accrued dividends in calculating the yield on "cum. div." shares.

Prices, Year 1936				Prices, Year 1937 Jan. 1 to Feb. 3, inclusive				Prices, Year 1937 Jan. 1 to Feb. 3, inclusive				Last two Half-yearly Dividends				Name of Security				Price, Jan. 27, 1937				Price, Feb. 3, 1937				Rise or Fall				Yield, Feb. 3, 1937							
High		Low		High		Low		High		Low		High		Low		High		Low		High		Low		High		Low		High		Low		High		Low		High		Low	
87 1/2		82 1/2		84 1/2		81		82 1/2		82 1/2		82 1/2		82 1/2		82 1/2		82 1/2		82 1/2		82 1/2		82 1/2		82 1/2		82 1/2		82 1/2		82 1/2		82 1/2		82 1/2			
110 1/2		104 1/2		111 1/2		104 1/2		112 1/2		111 1/2		111 1/2		111 1/2		111 1/2		111 1/2		111 1/2		111 1/2		111 1/2		111 1/2		111 1/2		111 1/2		111 1/2		111 1/2		111 1/2			
102 1/2		100		101 1/2		98 1/2		100 1/2		100 1/2		100 1/2		100 1/2		100 1/2		100 1/2		100 1/2		100 1/2		100 1/2		100 1/2		100 1/2		100 1/2		100 1/2		100 1/2		100 1/2			
108 1/2		104 1/2		106 1/2		104 1/2		105 1/2		105 1/2		105 1/2		105 1/2		105 1/2		105 1/2		105 1/2		105 1/2		105 1/2		105 1/2		105 1/2		105 1/2		105 1/2		105 1/2		105 1/2			
111 1/2		107 1/2		107 1/2		107 1/2		107 1/2		107 1/2		107 1/2		107 1/2		107 1/2		107 1/2		107 1/2		107 1/2		107 1/2		107 1/2		107 1/2		107 1/2		107 1/2		107 1/2		107 1/2			
121 1/2		116 1/2		117 1/2		115 1/2		116 1/2		116 1/2		116 1/2		116 1/2		116 1/2		116 1/2		116 1/2		116 1/2		116 1/2		116 1/2		116 1/2		116 1/2		116 1/2		116 1/2		116 1/2			
95 1/2		92 1/2		92 1/2		89 1/2		90 1/2		90 1/2		90 1/2		90 1/2		90 1/2		90 1/2		90 1/2		90 1/2		90 1/2		90 1/2		90 1/2		90 1/2		90 1/2		90 1/2		90 1/2			
104 1/2		101 1/2		101 1/2		98 1/2		99 1/2		99 1/2		99 1/2		99 1/2		99 1/2		99 1/2		99 1/2		99 1/2		99 1/2		99 1/2		99 1/2		99 1/2		99 1/2		99 1/2		99 1/2			
119 1/2		115 1/2		116 1/2		113 1/2		114 1/2		114 1/2		114 1/2		114 1/2		114 1/2		114 1/2		114 1/2		114 1/2		114 1/2		114 1/2		114 1/2		114 1/2		114 1/2		114 1/2		114 1/2			
117 1/2		113 1/2		114 1/2		112 1/2		113 1/2		113 1/2		113 1/2		113 1/2		113 1/2		113 1/2		113 1/2		113 1/2		113 1/2		113 1/2		113 1/2		113 1/2		113 1/2		113 1/2		113 1/2			
102 1/2		98 1/2		100 1/2		97 1/2		98 1/2		98 1/2		98 1/2		98 1/2		98 1/2		98 1/2		98 1/2		98 1/2		98 1/2		98 1/2		98 1/2		98 1/2		98 1/2		98 1/2		98 1/2			
110 1/2		106 1/2		107 1/2		104 1/2		105 1/2		105 1/2		105 1/2		105 1/2		105 1/2		105 1/2		105 1/2		105 1/2		105 1/2		105 1/2		105 1/2		105 1/2		105 1/2		105 1/2		105 1/2			
106 1/2		102 1/2		103 1/2		100 1/2		101 1/2		101 1/2		101 1/2		101 1/2		101 1/2		101 1/2		101 1/2		101 1/2		101 1/2		101 1/2		101 1/2		101 1/2		101 1/2		101 1/2		101 1/2			
108 1/2		104 1/2		105 1/2		102 1/2		103 1/2		103 1/2		103 1/2		103 1/2		103 1/2		103 1/2		103 1/2		103 1/2		103 1/2		103 1/2		103 1/2		103 1/2		103 1/2		103 1/2		103 1/2			
111 1/2		107 1/2		107 1/2		107 1/2		107 1/2		107 1/2		107 1/2		107 1/2		107 1/2		107 1/2		107 1/2		107 1/2		107 1/2		107 1/2		107 1/2		107 1/2		107 1/2		107 1/2		107 1/2			
121 1/2		116 1/2		117 1/2		115 1/2		116 1/2		116 1/2		116 1/2		116 1/2		116 1/2		116 1/2		116 1/2		116 1/2		116 1/2		116 1/2		116 1/2		116 1/2		116 1/2		116 1/2		116 1/2			
95 1/2		92 1/2		92 1/2		89 1/2		90 1/2		90 1/2		90 1/2		90 1/2		90 1/2		90 1/2		90 1/2		90 1/2		90 1/2		90 1/2		90 1/2		90 1/2		90 1/2		90 1/2		90 1/2			
104 1/2		101 1/2		101 1/2		98 1/2		99 1/2		99 1/2		99 1/2		99 1/2		99 1/2		99 1/2		99 1/2		99 1/2		99 1/2		99 1/2		99 1/2		99 1/2		99 1/2		99 1/2		99 1/2			
119 1/2		115 1/2		116 1/2		113 1/2		114 1/2		114 1/2		114 1/2		114 1/2		114 1/2		114 1/2		114 1/2		114 1/2		114 1/2		114 1/2		114 1/2		114 1/2		114 1/2		114 1/2		114 1/2			
117 1/2		113 1/2		114 1/2		112 1/2		113 1/2		113 1/2		113 1/2		113 1/2		113 1/2		113 1/2		113 1/2		113 1/2		113 1/2		113 1/2		113 1/2		113 1/2		113 1/2		113 1/2		113 1/2			
102 1/2		98 1/2		100 1/2		97 1/2		98 1/2		98 1/2		98 1/2		98 1/2		98 1/2		98 1/2		98 1/2		98 1/2		98 1/2		98 1/2		98 1/2		98 1/2		98 1/2		98 1/2		98 1/2			
110 1/2		106 1/2		107 1/2		104 1/2		105 1/2		105 1/2		105 1/2		105 1/2		105 1/2		105 1/2		105 1/2		105 1/2		105 1/2		105 1/2		105 1/2		105 1/2		105 1/2		105 1/2		105 1/2			
106 1/2		102 1/2		103 1/2		100 1/2		101 1/2		101 1/2		101 1/2		101 1/2		101 1/2		101 1/2		101 1/2		101 1/2		101 1/2		101 1/2		101 1/2		101 1/2		101 1/2		101 1/2		101 1/2			
108 1/2		104 1/2		105 1/2		102 1/2		103 1/2		103 1/2		103 1/2		103 1/2		103 1/2		103 1/2		103 1/2		103 1/2		103 1/2		103 1/2		103 1/2		103 1/2		103 1/2		103 1/2		103 1/2			
111 1/2		107 1/2		107 1/2		107 1/2		107 1/2		107 1/2		107 1/2		107 1/2		107 1/2		107 1/2		107 1/2		107 1/2		107 1/2		107 1/2		107 1/2		107 1/2		107 1/2		107 1/2		107 1/2			
121 1/2		116 1/2		117 1/2		115 1/2		116 1/2		116 1/2		116 1/2		116 1/2		116 1/2		116 1/2		116 1/2		116 1/2		116 1/2		116 1/2		116 1/2		116 1/2		116 1/2		116 1/2		116 1/2			
95 1/2		92 1/2		92 1/2		89 1/2		90 1/2		90 1/2		90 1/2		90 1/2		90 1/2		90 1/2		90 1/2		90 1/2		90 1/2		90 1/2		90 1/2		90 1/2		90 1/2		90 1/2		90 1/2			
104 1/2		101 1/2		101 1/2		98 1/2		99 1/2		99 1/2		99 1/2		99 1/2		99 1/2		99 1/2		99 1/2		99 1/2		99 1/2		99 1/2		99 1/2		99 1/2		99 1/2		99 1/2		99 1/2			
119 1/2		115 1/2		116 1/2		113 1/2		114 1/2		114 1/2		114 1/2		114 1/2		114 1/2		114 1/2		114 1/2		114 1/2		114 1/2		114 1/2		114 1/2		114 1/2		114 1/2		114 1/2		114 1/2			
117 1/2		113 1/2		114 1/2		112 1/2		113 1/2		113 1/2		113 1/2		113 1/2		113 1/2		113 1/2		113 1/2		113 1/2		113 1/2		113 1/2		113 1/2		113 1/2		113 1/2		113 1/2		113 1/2			
102 1/2		98 1/2		100 1/2		97 1/2		98 1/2		98 1/2		98 1/2		98 1/2		98 1/2		98 1/2		98 1/2		98 1/2		98 1/2		98 1/2		98 1/2		98 1/2		98 1/2		98 1/2		98 1/2			
110 1/2		106 1/2		107 1/2		104 1/2		105 1/2		105 1/2		105 1/2		105 1/2		105 1/2		105 1/2		105 1/2		105 1/2		105 1/2		105 1/2		105 1/2		105 1/2		105 1/2		105 1/2		105 1/2			
106 1/2		102 1/2		103 1/2		100 1/2		101 1/2		101 1/2		101 1/2		101 1/2		101 1/2		101 1/2		101 1/2		101 1/2		101 1/2		101 1/2		101 1/2		101 1/2		101 1/2		101 1/2		101 1/2			
108 1/2		104 1/2		105 1/2		102 1/2		103 1/2		103 1/2		103 1/2		103 1/2		103 1/2		103 1/2		103 1/2		103 1/2		103 1/2		103 1/2		103 1/2		103 1/2		103 1/2		103 1/2		103 1/2			
111 1/2		107 1/2		107 1/2		107 1/2		107 1/2		107 1/2		107 1/2		107 1/2		107 1/2		107 1/2		107 1/2		107 1/2		107 1/2		107 1/2		107 1/2		107 1/2		107 1/2		107 1/2		107 1/2			
121 1/2		116 1/2		117 1/2		115 1/2		116 1/2		116 1/2		116 1/2		116 1/2		116 1/2		116 1/2		116 1/2		116 1/2		116 1/2		116 1/2		116 1/2		116 1/2		116 1/2		116 1/2		116 1/2			
95 1/2		92 1/2		92 1/2		89 1/2		90 1/2		90 1/2		90 1/2		90 1/2		90 1/2		90 1/2		90 1/2		90 1/2		90 1/2		90 1/2		90 1/2		90 1/2		90 1/2		90 1/2		90 1/2			
104 1/2		101 1/2		101 1/2		98 1/2		99 1/2		99 1/2		99 1/2		99 1/2		99 1/2		99 1/2		99 1/2		99 1/2		99 1/2		99 1/2		99 1/2		99 1/2		99 1/2		99 1/2		99 1/2			
119 1/2		115 1/2		116 1/2		113 1/2		114 1/2		114 1/2		114 1/2		114 1/2		114 1/2		114 1/2		114 1/2		114 1/2		114 1/2		114 1/2													

Prices, Year 1937 Jan. 1 to Feb. 3, inclusive				Last two Half-yearly Dividends				Name of Security	Price, Jan. 27, 1937	Price, Feb. 3, 1937	Rise or Fall	Yield Feb. 3, 1937	Prices, Year 1937 Jan. 1 to Feb. 3, inclusive				Last two Half-yearly Dividends				Name of Security	Price, Jan. 27, 1937	Price, Feb. 3, 1937	Rise or Fall	Yield Feb. 3, 1937																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																								
High	Low	(a) (b) (c) %	(a) (b) (c) %	High	Low	(a) (b) (c) %	(a) (b) (c) %						High	Low	(a) (b) (c) %	(a) (b) (c) %																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
39 1/2	32 1/2	74 (c)	34 (a)	Hdfelds 10%—cont.	38 3/8	38 3/8	—	1 18 3	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2	59 3/8	3 1/2	7 1/2	64 1/2

(Continued from page 319)

Guy Motors, Ltd.—Issue of 1,063,275 new ordinary 1s. shares at 2s. 6d. each to preference and ordinary shareholders registered January 27, 1937, in proportion of one new ordinary for every two shares of either denomination.

Capital and County Laundries, Ltd.—Issue to preference shareholders registered January 27th of 30,000 6 per cent. cumulative £1 preference shares at par, and to ordinary shareholders registered January 27th of 100,000 2s. ordinary shares at 3s. per share.

Projectile and Engineering Company.—Issue of 125,000 10s. ordinary shares to ordinary shareholders registered January 27th at 20s. each in proportion of one new share for each three held.

Viking Tanker.—Issue of 30,000 new 5½ per cent. £1 preference shares at 22s. 6d. and 30,000 new £1 ordinary shares at 22s. 6d. to shareholders registered January 22nd in proportion of one new share for each five held.

John Crossley and Sons.—Issue of 59,398 ordinary shares £2 at 50s. each in the proportion of one for every two held on January 15th.

LONDON NEW ISSUE PRICES

Stock or Share	Issue price	Paid	Jan. 27, 1937	Feb. 3, 1937
Associated British Properties 4½% Deb.	100	50	3½-2½ dis	4½-3½ dis
Beans Industries 5½%	100	...	18/6-19/-	20/6-21/-
Beira Railway 5% First Deb.	100	20	4½-4½ pm	4½-5 pm
British Isles and Gen. Invest. £1	100	7/6	3/0-2/0 dis	2/6-1/6 dis
British Lead 2½%	25	5/-	5/3-5/6	5/2½-5/10½
Cochran (Annan) 5½%	6/3	6/3	...	...
Crabtree Electric Ord. (10/-)	12/9	12/9	34/9-35/3	34/6-35/1
Diagraph (2½%)	2/3	2/3	2/1½-2/4	2/0-2/3
Gascolgne's Rdg. (2½%)	3/-	3/-	2/9-3/-	2/9-3/-
Heenan and Froude 5½%	20/-	10/-	10/3-10/9	10/3-10/9
Heenan Beddow Ord. 2½%	20/-	3/-	2/7½-2/10½	2/10½-3/1½
Higson's Brewery 5% Cum. Pref.	100	30	6d dis-par	3d dis-3d pm
Do. 4% 1st Debs.	22/6	22/6	...	...
Horlicks Ord. 5½%	21/6	11/6	...	...
Lamson Investments 5% Pref. £1	92½	17½	...	...
London Electric Transport 2½% Deb.	92½	17½	...	...
Mallandain (A. E.) Ord. 4½%	...	...	...	...
Mt. Bank of Denmark 3½% Deb.	95½	65	...	...
Pease and Partners 5% Pref. £1	21/-	21/-	3/7½-3/10½ pm	3/7½-3/10½ pm
Rheostatic Ord. 4½%	99½	25	...	...
Thomas (Richard) 4% 1st Debs.	20/-	20/-	...	...
Trinidad Petroleum (20/-)	...	...	...	...
West Rand Invest. Trust. 10/-	...	...	...	...

WEEKLY TRAFFIC RETURNS

RAILWAYS OF GREAT BRITAIN AND IRELAND

(b) Week ended Jan. 29, 1937. (c) Week ended Jan. 30, 1937.	Miles Open	Gross Receipts, week ended Jan. 31, 1937 (£'000)					Aggregate Gross Receipts, compared with 1936 (4 weeks) (£'000)				
		Passenger etc.	Merchandise etc.	Coal and Coke	Total Goods	Total Receipts	Passenger etc.	Merchandise etc.	Coal and Coke	Total Goods	Total Receipts
Great Western	1937	3,746	148	185	115	300	623	736	465	1,201	1,824
(c) L. & N.	1937	6,332	157	177	121	298	629	713	493	1,206	1,835
Eastern	1936	6,336	243	314	277	591	983	1,282	1,039	2,321	3,304
L. M. & Scottish	1937	6,914	366	465	289	754	1,458	1,857	1,133	2,996	4,448
Southern	1937	2,153	248	60	41	101	993	222	143	365	1,358
Total	1937	19,146	1,008	1,041	709	1,750	4,057	4,997	2,780	6,877	10,934
(b) Belfast & Co. Down	1937	80	1-4	...	...	0-5	7-0	...	...	1-9	8-9
(b) Great Northern	1937	543	7-2	...	...	0-6	7-9	...	...	2-2	10-1
(b) Great Southern	1937	2,076	23-3	...	...	10-9	31-0	...	...	40-6	71-6
(b) Great Southern	1936	2,124	25-8	...	...	37-9	104-9	...	...	175-1	277-3

COMPARISONS WITH CORRESPONDING PERIODS, 1935 AND 1936 (000's omitted)

	Great Western	L.M.S.	L.N.E.R.	Southern
First half-year 1936, compared with first half-year, 1935:				
Gross increase or decrease	+ 263	+ 937	+ 534	+ 85
Second half-year 1936, compared with second half-year, 1935:				
Gross increase or decrease	+ 491	+ 1,575	+ 751	+ 378
First half-year 1937, compared with first half-year, 1936:				
4 weeks to January 30, 1937...	- 11	+ 8	- 38	- 8
Weekly average first half 1937 compared with latest week 1937 compared with 1936:	- 2½	+ 2	- 9½	- 2
	- 7	+ 17	+ 7	- 4

LONDON TRANSPORT

	Takings (before pooling) £533,200	Compared with corresponding period of last year
Week ending January 30, 1937.....	£17,334,600	+ 16,200
Aggregate 31 weeks to January 30, 1937.....	£17,334,600	+ 461,800

* For an explanation of the manner in which the figures are made up, see *The Economist*, March 17, 1934, page 810.

OVERSEAS RAILWAY RECEIPTS

Name	Weeks	Ending	Present Mileage	Gross Receipts for Week		Gross Aggregate Receipts	
				1936	+ or -	1936	+ or -
INDIAN							
	1937			Rs.		Rs.	
Assam Bengal	41	Jan. 10	1,330	\$5,31,900	+ 49,246	1,36,29,223	+ 6,90,257
Barcl. Lt. Ry.	41	Jan. 10	292	38,900	- 16,800	12,01,100	- 2,76,300
Bengal & N. Western	15	10	2,107	10,58,599	- 38,072	1,02,52,352	+ 6,17,143
Bengal-Nagpur.	41	10	3,268	18,09,000	- 7,01,555	6,13,18,088	- 49,05,435
Bombay, Bar. & C.I.	43	20	3,072	41,000,000	+ 7,40,000	9,15,49,000	+ 48,99,000
Madras & S. Mahr. ...	41	10	3,229	23,74,000	+ 2,70,558	5,74,25,908	+ 19,83,808
Rohilk'd & Kumaon	15	10	572	2,28,243	- 12,703	18,60,165	+ 80,624
South Indian	41	10	2,532	14,38,292	- 30,768	4,16,38,807	+ 6,73,569

† 10 days.

CANADIAN

Canadian National	4	Jan. 31	23564	\$ 4,583,396	+ 381,059	\$ 14,043,352	+ 1,300,798
Canadian Pacific	4	Jan. 31	17223	\$ 3,282,000	+ 150,000	\$ 10,194,000	+ 870,000

† 10 days.

SOUTH AMERICAN

Antofagasta (Chili and Bolivia)	5	Jan. 31	834	\$ 15,730	+ 950	\$ 66,340	- 4,120
Argentine N.E.	31	30	753	\$ 130,600	+ 9,200	\$ 4,692,900	+ 547,400
B.A. and Pacific	31	30	2,860	\$ 8,102	+ 969	\$ 278,659	+ 35,127
B.A. Central	29	16	...	\$ 1,809,000	+ 194,000	\$ 42,779,300	+ 2,029,300
B.A. Gt. Southern ..	31	30	5,084	\$ 1,122,221	+ 17,333	\$ 2,552,710	+ 158,710
B.A. Western	31	30	1,930	\$ 153,900	+ 46,700	\$ 4,176,200	+ 2,330,000
Central Argentine	31	30	3,700	\$ 2,736,000	+ 121,000	\$ 67,570,000	+ 2,400,000
Central Uruguayana..	30	23	273	\$ 231,762	+ 83,525	\$ 4,041,271	+ 208,585
C. Urug. (N. Ext.) ..	30	23	185	\$ 1,107,000	+ 159,000	\$ 23,888,000	+ 1,365,000
C. Urug. (W. Ext.) ..	30	23	211	\$ 68,672	+ 12,973	\$ 1,426,877	+ 103,696
Cordoba Central	31	30	1,218	\$ 3,060,700	+ 564,600	\$ 75,575,980	+ 12,165,880
Entre Rios	31	30	810	\$ 189,870	+ 43,213	\$ 4,505,037	+ 779,824
G. Westn. of Brazil	5	30	1,082	\$ 13,857	+ 1,005	\$ 388,415	+ 64,488
Leopoldina	5	30	1,918	\$ 2,794	- 11	\$ 63,202	+ 2,616
Leopoldina Termal.	5	30	...	\$ 1,562	- 27	\$ 45,780	+ 2,616
Nitrate	4	31	397	\$ 1,037	- 51	\$ 29,210	+ 3,993
Paraguay Central ...	31	30	274	\$ 504,000	+ 23,000	\$ 16,896,000	+ 1,366,000
Salvador	31	30	100	\$ 31,270	+ 3,010	\$ 1,004,830	+ 92,480
San Paulo	4	24	1531	\$ 260,000	+ 83,600	\$ 6,848,400	+ 924,000
United of Havana ..	31	30	1,353	\$ 16,129	+ 5,765	\$ 407,914	+ 59,878
				\$ 49,900	+ 1,400	\$ 42,500	+ 5,900
				\$ 23,600	+ 206,000	\$ 7,595,000	+ 7,000
				\$ 333,000	+ 20,000	\$ 1,475,000	+ 6,000
				\$ 5,294	+ 3,814	\$ 12,075	+ 6,994
				\$ 3,321,000	+ 110,000	\$ 81,637,000	+ 11,878,000
				\$ 45,250	+ 14,450	\$ 550,258	+ 36,762
				\$ 235,000	+ 166,000	\$ 9,070,000	+ 64,000
				\$ 28,591	+ 1,391	\$ 107,404	+ 195
				\$ 34,316	+ 5,244	\$ 520,649	+ 22,013

* Converted at average official rate during week ended Jan. 30, 16-12 pesos to the £.
o Free market rate. † Receipts in Argentine pesos. ‡ Fortnight.
o Converted at official rate. ‡ Converted at "controlled free" rate.
f Converted at the "free" rate as a result of a decision of the High Court.

OTHER OVERSEAS

Egyptian Delta Light Railways	43	Jan. 20	621	\$ 7,537	+ £ 215	\$ 206,078	+ £ 865
Egyptian Markets...	4	Jan. 28	...	\$ 2,210	+ 99	\$ 9,337	+ 18
Gr. Southn. of Spain	34	Aug. 29	104	Ps. 14,208	- 62,843	\$ 840,732	- 724,859
Mexican Railway ...	5	Jan. 31	483	\$ 1442,100	+ 81,900	\$ 1,279,700	+ 202,700

† 10 days.

SUEZ CANAL RECEIPTS

Suez Canal	3	Jan. 20	...	Fr. 36,850,000	+ 985,000	Fr. 70,850,000	+ 205,500
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† 10 days.

TRAMWAYS WEEKLY GROSS RECEIPTS

Anglo-Argentine	4	Jan. 28	325	\$ 610,444	+ 33,013	\$ 2,475,780	+ 36,569
B. Aires Lacroze	29	17	...	\$ 72,536	- 914	\$ 1,951,636	- 84,208
Burley, Colne and Nelson Jt. Trsp.	4	30	76	\$ 4,660	- 264	\$ 19,812	+ 240
Calcutta Tramways.	4	30	...	Rs. 1,15,790	+ 3,407	\$ 4,72,006	+ 8,723
Isle of Thanet Elec.	2	13	...	\$ 3,387	+ 139	\$ 6,458	+ 685
Liverpool Corp.	43	27	...	\$ 28,452	+ 174	\$ 1,278,253	+ 17,025
Madras Electric	4	31	...	Rs. 31,400	+ 3,970	\$ 1,10,314	+ 3,766

† Fortnight.

MONTHLY TRAFFICS

Company	Months	Ending	De-scrip-tion	Receipts for Month		Receipts to Date	
				1936	+ or -	1936	+ or -
Brazilian Traction ..	12	Dec. 31	Gross	\$2,915,342	+ 526,159	\$32,197,610	+ 1,975,853
Canadian Pacific	12	Dec. 31	Net	\$1,609,951	+ 426,684	\$17,690,107	+ 1,612,835
International of C. America	12	Dec. 31	Gross	\$12,253,000	+ 672,000	\$138,563,000	+ 8,884,000
			Net	\$3,542,000	+ 236,000	\$23,311,000	+ 913,000
Midland of W. Aus-tralia	6	Dec. 31	Gross	\$461,490	+ 2,875	\$5,112,141	+ 394,685
			Net	\$188,998	+ 18,973	\$2,069,872	+ 190,552
			Gross	\$14,803	- 99	\$2,053	- 1,570

COMPANY MEETINGS

LLOYDS BANK LIMITED

INCREASED DEPOSITS AND CORRESPONDING INCREASE IN ADVANCES

MARKED PROGRESS IN BRITISH TRADE

ACTIVITY OF INTERNAL TRADE AND THE FUTURE

IMPORTANCE OF RETAINING EXPORT CONNECTIONS

LORD WARDINGTON'S ADDRESS

The seventy-ninth ordinary general meeting of the shareholders was held, on the 29th ultimo, at Southern House, Cannon Street, London.

Lord Wardington (chairman of the bank) presided.

The notice convening the meeting having been read by the Secretary, and the auditors' report by Mr F. S. Tull (Price, Waterhouse and Company),

The Chairman, in moving the adoption of the directors' report, said:—My lords, ladies and gentlemen,—Since we met at our annual general meeting this time last year we have elected to the board Mr Henry E. S. Upcher and Mr W. G. Verdon Smith. Both these gentlemen have an intimate and expert knowledge of Norfolk in the one case and the neighbourhood of Bristol in the other, and we are confident that we shall be kept in much closer contact with the activities of these places, and shall benefit very considerably by the advice and knowledge which our new colleagues will bring to our deliberations.

BALANCE SHEET

Let us now turn to the report and balance sheet which are in your hands. I presume you will, as usual, take them as read, but there are one or two points to which I think it is worth while drawing your attention.

You will notice that we have re-transferred from our internal funds £500,000 to our published reserve. I have no doubt you recollect that in 1931 we took from our published reserve £2,500,000 in conformity with the action of most of the other banks, in order to supplement our internal investment reserve fund, which had been heavily depleted in consequence of the severe drop in the value of our gilt-edged investments. That sum has always remained intact, but as our investment reserve fund continued to grow as the result of realisations on a rising market, we have from time to time restored to our published reserve part of the £2,500,000 we took from it.

After this last re-transfer there is only £1,000,000 of the original sum still remaining in our internal fund, which no doubt will be restored in due course, as at present it seems unlikely to be required either for its original purpose or for the augmentation of any of our other internal funds. This transfer does not, of course, affect the strength of the bank in any way. That remains the same whether a reserve is advertised in our published figures, or whether it is hidden from view in the internal funds. But the proportion of our external reserves to our capital is less than is the case with other banks, and it is perhaps worth while rectifying this. The real security to the depositor is not the reserve alone, or the capital figure alone, but the two together, and in this latter respect we compare favourably with our neighbours.

INCREASED DEPOSITS

The next item on which I wish to comment is the total of our deposits, which at £406 millions show an increase of £6,000,000 in round figures as compared with last year. When we come to the other side of our balance sheet you will see that our overdrafts have increased to a slightly greater extent. In other words, these figures show that we have been able to lend to trade and the public the whole of our increased deposits. From a profit-earning point of view this is distinctly satisfactory. To have bid higher rates in order to attract further deposits would have profited us nothing. We would have been unable to use them in making advances, and perforce would have been obliged to employ them by increasing our less remunerative assets.

INVESTMENTS

On the other side of our balance sheet the changes are comparatively slight and self-explanatory until we come to our in-

vestments. Here there is some alteration. In consequence of the absorption by the Bank of London and South America Limited of the Anglo-South American Bank Limited we no longer are the majority holders of the shares of the former bank, and it ceases therefore to be technically a "Subsidiary Company," which, under the Companies Act, 1929, we are obliged to show as a separate item.

As we have comparatively small holdings in about half a dozen other banks

conjunction with the total of our deposits shows a comparatively low percentage.

I hope you will consider that these figures for the year are satisfactory. Our profit might have appeared even more satisfactory if we had not debited our profit and loss account with various allocations, such as that to staff pensions fund, before we arrived at our profit figure. These allocations we regard as provisions for a definite liability, whereas the allocations we make out of our published profit figure we like to regard as provision for contingencies which may or may not occur, but which for the moment at any rate is not definitely required.

CLEARING BANKS' CLASSIFIED ADVANCES

	1929-30	Oct. 31, 1936
1. Textiles (cotton, wool, silk, linen, jute)	£ 81,632,371	39,929,997
2. Heavy industries (iron, steel, engineering and shipbuilding)	62,962,675	40,681,469
3. Agriculture and fishing	68,630,471	57,657,404
4. Mining and quarrying (including coal)	30,003,440	18,091,024
5. Food, drink, and tobacco	63,177,889	29,403,403
6. Leather, rubber, and chemicals ..	21,969,950	12,593,550
7. Shipping and transport (including railways)	25,176,565	23,167,305
8. Building trades	47,824,549	61,547,687
9A. Miscellaneous trades	146,496,288	{ 67,367,142 60,060,190
9B. Retail trades		
10. Local government authorities and public utility companies (excluding railways)	52,384,672	50,397,983
11. Amusements, clubs, churches, charities, etc.	26,502,720	40,459,790
12. Financial (including banks and building societies)	142,547,506	109,554,025
13. Other advances	218,402,248	258,542,153
	£987,711,344	£869,453,122

The above totals for 1936 exclude money lent by the banks at call and short notice.

SIGNS OF INCREASED PROSPERITY

The year has indeed been an encouraging one, in spite of disappointments, tragedies and occasional nervous apprehension. We have seen improvements in many directions, and the buoyancy of trade and Stock Exchange securities has withstood the reaction to political and other shocks in a way which must be considered truly remarkable.

It is not necessary for me to particularise the signs of our increased prosperity. Wherever you look, even in the depressed areas, they are visible, and all the signs, such as the figures of employment, the reduced amount of unemployment, the increased values of commodities, of industrial shares, full order books, clearing house, railway, and retail sales returns, and the reduced figures of bankruptcy and bad debts, all point in the same direction. There is this satisfactory feature, too, that the fundamental basis of good international trade is present. The higher prices of primary commodities are fulfilling their function of restoring prosperity to the countries of primary production, and are putting them once more into the position of being able to place orders in industrial countries for the secondary products which they need. Thus we see the impulse of those movements which should result in the general interchange of goods between the nations of the world for the advantage and profit of all.

NEED FOR CAUTION

I wish I could leave the picture there and believe that these bright colours would necessarily develop in intensity. But it is just at such a time when it seems to me it is wise to stand back for a moment and survey the scene with some cautious criticism, in spite of one's natural inward feelings of optimistic expectancy.

It does not require a very long memory to go back to the end of 1919 or the beginning of 1920. At that time we were still enjoying a post-war boom; industry was active and prices were high. You will remember there was an outcry in the latter year against the high bank rate which had been imposed, and the movement to restrict credits which had been encouraged. Those wicked people, the bankers, it was said, were strangling trade and were deliberately destroying the good times.

When I was in Australia two years ago exactly the opposite criticism was being levied against the banks in that country, without, as far as I could gather, any foundation. They were said to have helped to swell the boom to an unwieldy size by forcing credits on unwilling takers, with the result that the subsequent crash had been much greater than it otherwise would have been.

In the case of our own country our fault after the war was not that credit was restricted, but that it was not restricted soon enough. I recall various cases where customers of banks, after the inevitable fall from boom prices, were the prey to bitter regrets because they had not listened to the advice given to them, and complained "How we wished that we had not succeeded in over-persuading you to assist us in buying our farms, extending our factories, or purchasing shares."

LARGE INCREASE OF LENDING POWER

I am not suggesting that conditions to-day are the same as they were at the time of which I speak. One factor alone is decidedly different. I have been looking back to the amount of deposits and overdrafts of the five big banks and I find that in 1920 the overdrafts were £767,585,000 and the deposits £1,628,375,000—i.e. 47.1 per cent. In 1929 they were £880,612,000, with deposits £1,625,579,000, or 54.2 per cent., whereas at the end of last year the percentage was only 38.1 per cent., the overdrafts being £765,612,000 and the deposits £2,011,582,000. We are lending now practically the same amount as we did in 1920, but the lowness of the percentage, due to the greater amount of the deposits, reveals a very large potential increase of lending capacity.

PRESENT POSITION

It seems to me, therefore, to be wise to pause for a moment and take stock of the position. No one wishes violent ups and downs in trade, neither is an entirely dead level an inspiring ambition, but to flatten out a too abrupt curve is surely a desirable objective! There are many features of the present time, which on paper at any rate may be said to be approaching boom conditions; a shortage of labour, especially skilled labour, a continued rise in the price of commodities and of wages, with consequent increased cost of production, an extension of productive capacity, based in some instances on expectations rather than actual orders, and fresh capital issued to the public on the same slender foundations. In Stock Exchange quotations also we see prices rising to figures which render the yield to the purchaser insignificant, although, as I have already pointed out, the percentage of our loans to the Stock Exchange is still of moderate dimension.

IMPORTANCE OF EXPORT TRADE

There is much which is quite healthy in the situation and of good augury for the future, and the increased purchasing power of the primary producing countries is only just beginning to show its effects. It is much to be hoped that everything which can be done will be done to help on international trade, and in particular our own export trade, which ought to benefit so materially from the extension of this movement.

The tripartite exchange agreement effected in September between ourselves, the United States and France raised our hopes that it would prove a first and most important step in the direction of a greater freedom of movement of goods between all nations. Not only was it the first real practical attempt between three of the leading nations of the world to obtain that co-operation in the economic sphere which we are so earnestly anxious to achieve in the political, but it was legitimate to hope that it would have a highly beneficial effect on the general international psychology.

A less restricted export trade is of the highest importance to this country especially. It is true that we have recovered a greater share in this respect than other countries, and the value of our export trade in 1936 shows an improvement of £75 millions as compared with 1932, although it is still £288 millions less than it was in 1929, but it is very necessary that the present activity of our internal trade should not make us liable to forget the essential importance of retaining our export connections. There is a definite danger that this may happen. We are so busy internally that many of our trades under the additional stimulus of our armament programme are working at a 100 per cent. capacity, and in such goods as machine tools, to mention only one, we are unable to meet our own requirements and are actually importing large quantities, while a shortage of labour has induced many manufacturers to scour the country to find fresh workmen and women in the depressed areas who can be persuaded to leave their homes and take up the work which is awaiting them in more

fortunate parts of the country. A curious illustration in terms of labour of the phrase "Poverty in the midst of plenty," which we have so frequently used in recent years in reference to goods.

FUTURE RESPONSIBILITIES

All these factors seem to me to point to two main considerations. In the first place, every care must be taken to ensure us against the present activity of our internal trade degenerating into anything which properly can be called a boom. And, in the second place, we ought to look ahead to that time when two of the chief causes of our present internal activity have come to an end, our building operations and our re-armament programme, and take all possible measures to fill the gap with increased foreign trade.

The old weapon, when the pace was becoming too hot, has been so long kept in its sheath that its existence has been almost forgotten, and, indeed, higher bank rate and dearer money are handicaps to legitimate trade, however efficacious they may be in other directions, and are inevitably an added burden on the Budget. But without this control we are dependent on open market, or other operations on the part of the authorities diminishing or increasing bankers' cash balances, or on individual action by the banks in restricting or increasing advances to customers. We have moved a long way from the days when control in these matters was semi-automatic, and many practical men of affairs are becoming more and more aware of a new responsibility attaching to their actions, not merely a responsibility which they always have had to the particular concern which they are interested in running, but a responsibility to the whole body politic.

GRANTING OF CREDIT

I do not think that this awareness has proceeded very far as yet. A manufacturer extends his plant or accepts orders mainly on the result of his calculation that he can keep the one employed and carry out the others with a reasonable profit and without undue risk. Likewise a banker will decide whether he will grant or withhold a credit primarily on the grounds of its safety and liquidity having due regard to the symmetry of his own figures. It is only in a secondary way that he is influenced by conjectures as to the effects of his actions on the economic life of the nation, or by doubts as to whether any alternative action would result in greater social gain. It is inevitable that this should be so. A practical man of affairs is much more afraid of laying down the law on any particular question than one who studies and deals in theories, and if he makes a mistake the penalties come home to him with greater force than they do to one who is engaged in theory rather than practice. He also feels, even if he has strong views on any particular theory, that his action in any case will be individual and isolated, and that he has no means of making his competitors co-operate with him.

At first sight this may seem to indicate the desirability of some central dictatorship to say what trades should carry on their operations and to what extent, which should be shut down and which extended. Presumably, if an entirely omniscient dictator could be found this might prove the remedy for every evil. But where is he to be found? If among politicians, who is there who would be accepted by all other politicians? If among economists, whose theories are free from the criticism of other economists, and who would dare to speak without fear of contradiction on behalf of all bankers or all industrialists?

On the whole, I think it is as well that we should continue to guide our course as well as we each may, and the sum of the wisdom and experience of us all will be greater than that of any one central authority, however omniscient. (Applause.) In these matters, as in politics, we in this country do not like dictators—(hear, hear)—whether they come from the Left or the Right, but it is all to the good that everyone engaged in practical affairs should busy themselves more and more in the wider scope and result of their actions, and study more closely their general economic effects.

PRACTICAL STEPS

As a people we do not concern ourselves over much with theory, but we have a faculty for dealing with problems or abuses as they arise. Means have been found to lessen the activities of what are known as "bucket shops," with every help from the Press, and a committee has been appointed to inquire further into the matter. Possible weaknesses in the Fixed Trust Movement have been the subject of inquiry, and a committee appointed to investigate the position has already made recommendations to safeguard against possible abuses. Bankers have shown their willingness to assist in ameliorating our unemployed problem by co-operating in the

formation of the Special Areas Reconstruction Association, perhaps not with any great optimism.

BANKS AND PROSPECTUSES

Further, they show a stronger sense of responsibility to the public by the way in which they criticise the contents of a prospectus appealing for public subscriptions on which they are asked to allow their name to appear. I know that this bank goes out of its way, so to speak, to be particularly careful in this respect. It is always possible for an ignorant member of the public to conclude, if he sees the names of a respectable bank and brokers on a prospectus, that they are virtual guarantees of the success of the enterprise. No one, of course, who is familiar with business would ever draw this conclusion, and he knows that a bank's name on a prospectus merely indicates that the banker has made every inquiry into its general *bona fides* and that he is only acting on behalf of the issuing house to receive subscriptions. In order to prevent any ignorant exaggeration on the part of the public of the functions of a bank in this connection, it might perhaps be better if the name of the bank appeared in a less prominent position on a prospectus.

A further example of a greater orderliness in our affairs in the City can be found, I think, in the reorganisation under the auspices of the Clearing Bankers of the Foreign Exchange Committee, which I believe is working very satisfactorily under conditions which no one can call easy.

THE FUTURE

In conclusion, I would suggest that we are justified in hoping that our present good trade will continue, but that the circumstances are such as to render it necessary that we should be on our guard against any tendency for exaggeration into unhealthy boom-like conditions, while at the same time we should lose no opportunity of maintaining our connections abroad, which will be more than ever useful when our internal activity lessens.

I now beg to move: "That the report just taken as read be received and adopted, and that, in accordance with the recommendation of the directors therein, a dividend be declared for the half-year ended December 31st last on the paid-up capital of the company at the rate of 12 per cent. per annum on the 'A' shares, and at the rate of 5 per cent. per annum on the 'B' shares, payable, less income tax, on and after January 30, 1937." (Applause.)

The resolution was seconded by Sir Austin E. Harris, K.B.E., the deputy chairman, and carried.

The retiring directors were re-elected, and Messrs. Price, Waterhouse and Company were reappointed auditors for the year 1937.

Votes of thanks to the directors for their services during the past year, to the staff for their excellent work, and to the chairman for presiding, were carried, and the proceedings then terminated.

GOLD COAST ASSOCIATED COMPANIES, LIMITED

PROSPECTS UNDER NEW MANAGEMENT

The second ordinary general meeting of the Gold Coast Associated Companies, Limited, was held, on the 4th instant, at River Plate House, E.C.

Sir Cecil Rodwell, G.C.M.G. (the chairman), after stating that the change in the company's office effected in June last would result in an estimated net saving in the neighbourhood of £1,000 per annum for the next five years and thereafter at the rate of £1,500 per annum, said:—The depreciation in value of mining investments amounts to £34,000, an even less satisfactory result than that shown for the previous year, when the corresponding figure was £23,000. I wish that I had been able to tell you that a comparison between the book cost and the market value of investments at this date would make a better showing than at September 30th last. I am, however, at any rate able to say that, thanks to the new investments to which reference is made in the report, the downward trend has been checked and that, while there is still a considerable leeway to be made up, the prospects of an improvement in the value of our investments as a whole are better than they were before the list of holdings was extended.

In conclusion, gentlemen, I can assure you that by the end of the current year, begun as it was under fresh auspices and in a new environment, it will be the earnest aim of the directors to show, as indeed the shareholders may reasonably expect them to show, more satisfactory results than it has been possible to place before you in respect of the period under review to-day.

The report was adopted.

WILLIAMS DEACON'S BANK, LIMITED

SATISFACTORY RESULTS—INCREASED NET PROFIT

IMPROVEMENT IN THE COTTON INDUSTRY

THE INDIAN IMPORT DUTIES

MR GERARD DEWHURST'S SPEECH

The annual meeting of the shareholders of Williams Deacon's Bank Limited was held, on the 28th ultimo, in the Board Room, Mosley Street, Manchester.

Mr Gerard Powys Dewhurst (the chairman) presided.

The Secretary read the notice convening the meeting and the auditors' report.

The Chairman, in moving the adoption of the directors' report and statement of accounts, said:—Gentlemen,—I have received apologies for unavoidable absences from our meeting to-day from certain members of the board.

BIRCHIN LANE BUILDING

You will notice from the report that the rebuilding of our old Bank in Birchin Lane was completed in October last and that since then we have been in occupation of our new premises. The Georgian type of architecture adopted appears to blend admirably with the surroundings, while the lay-out of the interior is all we could desire; in fact, the comfort and convenience of both customers and staff have been carefully studied. Soon after moving in we invited our friends and customers in the City of London to view the premises, and, judging by the kindness of their remarks, I think the architect is to be congratulated, and I should like on your behalf to assure him of our appreciation of the happy result of his labours. Our only regret is that our late general manager, Richard Dobson, did not live to see the completion of a project he had made particularly his own.

You will see from the report that we have invited Mr Ernest E. Bird, who is well known in the City, to a seat on our board, and this meeting will be asked to confirm his appointment. I should like in your name to offer Mr Bird a very hearty welcome, in the assurance that his wide experience and knowledge of men and affairs will be of the utmost value to the bank.

BALANCE SHEET ITEMS

Taking the remainder of the report with your permission as read, and turning to the figures of the balance sheet, on the liability side our capital and reserve fund show no change, but our deposits give us a substantial increase of over £2,000,000, which appears to be a common feature in all bank balance sheets this year. Acceptances on behalf of customers show a contraction from last year, while a smaller volume of foreign exchange contracts accounts largely for a reduction of over £600,000 in the next item of endowments.

Turning to the assets side of the sheet, our holding of cash shows little change, though the ratio of cash to deposits is reduced from 11.5 per cent. to 10.9 per cent. Balances with other banks are higher by £270,000 and we have over a million and a half less short money on the market than we had a year ago. Purchases of Treasury Bills account for a small increase in the next item of bills discounted.

The increase in our investments amounting to over three million, coupled with a relatively small addition to our advances, would indicate that our customers, especially in the cotton trade, while undoubtedly improving their position, have not yet reached the point of requiring fresh facilities to any large extent: in other words, our advances have so far improved in quality rather than in quantity.

Bank premises account, after an appropriation from this year's profits, shows a net increase of £55,000, not, we consider, an undue addition, considering the calls of the last three years upon this fund.

PROFIT AND DIVIDEND

Turning now to the figures of profit and loss, our net profit after making the usual provisions appears at a total of £293,636 as compared with £278,536, or an increase of £15,100. This profit, with a balance of £72,784 brought forward from last year, gives us a total of £366,420 now to be dealt with.

After transferring £30,000 to premises account, we are in a position to pay a dividend at the rate of 12½ per cent. on both our "A" and "B" shares, and to carry forward to next year's account £102,045 as against £72,784 brought in.

With the figures I have quoted, it is unnecessary for me to stress the liquid nature of the bank's position, and I am glad to report that the general business of the bank has been more than maintained, and we have every reason to be gratified with the progress recorded during the past year.

The year under review has seen a further revival in the internal trade of the country, and in spite of rising costs most of the heavy industries, under the stimulus of the Government's expenditure, and aided by cheap money, have attained a high level of output; in fact, we can record an increase of some 10 per cent. over last year in the volume of industrial production.

A STEP FORWARD IN INTERNATIONAL TRADE

The improvement in our export trade, so vital to us, still remains, however, a problem to be solved; but in this connection a definite step forward has been taken during the past year towards freeing international trade from its many restrictions, which may mark a new era in international economic relations, an agreement having been come to between the United States of America, France, and Great Britain to maintain reasonable stability of the principal exchanges through their respective equalisation funds. 1936 has also witnessed a substantial rise in the price level of primary commodities, including a higher value for agricultural produce, which, in so far as it affects the purchasing power of the producing countries, may also in its way be of material assistance to this country in regaining its exporting position to those markets, so long as the present remunerative nature of our domestic trade does not lead us to neglect the requirements of our customers abroad.

IMPROVEMENT IN COTTON TRADE

Turning to the area more directly served by this bank, it is gratifying after so many years of depression to be able to record a definite, if not yet very pronounced, improvement in the cotton trade. Various causes have been responsible for this happier state of affairs. Doubtless the Cotton Spinning Industry Act for dealing with redundant machinery, though only coming into operation during the latter part of the year, has had a definite psychological effect in restoring the confidence of the trade. Again, those responsible for various schemes for the prevention of undercutting of prices at last appear to be reaping the reward of their unremitting labours of the last three years, and a great proportion of yarn produced is now sold under an arrangement for minimum prices.

Lastly, as was to be expected, the trade has benefited by the increased purchasing power of the country. As a result, spinners and manufacturers have their order books filled for some time ahead at prices which, for the first time for many years, bear some relation to costs, and while these, largely through higher wages to be paid in the coming year, must inevitably rise, the outlook for the basic end of the industry can be described as distinctly promising.

TRADE WITH INDIA

On the other hand, our shipments of piece-goods abroad, I am afraid, show a somewhat mixed picture. Following upon the various reductions in the import duties on Lancashire textiles, welcome improvements are to be noted in the volume exported to the Dominions and Colonies, but this is more than offset by a further reduction of our trade with India, which, considering that the shipment of cotton piece-goods and yarns is still this country's largest export trade, and India the most important market, gives rise to serious misgivings.

In the meantime, by a vote of the Legislative Assembly of India, the Ottawa Agreement with the United Kingdom has been

ASHANTI GOLDFIELDS CORPORATION, LIMITED

ANOTHER SATISFACTORY YEAR

INCREASED DIVIDEND AND FAVOURABLE OUTLOOK

Mr J. H. Battey, the chairman, presiding at the fortieth ordinary general meeting of the Ashanti Goldfields Corporation, on the 29th ultimo, said the ore milled and treated was 213,713 tons, as against a previous high record of 192,110 tons. Working costs showed a further reduction at 26s. 0½d. per ton, as against 26s. 11¼d. last year.

The development footage reached the high figure of 21,037 ft., which was easily a record, and their ore reserves gave a total of 1,458,031 tons of an average value of 20 dwt., as against 1,059,224 tons, of an average value of 19.8 dwt. last year, being a net increase of 398,807 tons.

The outstanding feature was the development of the Cote d'Or reef from the south shaft, where, after using 118,440 tons for milling purposes, the stoping ore on this reef alone now stood at 1,163,745 tons of 23 dwt. out of a grand total of 1,458,031 tons. These figures were eminently satisfactory, and the position now was that they had ore for stoping purposes to cover them for at least six years, on the basis of the present output.

REDUCED WORKING COSTS

The dry crushing, roasting and cyanidation process showed a further reduction of 1s. 5.8d., and now brought the cost down to 9s. 5.92d. per ton. A recent experiment in firing with wood gas had proved satisfactory in reducing the cost of firing by about 1s. 4d. per ton, and they proposed similarly to equip the other furnaces. This should ultimately mean that the dry crushing and roasting process costs might eventually come within 8s. 3d. per ton.

In the meantime, they were increasing the capacity of the dry crushing treatment plant to 20,000 tons per month by erecting another roasting furnace. This would bring the total number of furnaces in commission to thirteen.

Referring to the prospecting and development of outside mines, the best results had been at Ayeinm. Developments had, on the whole, been satisfactory. A net increase of 61,386 tons of stoping ore brought the total reserves in this mine to 294,286 tons of 7.8 dwt.

APPROPRIATION OF PROFITS

The Chairman, having dealt with the various items in the balance sheet, continuing, said that shareholders would observe that a balance of £964,915 had been transferred to the appropriation account. In addition to this, a sum of £88,762 had been brought forward from last year, which was the balance outstanding after providing for the allocations agreed to at the last annual general meeting, and the payment of the second interim and final dividends for the year 1934-35.

In addition, the directors had considered it desirable to re-credit profit and loss account with £30,718, which was written off this account to meet the fall in the market value of Government securities in 1931. These securities more than recovered their original value, and they thought it a proper course to bring this amount back into profits.

The total sum thus to be appropriated was £1,084,396. They had again transferred £1,000 to the benevolent fund and had reserved £10,000 for income tax. The first interim dividend for the year under review absorbed £225,000, leaving a balance to be carried forward to the balance sheet of £848,396. Out of this they had paid a second interim dividend amounting to £225,000, and recommended a final dividend of 50 per cent., totalling £500,000, making a distribution of £950,000 for the year, and leaving a balance of £123,396. From this amount they were recommending a transfer of £10,000 to the pensions fund, £10,000 to the exploring account, and writing off £9,221, cost of development on Justice's Mine, leaving a carry-forward of £94,175.

FUTURE PROSPECTS

The programme proposed for this year, which the directors believe can be carried out quite comfortably provided there are no unforeseen circumstances beyond their control, should provide profits of over a million pounds, taking gold at the present value of, say, £7 per ounce.

Their investments this year comprised Government securities £252,536, and shares in other companies £575,070. The market value of these shares at September 30, 1936, was £2,085,000, and since then there had been a further appreciation.

The report and accounts were unanimously adopted.

denounced, and the whole question of the commercial relations between the two countries is shortly due to come up for revision, and now that the political considerations are removed from discussion we may surely hope that any differences of opinion may be settled from a purely commercial point of view, and a policy of mutual concession be adopted. After all, the United Kingdom provides a practically free market for over 30 per cent. of India's exports, or more than twice as much as her next best customer, Japan, so that a case would appear to lie for a further modification of the existing import duties into that country, which have had such devastating results in the past. If we realise that the population of Lancashire is 11 per cent. of the country's total and that its textile trade is the largest consumer of raw materials in the country, then I submit any move in this direction would do more than anything else to consolidate and broaden the revival in Lancashire trade which we welcome to-day.

RECORD STEEL PRODUCTIONS

Trade reports from Sheffield, where our bank has important interests, show that the improvement noted last year has been more than maintained. New records of production of steel and steel goods have been established during the year. Much new plant has been installed, and considerable expenditure on extensions and improvements is under consideration, though the problem of a sufficient supply of skilled labour in that industry, as elsewhere, is still acute.

COAL INDUSTRY

With regard to the coal industry, both in South Yorkshire and Lancashire the trade has definitely improved its position during the year. To a considerable extent this is due to the Coal Mines District Scheme set up in every coalfield in the country, whereby the output of coal is regulated and the actual business of selling is controlled. That these schemes have given a much-needed stability to the trade generally is clear, while safeguards, to some extent, of the interests of the consumer have not been overlooked.

From our other main branches in Lancashire we have similar reports of all-round improvement in business, with the exception perhaps of Wigan, where the percentage of unemployed persons still remains, unfortunately, high, though hopes are entertained that the big Government scheme initiated in the neighbourhood will alleviate this position when under way.

FAVOURABLE ENGINEERING OUTLOOK

All branches of engineering situated in and round Manchester have experienced an exceptionally busy year, and with the order books well filled the outlook of the trade here is distinctly favourable.

It is somewhat remarkable in a year when the international position has been so precarious and dangerous incidents of an inflammable nature have arisen so frequently, that this country from a commercial point of view should have proceeded so calmly with its affairs. Under the circumstances Stock Exchange prices for gilt-edged securities have remained remarkably steady, and business men, having accepted the Government's defence programme with all its implications of extra taxation, have trusted their Ministers to steer this country clear of any entanglements abroad, and it is only with the fervent hope that this confidence may be justified that we can look forward without apprehension to the coming year.

TRIBUTE TO STAFF

Before I conclude I should like, on your behalf, to convey to our general manager, Mr Bradburn, the assistant general managers, and the officers and staff of the bank, our best thanks for their efficient services, and to assure them of our keen appreciation of the way in which the work of the bank has been conducted during the year.

The Chairman then moved the adoption of the report and accounts, which was seconded and carried.

The retiring directors, Mr Herbert William Haldane and Mr Alexander Maitland, K.C., were re-elected, the appointment of Mr Ernest Edward Bird to the board was confirmed, and the auditors, Messrs Ashworth Mosley and Company, were re-appointed.

Orders for the publication in these columns of the reports of Company Meetings should be addressed to the Reporting Manager of THE ECONOMIST, 8 Bouverie Street, Fleet Street, London, E.C.4.

GENERAL CONSOLIDATED INVESTMENT TRUST LIMITED

INCREASED REVENUE AND DIVIDEND

The forty-first ordinary general meeting of the General Consolidated Investment Trust, Limited, was held, on the 29th ultimo, at 4 Moorgate, London, E.C.

Mr R. B. H. Ottley (the chairman), in the course of his speech, said: Our net income, after payment of debenture interest and all expenses, amounts to £39,254, against £31,890 last year and £24,222 in 1934. Our progress, therefore, over the last three years has been steady, and we must be forgiven a modest feeling of satisfaction, modest because, after all, we cannot but admit that the times have been propitious to companies such as ours which, like sailing ships, are to a large extent subject to the caprice of elements over which their masters have no control. We have successfully weathered one of the stormiest periods in the memory of living man, and we have for some time past been running before a steady trade wind which, indeed, during the last year, has been increasing in strength and we have had, at times, to shorten sail; for, in the uncharted seas of investment, you must always have your ship under control.

You must have, in the Trust's holdings of debentures and fixed interest-bearing stocks, the soundest possible rigging against the day of the low barometer presaging the approach of a tornado and plenty of spare tackle in the sail locker in the shape of reserves to provide for any contingency. There was a famous master of an Australian wool clipper, Captain Forbes of the "Schomberg," who formed the dangerous habit of padlocking the sheets; his ship was lost at sea with all hands. Is there a parallel, I wonder, in the investment world of to-day?

The valuation of our securities at December 31st gives us a total very substantially in excess of the figure standing in the balance sheet, and without, of course, taking into consideration the sum of £102,881, representing the total of our reserve funds and our carry-forward. Moreover, from the point of view of the revenue account, we still have some frozen investments which we feel justified in retaining, but from which we are at present obtaining little or no revenue.

CONFIDENCE IN THE FUTURE

We may, therefore, look with confidence to the future prosperity of our company in so far as our conduct of its business may influence it, but this all connotes a period of comparative immunity from social and economic upheavals of which, I confess, there are no very clear signs. There is evidence of a general rise in commodity prices, and money should become scarcer and dearer. On the other hand, other influences will be at work, and we may perhaps be justified in prognosticating a continuance of cheap money, though possibly not on so generous a scale as in the last few years.

There seems no reason, however, why the good days should not continue awhile, but that the curve of trade activity will, one day, become a declining one is only too certain, and it is the duty of investment trust directors to foresee these inevitable periods, and, in so far as they can, provide against them. It is for that reason, although we have earned 9 per cent. on our ordinary stock for the past year, that we have thought fit to recommend for your acceptance to-day a dividend of 6 per cent., a modest increase over the 5 per cent. paid last year and which we hope will meet with your satisfaction. Shareholders have never suffered by conservative distributions, and it will be the policy of the board to distribute on as generous a scale as possible commensurate with the building up of adequate reserves.

The report was unanimously adopted.

OFFER TO NEW READERS

Any reader who makes his first acquaintance with this journal with this week's issue is invited to fill up the attached:

To Publisher, "Economist Newspaper Ltd.,"
8 Bouverie Street, E.C.4.

In order to test the value of your publication I should like you to forward this to me by post for the next four weeks. If I then decide to become a subscriber, it is understood that there will be no charge for the copies thus received, but otherwise I shall be willing to pay 4s. to cover their cost.

Name.....

Address.....

CENTRAL AND DISTRICT PROPERTIES, LIMITED

DIFFICULT CONDITIONS—BETTER PROSPECTS

The third ordinary general meeting of Central and District Properties, Limited, was held, on the 29th ultimo, in London.

Mr Horace Boot, M.I.C.E., M.I.Mech.E., M.I.E.E. (the chairman), in the course of his speech, said: The year under review has been a difficult one for property-owning companies, large blocks of flats have been built in and around London so that the supply at present of residential flat accommodation exceeds the demand. This position is considered to be only of a temporary nature as the rate of building new blocks appears to be slowing up.

The resultant profit for the year was £14,848, as compared with £20,102 in 1935, which, however, included £7,881 profit from the sale of a property. I should like to draw your attention to the fact that in accordance with the terms of the company's prospectus it is necessary for a sum to be set aside out of the profits to repay the company's indebtedness to its debenture holders. Last year the amount provided was £2,400, and in the year now under consideration it amounted to £2,508, a total for the two years of £4,908. It will be necessary to provide £1,850 from next year's profits in respect of the redemption of preference shares, and it is in anticipation of this further charge that your directors have adopted a conservative policy in recommending only 4 per cent. dividend on the ordinary shares. While these provisions restrict the dividend that can be paid on the ordinary shares, they enhance every year their value by reducing the prior charges.

From the balance sheet it will be seen that the company's freehold and leasehold properties have cost £962,118, an increase of £35,620 as compared with last year; it will be remembered that last year we had a substantial sum awaiting investment. Towards the latter part of the last financial year we purchased two new properties. One of these properties is a block of shops with residential accommodation at South Harrow. The other is a block of small houses in Welling, Kent.

Your directors believe in the future prospects of the company as an investment for those desiring a good security with a reasonable yield.

The report was unanimously adopted.

BIBIANI (1927) LIMITED

SATISFACTORY DEVELOPMENT

Speaking at the tenth ordinary general meeting, on the 29th ultimo, the chairman, Mr J. H. Batty, said the mine development during the year had been highly satisfactory. Values had been maintained on levels 2, 5 and 6, and good values continued on levels 7, 8 and 9. On No. 9 the present lowest level, the first cross cut No. 14 from the winze, exposed 25 ft. of ore averaging 19 dwt.

It was most encouraging to find the ore body in depth maintaining its strength and values, and they felt justified in taking an optimistic view of the future.

The developments of the mine were so excellent that they must be ready, ultimately, to extend the plant beyond the 30,000 tons. They were increasing the haulage capacity to meet the 30,000 tons, which meant installing new machinery at No. 4 shaft. Everything pointed to the urgency of increasing the haulage capacity and installing the new treatment plant, as there was no doubt that the mine itself was ready to provide the ore required.

He was glad to be able to assure them that all this work was well in hand. For the present the tonnage should be at least 10,000, and they expected that early in the year 11,000 tons should be reached.

During the year, 93,230 tons were treated, which returned 32,120 ounces of fine gold, valued at £225,295. The cost worked out at 25s. 3d. per ton, including 5s. per ton for development. This compared favourably with the cost of the previous year of 30s. 6d. per ton.

The ore reserves had now reached 2,049,300 tons, of an average value of 7.8 dwt., an additional 343,100 tons placing them in a very strong position.

Profit and loss account showed a balance brought forward, at September 30, 1935, of £83,655, and they had to add to this the profit for the year, £81,537, making a total of £165,192. To be deducted from this was the 12½ per cent. dividend paid in February, 1936—£50,000, making a balance of £115,192, out of which the directors now recommended the payment of 15 per cent. for the year ended September 30, 1936. This would absorb £67,500, and leave a balance of £47,692 to be carried forward.

The report was unanimously adopted.

GOVERNMENTS STOCK AND OTHER SECURITIES INVESTMENT COMPANY, LIMITED

The ordinary general meeting of this company was held, on the 29th ultimo, in London.

Viscount St. Davids (the chairman) said:—I want to say something about depreciation as it affects investment trust companies. In this company four years ago we had a depreciation of 36 per cent. To-day there is no depreciation at all, and both the capital and the reserve are intact and there is a substantial balance on the right side.

As to revenue, the results of the past year were arrived at after having forty decreases in revenue and over sixty increases. On balance we have a gain of £3,300. No bonuses or scrip have been taken to revenue.

Foreign bonds and foreign railways did better in the past year. South America also did better. Although very far from doing well, there was an improvement the right way. Then an African company gave us a little jump in our income. We had some pleasant increases from tramway companies and from foreign land companies. We did rather better in rubber and in some miscellaneous companies.

We propose to pay an extra ½ per cent. on our deferred and to add £2,000 to our revenue reserve fund, making that fund £56,000. As it has borne tax, it represents over 12 per cent. on the deferred stock.

I venture to think that this year ought to be a pretty good year for our income. We ought to do much better in our holdings in investment trusts and very much better in rubber. Unless I am very widely mistaken, our income during the present year is going to be better than our income in the past year.

The report was unanimously adopted.

GOVERNMENT RETURNS, &c.

NATIONAL ACCOUNTS

The total ordinary revenue for the week ended January 30, 1937, amounted to £24,563,000, against ordinary expenditure of £11,187,000. After allowing for an increase in Exchequer Balances of £299,259, the operations for the week, as shown below, decreased the gross National Debt by £12,853, to approximately £7,986 millions.†

(000's omitted)	
Public Department Advances.....	+ 9,335
2½% Funding Loan.....	+ 5
National Savings Certificates.....	+ 150
	+ 9,490
Treasury Bills.....	- 18,866
Old Sinking Fund.....	- 2,941
P.O. & Tel. (Money) Act.....	- 500
Suez Canal Drawn Shares.....	- 36
	- 22,343

† Including £375 millions on Account of Exchange Equalisation Fund and Borrowing for Statutory Sinking Fund.

A complete analysis of the approximate position of the National Debt at December 31, 1936, appeared in *The Economist* for January 2, 1937.

REVENUE	Estimate for the year 1936-37	Total Receipts into the Exchequer			
		April 1, 1936, to Feb. 1, 1936	April 1, 1936, to Jan. 30, 1937	Week ended Feb. 1, 1936	Week ended Jan. 30, 1937
ORDINARY REVENUE					
Inland Revenue—					
Income Tax.....	259,000,000	143,496,000	139,549,000	17,880,000	18,468,000
Sur-tax.....	56,500,000	25,740,000	26,110,000	3,840,000	4,330,000
Estate, etc., Duties.....	89,000,000	72,140,000	70,060,000	1,740,000	1,710,000
Stamps.....	27,000,000	17,420,000	20,730,000	590,000	550,000
Excess Profits Duty and Corporation Profits Tax	750,000	...	...	...	...
Land Tax and Mineral Rights Duty.....	750,000	350,000	290,000	50,000	60,000
Total Inland Revenue.....	433,000,000	259,146,000	236,739,000	24,100,000	25,118,000
Customs and Excise—					
Customs.....	207,525,000	164,848,000	175,242,000	2,461,000	3,500,000
Excise.....	110,000,000	91,500,000	93,300,000	700,000	800,000
Total Customs and Excise.....	317,525,000	256,348,000	268,542,000	3,161,000	4,300,000
Motor Vehicle Duties (Exchequer Share).....	5,000,000	4,641,000	5,614,000	Dr 190,000	Dr 543,300
Post Office (Net Receipts).....	11,256,000	13,450,000	12,300,000	Dr 200,000	100,000
Crown Lands.....	1,350,000	1,230,000	1,240,000	180,000	190,000
Receipts from Sundry Loans	5,000,000	4,777,805	4,413,519	...	...
Miscellaneous Receipts.....	25,250,000	16,973,933	16,326,222	52	288,359
Total Ordinary Revenue.....	798,381,000	556,566,538	565,174,741	25,335,052	24,563,359
SELF-BALANCING REVENUE					
Post Office.....	69,344,000	53,100,000	57,400,000	2,200,000	1,800,000
Motor Vehicle Duties apportioned to Road Fund.....	26,500,000	24,719,000	25,768,000	2,750,000	6,550,000
Total Self-balancing Revenue.....	95,844,000	77,819,000	83,168,000	4,950,000	8,350,000
Total.....	...	634,385,538	648,342,741	30,285,052	32,913,359

EXPENDITURE	Estimate for the year 1936-37	Total Issues out of the Exchequer to meet Payments			
		April 1, 1936, to Feb. 1, 1936	April 1, 1936, to Jan. 30, 1937	Week ended Feb. 1, 1936	Week ended Jan. 30, 1937
ORDINARY EXPENDITURE					
Interest and Management of National Debt.....	224,000,000	197,175,087	190,236,215	6,948,429	294,668
Payments to Northern Ireland Exchequer.....	7,500,000	4,531,059	5,413,817	...	414,107
Other Consolidated Fund Services.....	3,200,000	2,892,156	2,537,505	21,728	35,168
Post Office Fund.....	600,000	1,126,817	420,529	...	...
Total.....	235,300,000	205,725,119	198,608,066	6,970,157	743,943
Total Supply Services (excluding Post Office)...	570,969,000	411,100,399	444,178,929	9,922,000	10,442,750
Total Ordinary Expenditure†	806,269,000	616,825,518	642,786,995	16,892,157	11,186,693
SELF-BALANCING EXPENDITURE					
Post Office.....	69,344,000	53,100,000	57,400,000	2,200,000	1,800,000
Road Fund.....	26,500,000	24,719,000	25,768,000	2,750,000	6,550,000
Total Self-Balancing Expenditure.....	95,844,000	77,819,000	83,168,000	4,950,000	8,350,000
Total.....	...	694,644,518	725,954,995	21,842,157	19,536,693

† Estimated Expenditure as per Financial Statement (H.C. 77) ... 797,897,000

Add:—
Supplementary Estimates 33,972,000
Less:—Provision made in the Budget 25,600,000
806,269,000

The aggregate revenue from April 1, 1936, to January 30, 1937, is shown below:—

(000's omitted)	
Expenditure.....	642,787
Increase in balances.....	87
Revenue.....	565,175
Gross borrowing.....	£84,845
Less:— New Sinking Fund*... ..	7,146
Net borrowing.....	77,699
	642,874

* Authority will be sought in the Finance Bill to meet the Statutory Sinking Funds in 1936 by borrowing.

POSITION OF THE FLOATING DEBT

	Feb. 1, '36	Mar. 31, '36	Jan. 30, '37	Week ended Jan. 30, '37
Ways and Means Advances Outstanding: £	£	£	£	£
Advances by Bank of England.....	24,725,000	19,055,000	31,510,000	+ 9,335,000
Advances by Public Department.....	851,100,000	763,115,000	714,480,000*	- 18,865,000
Treasury Bills outstanding.....				

Total Floating Debt 875,825,000 782,170,000 745,990,000 — 9,530,000
* Includes £4,000, the proceeds of which were not carried to the Exchequer within the period of the Account.

TREASURY BILLS BY PUBLIC TENDER

Tenders for £35,000,000 Treasury bills were opened on January 29, 1937. The amount applied for was £73,355,000. Tenders were accepted for Treasury bills at three months dated Monday at £99 17s. 5d., about 30 per cent. and above in full; Tuesday at £99 17s. 6d., and above in full. Wednesday to Saturday at £99 17s. 5d., about 30 per cent. and above in full. The average rate per cent. was 10s. 5.04d. The amount allotted was £35,000,000.

Date	Amount Offered	Total Applications	Amount Allotted	Average Rate %
January 4, 1935.....	30,000,000	49,560,000	27,500,000	0 6 1.64
July 5, 1935.....	40,000,000	60,905,000	40,000,000	0 12 4.32
January 8, 1936.....	35,000,000	68,075,000	35,000,000	0 10 10.72
July 3, 1936.....	50,000,000	72,750,000	50,000,000	0 12 1.27
January 1, 1937.....	40,000,000	75,450,000	40,000,000	0 12 5.63
January 22, 1937.....	30,000,000	75,565,000	30,000,000	0 10 3.81
January 29, 1937.....	35,000,000	73,355,000	35,000,000	0 10 5.04

NATIONAL SAVINGS CERTIFICATES

Total Sales of Savings Certificates	No. of Certificates	Value
Week ended January 9, 1937.....	746,724	£580,043
Week ended January 16, 1937.....	803,903	602,927
February, 1916, to January 16, 1937.....	1,282,203,973	1,008,090,818

At the end of December, 1936, the amount remaining to the credit of investors in Savings Certificates, excluding interest, was £390,101,507.

The OCEAN

Accident & Guarantee Corporation, Limited

Head Office : 36-44 Moorgate, London, E.C.

FOR ALL CLASSES OF INSURANCE

THE BANKERS' GAZETTE

BANK OF ENGLAND

RETURN FOR WEEK ENDED WEDNESDAY,

FEBRUARY 3, 1937

ISSUE DEPARTMENT

£		£	
Notes Issued:—		Government Debt	11,015,100
In Circulation	457,311,181	Other Government Securities	187,879,503
In Banking Department	56,349,479	Other Securities	1,091,347
		Silver Coin	14,050
		Amount of Fiduciary Issue	200,000,000
		Gold Coin and Bullion	313,660,660
			513,660,660

BANKING DEPARTMENT

£		£	
Proprietors' Capital	14,553,000	Government Securities	80,449,242
Rest	3,607,319	Other Securities	—
Public Deposits	12,214,103	Discounts and Advances	£8,520,709
Other Deposits	—	Securities	£18,927,869
Bankers	£96,105,653	Notes	27,448,378
Other Accounts	£38,273,601	Gold and Silver Coin	56,349,479
			506,577
			164,753,676

* Including Exchequer, Savings Banks, Commissioners of National Debt, and Dividend Accounts.

Both Departments	Amount, Feb. 3, 1937	Inc. or Dec. on Last Week	Inc. or Dec. on Last Year
Note circulation	457,311,181	+ 5,014,172	+ 57,478,424
Public deposits	12,214,103	+ 80,652	+ 1,224,988
Bankers' deposits	96,105,653	+ 2,317,547	+ 6,771,085
Other deposits	38,273,601	+ 168,005	+ 1,248,418
Total outside liabilities	603,904,538	+ 2,609,272	+ 53,180,755
Capital and rest	18,160,319	+ 17,822	+ 13,191
Government debt and securities	279,343,845	+ 1,747,929	+ 56,796,596
Discounts and advances	8,520,709	+ 502,568	+ 5,919,428
Other securities	20,019,016	+ 269,362	+ 3,992,345
Silver coin in issue department	14,050	+ 42	+ 1,088,447
Coin and bullion (bank's reserves)	314,167,237	+ 107,277	+ 112,979,690
Reserves of notes and coin in banking department	56,856,056	+ 4,906,895	+ 4,498,734
Proportion of reserve to outside liabilities—			
(a) Banking Department only ("proportion")	38.8%	+ 2.6%	+ 1.8%
(b) Gold stocks to deposits and notes ("reserve ratio")	52.1%	+ 0.1%	+ 13.6%

(000's omitted)

Date	Issue Department		Banking Department				Gold in or out of Bank	Bank Rate
	Notes Issued	Circulation	Public Deposits	Bankers' Deposits	Other Deposits			
1937								
Jan. 13	513,661	455,047	12,384	106,720	38,266	Nil	2	2
" 20	513,661	450,464	12,355	100,287	37,568	Nil	2	2
" 27	513,661	452,297	12,133	98,423	38,442	Nil	2	2
Feb. 3	513,661	457,311	12,214	96,106	38,274	Nil	2	2

(000's omitted)

Date	Issue Department		Both Depts.		Banking Department				Reserve and the "Proportion"
	Govt. Securities	Other Securities	Gold Coin and Bullion and Reserve Ratio	%	Govt. Securities	Discounts & Advances	Other Securities	%	
1937									
Jan. 13	199,939	51	314,033	51.1	83,156	12,521	20,806	59,866	37.4
" 20	199,916	373	314,082	52.1	74,935	8,908	22,079	83,617	42.9
" 27	199,960	1,026	314,060	52.1	78,638	8,018	18,724	81,763	41.1
Feb. 3	199,895	1,091	314,167	52.3	80,449	8,521	18,928	86,856	38.1

BANKERS' CLEARING RETURNS

LONDON

(000's omitted)

	Town	Metropolitan	Country	Total
1937				
January 1 to January 20	2,123,650	136,026	239,983	2,499,659
Week ended January 27	752,437	42,237	67,840	862,514
Week ended February 3	812,056	48,655	78,241	938,952
Total to date, 1937	3,688,143	226,918	386,064	4,301,125
Total to date, 1936	3,138,036	204,215	338,801	3,681,052
Increase or decrease in 1937	+ 550,107	+ 22,703	+ 47,263	+ 620,073
	= 17.5%	= 11.1%	= 13.9%	= 16.8%
Total for year 1936	35,039,356	2,039,620	3,537,598	40,616,574
Total for year 1935	32,443,575	1,887,112	3,229,064	37,559,751
Increase or decrease in 1936	+ 2,595,781	+ 152,508	+ 308,534	+ 3,056,823
	= 8.0%	= 8.1%	= 9.6%	= 8.2%

PROVINCIAL

(000's omitted)

	Week ended January 30		Month of January		Inc. or Dec.	Aggregate Totals January 1 to January 30	
	1936	1937	1936	1937		1936	1937
No. of working days:	27	26	27	26			
BIRMINGHAM	2,942	2,926	12,884	13,977	+ 8.4	13,592	13,977
BRADFORD	1,192	1,407	4,537	5,208	+ 14.7	4,800	5,208
BRISTOL	1,274	1,314	5,827	5,481	- 5.9	6,019	5,481
DUBLIN	5,909	5,236	28,773	29,021		28,773	29,021
LEEDS	800	1,025	3,832	4,333	+ 10.1	3,714	4,333
LIVERPOOL	1,327	1,374	4,967	5,395	+ 8.6	5,241	5,395
MANCHESTER	837	782	3,758	3,556	- 5.3	3,930	3,556
NEWCASTLE	6,338	8,176	27,746	32,803	+ 18.2	29,879	32,803
NOTTINGHAM	10,553	11,151	46,659	48,406	+ 3.7	48,664	48,406
Sheffield	1,395	1,541	5,609	6,161	+ 9.8	6,012	6,161
	550	554	2,510	2,502	- 0.3	2,660	2,502
	866	897	4,548	4,834	+ 6.2	4,729	4,834
	33,983	36,384	122,977	132,656	+ 7.8	158,013	161,677

† Aggregate totals now exclude odd days of previous year falling in first week. Similar adjustment for Newcastle made in week to January 9th.

OVERSEAS BANK RETURNS

NOTE.—The latest return of the Bank of Spain appeared in *The Economist* for August 15. International Settlements in January 9. Argentina, Danzig Rumania in January 23. Estonia, Japan, Lithuania and Poland in January 30.

U.S. FEDERAL RESERVE BANKS.—In \$'s (000's omitted)

U.S.F.R. BANKS	Feb. 6, 1936	Jan. 14, 1937	Jan. 21, 1937	Jan. 28, 1937	Feb. 4, 1937
Gold Certificates on hand and due from the Treasury	7,664,240	8,849,880	8,849,880	8,849,910	8,849,390
Total reserves	8,019,700	9,167,960	9,177,200	9,170,410	9,150,180
Total cash reserves	339,200	304,750	314,570	307,770	289,040
Total bills discounted	9,620	2,350	2,380	2,860	2,800
Bills bought in open market	14,290	5,440	5,460	5,940	5,880
Industrial advances	31,960	24,220	24,130	24,080	23,650
Total U.S. Govt. securities	2,430,290	2,430,230	2,430,230	2,430,290	2,430,290
Total bills and securities	2,476,730	2,459,880	2,459,820	2,460,250	2,459,760
Total resources	11,074,110	12,417,230	12,419,180	12,318,180	12,305,690
Federal Reserve notes in actual circulation	3,640,090	4,176,780	4,158,040	4,140,490	4,158,070
Aggregate of excess member-bank reserves over requirements	3,090,000	2,100,000	2,130,000	2,150,000	2,150,000
Deposits—Member-bank	5,868,770	6,739,610	6,754,890	6,772,800	6,757,710
Government deposits	440,250	190,030	188,260	180,250	175,740
Total deposits	6,328,660	7,237,880	7,255,590	7,267,550	7,219,240
Capital paid in and surplus	302,590	304,840	305,020	305,150	305,360
Total liabilities	11,074,110	12,417,230	12,419,180	12,318,180	12,305,690
Ratio of total reserves to deposit and F.R. note liabilities combined	78.1%	80.3%	80.4%	80.4%	80.4%
U.S.F.R. BANKS AND TREASURY COMBINED RESOURCES					
Monetary Gold Stock	10,168,000	11,306,000	11,317,000	11,345,000	11,364,000
Treasury and National Bank Currency	2,491,000	2,528,000	2,533,000	2,531,000	2,531,000
Money in Circulation	5,742,000	6,371,000	6,339,000	6,318,000	6,348,000
Treasury Cash and Deposits with Federal Reserve Banks	2,958,000	2,629,000	2,651,000	2,683,000	2,705,000

NEW YORK FEDERAL RESERVE BANK.—In \$'s (000's omitted)

	Feb. 6, 1936	Jan. 14, 1937	Jan. 21, 1937	Jan. 28, 1937	Feb. 4, 1937
Total gold reserves	3,540,800	3,567,250	3,600,920	3,666,550	3,638,350
Total bills discounted	7,740	1,110	1,350	1,140	1,670
Bills bought in open market	734,380	852,250	1,100	1,090	1,090
Total bills and securities	751,070	660,580	660,620	660,420	660,910
Deposits—Member-bank—reserve account	2,841,600	2,896,500	3,042,910	3,106,220	3,116,510
Ratio of total res. to dep. and Federal Res. note liabilities combined	83.9%	86.1%	86.2%	86.6%	86.6%

FEDERAL RESERVE REPORTING MEMBER BANKS.—In \$'s (000,000's omitted)

	Jan. 15, 1936	Dec. 16, 1936	Dec. 23, 1936	Dec. 27, 1936	Jan. 6, 1937	Jan. 13, 1937
Loans	8,125	9,069	9,170	9,189	9,085	9,039
Investments	12,788	13,966	13,771	13,742	13,768	13,758
Reserve Bank	4,778	5,307	5,161	5,163	5,184	5,303
Due from banks	2,366	2,498	2,386	2,345	2,313	2,354
Demand deposits	13,770	15,625	15,574	15,571	15,425	15,562
Time deposits	4,898	5,031	5,043	5,067	5,052	5,053
Government deposits	699	700	702	702	702	655
Due to banks	6,088	6,640	6,500	6,436	6,546	6,534

AUSTRALIAN COMMONWEALTH BANK.—In £'s (000's omitted)

	Feb. 3, 1936	Jan. 4, 1937	Jan. 11, 1937	Jan. 18, 1937	Jan. 25, 1937	Feb. 1, 1937
Gold and English sterling	15,994	16,011	16,011	16,011	16,011	16,011
Money at short call—London	11,515	18,104	17,525	18,351	11,353	10,874
Short-term loans	7,734	10,147	10,002	11,892	18,838	18,990
Securities	71,377	77,473	77,268	77,048	76,550	76,550
Discounts and advances	8,091	9,461	9,235	9,158	9,072	9,230
Notes issued	47,295	50,538	49,039	47,538	47,038	47,038
Reserve premium on gold	4,125	7,753	7,753	7,753	7,753	7,753
Deposits	66,428	69,534	70,945	75,542	75,817	75,200

RESERVE BANK OF NEW ZEALAND.—In £'s (000's omitted)

	Jan. 27, 1936	Jan. 4, 1937	Jan. 11, 1937	Jan. 18, 1937	Jan. 25, 1937
ASSETS					
Gold	2,801	2,801	2,801	2,801	2,801
Sterling exchange	22,103	16,214	16,770	17,693	17,901
Advances to the State	—	7,467	7,551	7,763	7,909
Investments	1,771	2,700	2,700	3,164	3,159
LIABILITIES					
Bank notes	10,063	13,501	13,342	13,212	13,068
Demand liabilities	—	—	—	—	—
Government	4,510	3,422	3,963	4,334	5,039
Other	10,704	10,822	11,119	12,471	12,272
Ratio of reserves to sight liabilities	98.5%	68.5%	68.8%	68.3%	68.1%

BANK OF CANADA.—In \$'s (000's omitted)

	Jan. 29, 1936	Jan. 13, 1937	Jan. 20, 1937	Jan. 27, 1937
ASSETS				
Reserve of which	195,266	191,279	195,736	195,384
Gold coin and bullion	179,534	179,423	179,530	179,530
Dominion Government securities	106,431	156,628	158,890	158,628
LIABILITIES				
Note circulation	88,440	131,155	128,713	125,116
Deposits: Dominion Government	32,096	19,122	24,226	24,959
Chartered banks	179,837	188,846	190,919	194,287
Ratio of reserves to notes and deposit liabilities	64.6%	56.0%	56.6%	56.5%

SOUTH AFRICAN RESERVE BANK.—In £'s (000's omitted)

	Jan. 31, 1936	Dec. 31, 1936	Jan. 8, 1937	Jan. 15, 1937	Jan. 22, 1937	Jan. 29, 1937
ASSETS						
Gold coin and bullion	26,801	24,635	25,061	25,485	25,909	26,366
Bills discounted: Foreign	7,512	10,794	6,189	6,163	6,798	7,252
Investments	1,753	1,745	1,745	1,745	1,745	1,745
Other assets	14,416	11,916	12,218	12,770	12,623	13,147
LIABILITIES						
Notes in circulation	14,296	16,416	15,271	14,496	14,023	15,760
Deposits: Government	2,523	1,666	1,618	1,835	2,309	1,737
Bankers	28,519	22,451	22,865	24,025	28,918	23,770
Ratio of cash reserves to liabilities to public	56.3%	52.5%	57.2%	57.7%	57.8%	57.6%

NATIONAL BANK OF HUNGARY.—In Hungarian Pengő (000's omitted)

Assets	Jan. 23, 1936	Dec. 31, 1936	Jan. 7, 1937	Jan. 15, 1937	Jan. 23, 1937
Metal reserve—					
Gold coin and bullion	78,936	84,056	84,056	84,056	84,056
Foreign Exchange	35,276	42,358	43,066	43,282	43,178
Token money	13,717	6,152	6,970	9,491	10,567
Inland bills, warrants and securities	477,902	535,069	475,099	450,289	445,619
Advances to Treasury	76,903	97,883	97,843	97,843	98,792
LIABILITIES					
Notes in circulation	325,549	436,447	386,669	363,596	351,163
Current accounts, deposits, etc.	154,487	212,626	214,278	219,366	231,507
Cash certificates	104,298	92,901	92,901	92,901	92,901
Other liabilities	159,179	164,382	145,327	144,406	144,392

NATIONAL BANK OF CZECHOSLOVAKIA.—In K. K.* (000's omitted)

Assets	Jan. 23, 1936	Dec. 31, 1936	Jan. 7, 1937	Jan. 15, 1937	Jan. 23, 1937
Gold	2,690,847	2,591,719	2,590,475	2,589,016	2,588,326
Balances abroad and foreign currency	88,352	439,410	458,443	437,498	407,486
State foreign exchange	1,227,672	2,339,049	2,176,015	1,903,012	1,659,327
State notes debt balance	2,043,284	2,021,980	2,021,463	2,021,436	2,021,326
LIABILITIES					
Bank notes in circulation	5,033,192	6,478,275	5,912,230	5,522,428	5,304,871
Deposits	1,060,263	409,569	801,259	923,094	851,452

* First return showing effects of devaluation, October 15, 1936.

† Reserve fund now raised to Cz. K. 91,529,000 (from Cz. K. 76,035,000 on Dec. 31).

NATIONAL BANK OF JUGOSLAVIA In dinar (000's omitted)

Assets	Jan. 23, 1936	Jan. 8, 1937	Jan. 15, 1937	Jan. 23, 1937
Cash reserve:				
Gold at home and abroad	1,449,888	1,629,504	1,630,412	1,631,409
State foreign exchange	567,200	556,944	556,969	556,969
Bills and advances against security	299,770	565,720	604,156	630,206
Government advances	1,720,167	1,694,358	1,687,280	1,700,610
LIABILITIES				
Notes in circulation	4,734,485	5,358,662	5,214,091	5,140,725
Sight deposits	1,617,157	1,704,394	1,856,098	1,987,928
Time deposits	187,400	50,000	50,000	50,000

BANK OF GREECE.—In drachmae (000's omitted)

Assets	Jan. 23, 1936	Dec. 23, 1936	Jan. 7, 1937	Jan. 15, 1937	Jan. 23, 1937
Gold and gold exchange	3,404,891	3,321,055	3,326,843	3,328,611	3,348,870
State Gold Bonds	567,200	556,944	556,969	556,969	556,969
Bills discounted	299,770	565,720	604,156	630,206	630,206
Advances	4,413,968	4,481,683	4,392,548	4,369,474	4,369,474
State Debts	2,714,111	3,605,111	3,605,111	3,605,111	3,605,111
LIABILITIES					
Notes in circulation	5,684,861	6,199,234	6,102,322	6,032,324	5,988,958
Deposit and current acc'ts.	4,857,728	5,579,130	5,622,398	5,655,092	5,857,759
Foreign exchange liabilities	245,655	201,066	202,286	199,613	215,051

CENTRAL BANK OF TURKEY.—In ₺ (000's omitted)

Assets	Dec. 26, 1936	Jan. 2, 1937	Jan. 9, 1937	Jan. 16, 1937	Jan. 23, 1937
Gold	32,073	33,903	34,822	34,831	34,831
Foreign Exchange	33,689	34,112	34,780	37,868	38,998
Treasury Bonds	146,684	146,684	146,684	146,684	146,684
Bills	27,708	30,249	27,135	23,964	23,967
Securities	41,150	41,167	41,059	41,059	41,007
Advances	9,214	7,639	8,282	10,307	10,610
LIABILITIES					
Note Circulation	146,684	146,684	146,684	146,345	146,345
Ordinary	32,500	31,000	39,000	39,000	39,000
Supplementary	14,756	11,622	12,959	14,245	13,770
Deposits	22,446	23,159	23,589	24,565	24,683
Foreign Exchange Liabilities	82,498	83,085	82,132	80,833	80,941
Miscellaneous					

* Includes outstanding clearing balances.

BANK OF FINLAND.—In F. Marks (000's omitted)

Assets	Jan. 23, 1936	Dec. 31, 1936	Jan. 8, 1937	Jan. 15, 1937	Jan. 23, 1937
Gold reserve	776,993	603,222	603,210	603,205	603,199
Gold abroad not included in the gold reserve		211,432	211,432	211,432	211,432
Foreign correspondents	1,279,802	1,491,589	1,531,769	1,557,412	1,618,987
Foreign bills, bank notes and coupons	77,545	83,621	82,743	82,407	83,147
Inland bills and other home loans	826,733	949,515	954,751	948,335	963,295
Finnish and foreign bonds	434,022	440,461	442,461	421,748	419,274
LIABILITIES					
Notes in circulation	1,269,827	1,630,121	1,549,914	1,543,424	1,516,255
Government deposits at sight	197,899	376,496	324,210	345,400	358,040
Other deposits at sight	546,228	571,316	765,543	733,496	809,505
Ratio of ordinary cover to liabilities at sight	82.51	75.12	75.87	76.63	76.84

NATIONAL BANK OF EGYPT.—In £E (000's omitted)

Banking Department:—	Dec. 31, 1935	Oct. 31, 1936	Nov. 30, 1936	Dec. 31, 1936
LIABILITIES				
Capital	2,925	2,925	2,925	2,925
Reserves	2,925	2,925	2,925	2,925
Government deposits	8,765	5,895	6,931	7,712
Other deposits	21,309	20,036	20,867	20,370
Other accounts	2,935	3,712	3,820	3,140
Assets				
Cash: Notes	1,847	1,613	1,350	1,782
Gold, silver, etc.	641	658	693	688
Money at call and short notice	1,906	317	1,248	2,150
Investments	23,231	22,921	22,753	21,520
Advances	6,971	6,093	6,484	6,748
Bills	2,515	1,523	1,865	2,069
Other accounts	1,747	2,302	2,874	2,134
Note Issue Department:—				
LIABILITIES				
Notes issued	25,100	25,000	24,200	24,900
Assets				
Gold	6,241	6,241	6,241	6,241
British Treasury Bills	9,647	8,544	8,744	7,715
British War Loan at par	7,713	7,715	7,715	7,715
Egyptian Government securities at market price	1,500	1,500	1,500	1,500

BANK OF LATVIA.—In latš (000's omitted)

Assets	Jan. 27, 1936	Dec. 28, 1936	Jan. 4, 1937	Jan. 11, 1937	Jan. 18, 1937	Jan. 25, 1937
Gold coin and bullion	46,382	76,851	76,852	76,860	76,864	76,876
Silver coin	15,326	15,388	15,678	15,909	16,001	15,971
Balance abroad	6,780	26,207	25,893	27,728	28,569	30,674
Treas. notes and small change	11,811	8,581	11,123	12,122	11,686	11,961
Short-term bills	50,794	50,697	51,446	50,039	49,506	49,207
Loans against securities	59,490	67,494	67,004	66,097	65,977	66,542
LIABILITIES						
Notes in circulation	36,610	43,576	40,877	40,535	40,618	41,370
Deposits	20,592	19,154	19,556	19,666	19,942	20,157
Current accounts	89,289	118,483	117,868	119,528	118,703	120,099
Government accounts	35,744	55,854	60,785	61,445	62,668	61,858

† Gold francs up to and including September 28, 1936, only.

MONEY AND EXCHANGE RATES LONDON MONEY RATES

	Jan. 28, 1937	Jan. 29, 1937	Jan. 30, 1937	Feb. 1, 1937	Feb. 2, 1937	Feb. 3, 1937	Feb. 4, 1937
Bank rate (changed from 2½% June 30, 1932).....	2	2	2	2	2	2	2
Market rates of discount—							
60 days' bankers' drafts	4½-4	4½-4	4½-4	4½-4	4½-4	4½-4	4½-4
3 months' do.	4½-4	4½-4	4½-4	4½-4	4½-4	4½-4	4½-4
4 months' do.	4½-4	4½-4	4½-4	4½-4	4½-4	4½-4	4½-4
6 months' do.	4½-4	4½-4	4½-4	4½-4	4½-4	4½-4	4½-4
Discount Treasury Bills—							
2 months'	4½-4	4½-4	4½-4	4½-4	4½-4	4½-4	4½-4
3 months'	4½-4	4½-4	4½-4	4½-4	4½-4	4½-4	4½-4
Loans—Day-to-day	4½-4	4½-4	4½-4	4½-4	4½-4	4½-4	4½-4
Short-term advances: Bank	4½-4	4½-4	4½-4	4½-4	4½-4	4½-4	4½-4
Discount houses at call	4½-4	4½-4	4½-4	4½-4	4½-4	4½-4	4½-4
At notice	4½-4	4½-4	4½-4	4½-4	4½-4	4½-4	4½-4

Comparison with previous weeks

Short Loans	Bank Bills			Trade Bills		
	3 Months	4 Months	6 Months	3 Months	4 Months	6 Months
1937	%	%	%	%	%	%
Jan. 7	4½-4	4½-4	4½-4	4½-4	4½-4	4½-4
" 14	4½-4	4½-4	4½-4	4½-4	4½-4	4½-4
" 21	4½-4	4½-4	4½-4	4½-4	4½-4	4½-4
" 28	4½-4	4½-4	4½-4	4½-4	4½-4	4½-4
Feb. 4	4½-4	4½-4	4½-4	4½-4	4½-4	4½-4

LONDON RATES OF EXCHANGE

I.—Spot Rates (Range of the day's business)

London on	Par of Exch. per £	Jan. 29, 1937	Jan. 30, 1937	Feb. 1, 1937	Feb. 2, 1937	Feb. 3, 1937	Feb. 4, 1937
New York, \$	4.86½	4.89½-90½	4.89½-90½	4.89½-90½	4.89½-90½	4.89½-90½	4.89½-90½
Montreal, \$	4.86½	4.89½-90½	4.89½-90½	4.89½-90½	4.89½-90½	4.89½-90½	4.89½-90½
Paris, Fr.	124.21	105-105½	105-105½	104½-105½	104½-105½	105-105½	105-105½
Brussels, Bel.	35.00(a)	29.00-09	28.99-29.02	29.01-07	29.04-08	29.02-06	29.02-06
Milan, L.	92.46	93-93½	93-93½	92½-93½	93-93½	93-93½	92½-93½
Zurich, Fr.	25.22½	21.40-45	21.39-42	21.38-42	21.38-42	21.40-43	21.39-42
Athens, Dr.	375	540-555	540-555	540-555	540-555	540-555	540-555
He's'ors, M.	193.23	226-227	226-227	226-227	226-227	226-227	226-227
Madrid, Pt.	25.22½	59.50	59.50	68.73(f)	68.73(f)	68.73(f)	68.73(f)
Lisbon, Esc.	110	110-110½	110-110½	110-110½	110-110½	110-110½	110-110½
Amst'd'm, Fl.	12.107	8.94-95	8.93-95	8.93-95	8.93-95	8.94-96	8.93-95
Berlin, Mk.	20.43	12.15-19	12.15-18	12.15-18	12.15-19	12.16-19	12.15-18
Registered Marks							
Vienna, Sch.	(c) 34.58½	25½-27½	25½-27½	25½-27½	25½-27½	25½-27½	25½-27½
Bu'pest, Pen.	27.82½	16½-16	16½-16	16½-16	16½-16	16½-16	16½-16
Prague, Kc.	164½	140½-1	140½-1	140½-1	140½-1	140½-1	140½-1
Danzig, Gul.	25.00	25½-26½	25½-26½	25½-26½	25½-26½	25½-26½	25½-26½
Warsaw, Zl.	43.38	25½-26½	25½-26½	25½-26½	25½-26½	25½-26½	25½-26½
Riga, Lat.	25.22½	24½-25½	24½-25½	24½-25½	24½-25½	24½-25½	24½-25½
Buchast's, Lei	813.8	660-680	660-680	660-680	660-680	660-680	660-680
Const'ple, Pst.	110	617½	617½	616	614*	614*	614*
Belgrade, Din.	276.32	208-218	208-218	208-218	208-218	208-218	208-218
Kovno, Lit.	48.66	28½-29½	28½-29½	28½-29½	28½-29½	28½-29½	28½-29½
Sofia, Lev.	673.66	390-420	390-420	390-420	390-420	390-420	390-420
Tallinn, E. Kr.	18.159	17½-18½	17½-18½	17½-18½	17½-18½	17½-18½	17½-18½
Oslo, Kr.	18.159	19.35-45	19.35-45	19.35-45	19.35-45	19.35-45	19.35-45
St'holm, Kr.	18.159	22.35-45	22.35-45	22.35-45	22.35-45	22.35-45	22.35-45
Cop'h'gen, Kr.	97½	97½-1	97½-1	97½-1	97½-1	97½-1	97½-1
Alex'dria, Pst.	18d.	18½-15	18½-15	18½-15	18½-15	18½-15	18½-15
Br. India Rup.	14½-15½	14½-15½	14½-15½	14½-15½	14½-15½	14½-15½	14½-15½
Hong Kong, \$	24.58d.	13½-14	13½-14	13½-14	13½-14	13½-14	13½-14
Kobe, Yen	11	14½-15	14½-15	14½-15	14½-15	14½-15	14½-15
Canton, \$	12½	14½-15	14½-15	14½-15	14½-15	14½-15	14½-15
Singapore, \$	28.11	28½-29½	28½-29½	28½-29½	28½-29½	28½-29½	28½-29½
Batavia, F.	12.81	8.88-90½	8.88-90	8.88-90	8.88-91	8.89-90	8.87-90
Rio, Mil.	75.899d.	21½-23½	21½-30f	21½-30f	21½-30f	21½-30f	21½-30f
B. Aires, \$	11.45	16.12-16	16.12-16	16.12-16	16.12-16	16.12-16	16.12-16
Valparaiso, \$	51d.	128½(f)	128½(f)	128½(f)	128½(f)	128½(f)	128½(f)
M'video, \$	51d.	26½-27	26½-27	26½-27	26½-27	26½-27	26½-27
Lima, Sol.	17.38	18½-19½	18½-19½	18½-19½	18½-19½	18½-19½	18½-19½
Mexico, Pes.	9.76	17½-18½	17½-18½	17½-18½	17½-18½	17½-18½	17½-18½
Manila, Pes.	24.66d.	24½-24	24½-24	24½-24	24½-24	24½-24	24½-24
Moscow, Rbls.		24½m	24½m	24½m	24½m	24½m	24½m
P'ngkok, Baht	121.82d.	22-22½	22-22½	22-22½	22-22½	22-22½	22-22½

IMPORTS AND EXPORTS OF SILVER

Imports			Exports		
From	Bullion*	Coin†	To	Bullion*	Coin†
British Malaya.....	£ 4,989	£ 150	British India	£ 61,165	£
Australia	...	281	Sweden	2,050	...
Canada	11,475	...	Norway	1,419	...
Germany	1,256	...	Denmark	2,270	...
Belgium	7,412	...	Germany	550	...
France	2,045	165	France	7,383	...
Japan	28,520	...	Switzerland	740	...
Other Countries	130	1,500	Portugal	2,232	...
		125	U.S.A.	46,014	...
			Guatemala	...	1,653
			Other Countries	809	27
Totals	56,827	1,931	Totals	124,632	1,653
		299			

* At current market value. † Coin which is of legal tender in the United Kingdom is entered at face value and shown in *italics*. Other coin is entered at current market value.

GOLD MOVEMENTS: BANK OF ENGLAND

1937	ARRIVALS	£	1937	WITHDRAWALS	£
Jan. 29	Nil	Nil	Jan. 29	Nil	Nil
" 30	Nil	Nil	" 30	Nil	Nil
Feb. 1	Nil	Nil	Feb. 1	Nil	Nil
" 2	Nil	Nil	" 2	Nil	Nil
" 3	Nil	Nil	" 3	Nil	Nil
" 4	Nil	Nil	" 4	Nil	Nil
Total	Nil	Nil	Total	Nil	Nil

Movement, January 29 to February 4, 1937 (inclusive)..... Nil
 Movement during year 1936 £113,609,527 in
 Movement during 1937 (January 1 to February 4, inclusive) Nil
 Movement, April 29, 1925, to February 4, 1937 (inclusive) £154,566,724 in
 Movement, September 21, 1931 (gold standard suspended) to February 4, 1937 (inclusive) £176,972,176 in

GOLD MARKET

Messrs Samuel Montagu and Company write on February 3, 1937:—
 The Bank of England gold reserve against notes amounted to £313,680,660 on January 27, 1937, as compared with £313,680,659 on January 20th. Most of the gold offered in the open market was secured for New York. About £1,900,000 was sold during the week at prices ruling slightly over dollar parity based on the exchange at the time of fixing. The s.s. "Narkunda," which sailed from Bombay on January 30, 1937, carries gold to the value of about £212,000. The Southern Rhodesian gold output for December, 1936, amounted to 64,106 fine ounces, as compared with 64,377 fine ounces for November, 1936, and 64,762 fine ounces for December, 1935.

SILVER MARKET

During the past week supplies were more freely forthcoming, and as demand was limited, prices showed a downward tendency, quotations on February 3, 1937, being 20½d. for cash and 19½d. for two months' delivery, as compared with 20½d. and 20½d. for the respective deliveries on January 27th. There were considerable resales, which could only be absorbed at lower prices, where support was given by America and speculators, chiefly for covering purposes. Indian demand for prompt shipment was renewed, and this is thought to be due to fears of an increase in the import duty; but there has been little fresh buying for this quarter, purchases being mostly effected against sales to cover forward commitments. No marked recovery is indicated at the moment, and the market may continue to be unsettled until the provisions of the Indian Budget are made known at the end of the month.

Quotations for gold and silver are shown below:—

1937	Price of Gold per Fine Ounce	Equivalent Value of £ sterling	Price of Bar Silver in London per ounce standard		Price of Silver New York per ounce .999 fine
			Cash	Two Months	
Jan. 28	s. d. 141 11	s. d. 11 11-67	d. 20½	d. 20½	Jan. 27
" 29	141 11½	11 11-63	20½	20½	to
" 30	142 0	11 11-58	20½	20½	Feb. 2
Feb. 1	142 0½	11 11-54	20½	20½	in-
" 2	142 0	11 11-58	20½	20	clu-
" 3	141 11	11 11-67	20½	19½	sive
" 4	141 11-67	11 11-61	20-240	20-167	
Average	142 0	11 11-58	19½	19½	

The highest rate of exchange on New York recorded during the period from January 28, 1937, to February 3, 1937, was \$4.90½, and the lowest \$4.89½.

Statistics for the month of January, 1937:—

	Bar Silver per oz. std.		Bar Gold per oz. fine
	Cash	Two months' delivery	
Highest price.....	21½d.	21½d.	142s. 0d.
Lowest price	20½d.	20½d.	141s. 5½d.
Average	20-7344d.	20-6120d.	141s. 8-35d.

BRITISH CONTROLLED OILFIELDS, LTD.—Production for week to January 23rd, 12,958 barrels.

PHENIX OIL AND TRANSPORT COMPANY, LTD.—The gross production of crude oil of the Phoenix group for January was 68,854 tons.

TRINIDAD PETROLEUM DEVELOPMENT COMPANY, LTD.—Production for week to January 23rd, 29,272 barrels.

TRINIDAD CONSOLIDATED OILFIELDS, LTD.—Production for the month of January amounted to 53,493 barrels, as against 47,985 barrels for December.

COMPANY NEWS

DIVIDEND ANNOUNCEMENTS

Rate % per Annum, except where marked % or Stated in Cash

Name of Company	* Interim † Final	Date of Pay- ment	Comparison with Last Year	Total	
				Latest Year	Previous Year
BANKS					
Austrian National Bank	...	...	...	% Sch. 8.24	% Sch. 8.24
General Mortgage Bank of Palestine	...	...	...	7½	7
TEA AND RUBBER					
Padang Langkat Rubber	3½%†	...	...	5	Nil
Val d'Or Rubber	...	...	...	5	5
MINING					
Ampat Tin	2½%*	Feb. 11	5%*	...	...
British South Africa Company	...	...	...	10	6½
Burma Corporation	(m) 7½*	Mar. 24	(m) 6*	...	...
Consolidated Mines Selection	...	Mar. 15	...	30	27½
London Australian, etc., Explor.	1d. ps*	Mar. 10	...	...	...
Malaysian Tin	2½%*	Feb. 15	...	...	...
Petaling Tin	12½%*	Feb. 15	10%*	...	...
OTHER COMPANIES					
Aristoc	12½%†	...	...	20	...
Atkinson-Oates Motors (S.A.)	20%*	Mar. 5	...	...	...
Birmingham Railway Carriage	...	...	...	5	5
Borax Consolidated (Def.)	...	...	...	7½	5
Carlton and United Breweries	1/3p.s.*	Mar. 1	Same	...	...
Clarkson's Old Brewery	5%*	...	Same	...	...
Clifford Motor Components	5%*	...	Nil*	...	...
Culter Mills Paper	...	...	...	8½	8½
Diatomite	2%*	...	...	...	...
Equatorial Trust	...	Feb. 19	...	3	2½
Fleming Reid and Company	(c) 15%†	Mar. 1	15%*	20	20
Friary, Holroyd Breweries	5%*	...	Same	...	...
General Theatre (Preferred)	9%*	Feb. 22	...	1	Nil
Glasgow Stockholders Trust	1%†	...	Same	2	1½
Grand Canal (Dublin)	...	...	...	7½	5
Greenlees and Sons	3%*	...	Same	5	5
Holborn and Frascati	1/- ps*	...	Same	...	...
Holden (Isaac)	4½%*	...	2%*	2½	Nil
Houghton Main Colliery	...	...	...	...	...
Huddersfield Fine Worsteds	7%*	Feb. 6	...	3/- p.s.†	2/- p.s.†
Lancegaye Safety Glass	...	...	...	8	8
Lofthouse Colliery	5%†	Mar. 5	Same	...	...
London Electric Supply	3½%†	Mar. 4	Same	...	...
Martinez, Gassiot and Company	8%*	...	7%†	11½	10½
Mercantile Investment and General	4½%†	...	Same	7½	7½
Merchants Trust	7½%†	...	Same	11	11
Meux's Brewery	...	Feb. 22	...	5	4½
Midland-Caledonian Investment	...	...	...	10	10
Olympia, Ltd.	...	...	...	4	3½
Orient Trust	25cts. p.s.	Feb. 15	Same	...	...
Quebec Power (com.)	24%†	...	Same	5½	5½
Rowton Houses	2½%†	...	Same	4½	4½
Sackville Estates	12%†	...	First Year	15	3
Second British Assets Trust	...	...	...	3½	3
Sheffield Cabinet	25%*	Feb. 17	Nil*	...	...
Shireoaks Colliery	3½%†	...	Same	6½	6½
Temperance Billiard Halls	6%*	Feb. 19	Same	...	...
Thorncliffe Coal Distillation	5%*	Feb. 13	First	...	...
Tottenham and District Gas	...	...	...	20	Nil
Watney, Combe, Reid (deferred)	5-05%†	...	...	8-8	7-3
Wallis Tin Stamping	15%†	...	First Year	20	...
Wembley Stadium (Deferred)	6½%†	...	4½%†	10	7½
do. (Participating Pref.)	...	...	...	...	...
Wm. France, Fenwick and Co.	...	...	...	...	...
Weyburn Engineering	...	...	...	...	...
White (John) Impregnable Boots	...	...	...	...	...

(c) Also bonus one ordinary share for each four held. † Free of income tax.
 (m) Annas per share.

UNIT TRUST DISTRIBUTIONS

ELECTRICAL INDUSTRIES TRUST.—Income distribution for the second half-year, 3-0d. per unit, making a total of 6-2d. with the distribution of July 31st last. Period covered by the two distributions is forty weeks. Report gives particulars of the trust fund at the end of 1936.

SCOTTISH AND NORTH COUNTRY INVESTMENT FUND.—Half-yearly distribution, 3-20d. per unit, free of tax, payable March 1, 1937 (£3 10s. gross per cent. per annum on initial price of £1).

MISCELLANEOUS

BARROW, HEPBURN AND GALE.—Trading profits for 1936 show a substantial improvement, but no dividend is to be paid on ordinary shares. Last dividend, 3 per cent. for 1933. The preference dividend for half-years to December 31, 1936, will be paid February 23rd.

BORAX CONSOLIDATED.—A dividend of 7½ per cent. is to be paid on deferred ordinary shares, compared with 5 per cent.

BRITISH OXYGEN COMPANY.—The company has acquired the whole of the shares in the Ferro-Arc Welding Company, Ltd., by exchange of shares.

BRITISH SOUTH AFRICA COMPANY ("Chartered").—Dividend 1s. per 15s. share, fully paid, also bonus of 6d. per share for year to September 30, 1936, equal to 10 per cent. for year compared with 6½ per cent.

BURMA CORPORATION.—Interim dividend, 7½ annas, compared with 6 annas payable March 24th, free of Indian and British income taxes. Shareholders on London Register to be paid at rate of 1s. 6d. per rupee (equal to 8½d. per share).

CONSOLIDATED MINES SELECTION.—Dividend 30 per cent., against 27½ per cent.

RIFE COAL.—Final dividend, 7 per cent., making 10 per cent., tax free, compared with 7½ per cent.

FLEMING REID AND COMPANY.—Ordinary dividend 5 per cent., also cash bonus of 10 per cent. payable March 1st, making 20 per cent. for year as before. It is also proposed to distribute one bonus ordinary share for every four held.

GAS LIGHT AND COKE.—Final dividend on ordinary stock at rate of £5 12s. per cent. per annum as before, making £5 12s. per cent. for year—unchanged. Carry forward, £213,177, increased by £10,554.

GREENLEES AND SONS ("EASIEPHIT" FOOTWEAR).—Dividend on ordinary shares 7½ per cent. less tax, against 5 per cent. less tax.

INTERNATIONAL NICKEL.—Dividend 50 cents on common stock, payable March 31, 1937. This is double the payment for first quarter of 1936 and 10 cents more than that for the December quarter.

LAMSON PARAGON SUPPLY.—Cash bonus of 10s. per £1 share.

LONDON ELECTRIC SUPPLY.—Final dividend 4 per cent., payable March 5th, on ordinary shares, making 7 per cent., less tax. It is also proposed to pay a bonus of 1 per cent. as before.

MERCANTILE INVESTMENT AND GENERAL TRUST.—Final dividend 8 per cent., making 11½ per cent., against 10½ per cent.

MEUX'S BREWERY.—Profits £150,790, against £150,388; dividend unchanged at 11 per cent. for year.

O.K. BAZAARS, LTD.—Interim dividend 25 per cent. (South African currency) on "A" ordinary and "B" ordinary shares, compared with an interim dividend of 20 per cent. The 240,000 new "B" ordinary issued in December rank for the final dividend only for year to June 30, 1937.

PUBLIC BENEFIT BOOT.—A dividend of 5 per cent. on deferred capital, the first since the 10 per cent. in respect of 1930.

RONEO, LTD.—Two years' dividend on 6 per cent. cumulative preference shares for 1935 and 1936.

THOMAS TILLING, LTD.—Final dividend 5 per cent., making 10 per cent. for year as before but paid on a capital increased by a capital bonus of 25 per cent. To reserve £50,000, against £101,393. Also to reserve £138,890 being net surplus on sale of certain investments.

WATNEY, COMBE, REID.—Interim dividend 6 per cent. on deferred shares, as before, payable February 19th.

WEMBLEY STADIUM.—Dividend on deferred resumed at 20 per cent.

WEYBURN ENGINEERING.—Final dividend, 15 per cent., making 20 per cent. for first year.

WM. FRANCE FENWICK.—Dividend 5 per cent., against 3 per cent.

SHORTER COMPANY COMMENTS

OTHER COMPANY RESULTS.—Rubber companies continue to show substantial improvement, TAIPING having raised their dividend to 4½ per cent. from 3 per cent., while profits are over £2,000 higher at £11,349. A profit of £64,240 has been achieved by ARISTOC, LTD., whose combined prospectus earnings for 1935 were £62,000. ENGLISH VELVET AND CORD DYERS have made an appreciable recovery with earnings of £23,441 against £4,553, but owing to the maintenance of depreciation at about £20,000 no dividend is paid. Six recent investment trust results include those of BRITISH INVESTMENT TRUST, with net earnings some 6 per cent. higher at £163,624, while comparable improvement, with earnings of £167,481, is shown by SCOTTISH AMERICAN INVESTMENT. STERLING TRUST has increased its net revenue by more than £10,000 to £98,538. Earnings of BRADBURY GREATORIX are practically unchanged at £45,764, although gross profits are slightly lower. There has likewise been little change in the profits of ENGLISH CLAYS LOVERING POCHIN. A small decline in the revenue of OLYMPIA is again shown, but improvements estimated to cost £230,000 are being undertaken to meet increased competition. The week's dividends include the payment of 7½ per cent. against 5 per cent. by BORAX CONSOLIDATED on the increased deferred ordinary capital, and the maintenance of an 11 per cent. dividend by MEUX'S BREWERY, whose preliminary statement shows practically unchanged profits of £150,790.

INSURANCE RESULTS

THE NATIONAL MUTUAL LIFE ASSURANCE SOCIETY.—Bonus distributions for the years 1935 and 1936 on the same scale as at the previous distribution, viz.: Fully-participating policies—Whole-life assurances, 52s. 6d. per cent. per annum compound; endowment assurances 45s. per cent. per annum compound. These rates include a special distribution of 10s. per cent. per annum and 7s. 6d. per cent. per annum, respectively. Low-premium participating policies—17s. 6d. per cent. per annum compound (including special distribution of 2s. 6d. per cent. per annum).

NATIONAL PROVIDENT INSTITUTION (New Bonus Rates).—Bonus rates on full profit policies at triennial valuation, December 31, 1936. Whole life assurances: £3 per cent., gradually increasing to as much as £5 per cent. and upwards. Endowment assurances: Duration up to 18 years, £2 3s. per cent., increasing to £2 13s. per cent.; duration 21 years and over, £2 13s. per cent., increasing to £3 3s. per cent. Additional bonus payable only on maturity by survival, 5s. per cent. Balance carried forward £389,378, after providing for these bonuses.

CANADA LIFE ASSURANCE COMPANY.—Net new business of Canada Life Assurance Company in 1936, £9,648,974, an increase of £839,178 over the 1935 figures.

PROVIDENT MUTUAL LIFE ASSURANCE ASSOCIATION.—The balance of income for 1936, £677,626. Life assurance fund, end 1936, £10,504,163. Life assurance premiums, £1,081,484, an increase of £74,098. Claims by death, £193,252, against £153,354. Claims by survival, £480,800, against £463,750. Net new sums assured, £2,661,632, against £2,272,415 for 1935.

BUILDING SOCIETIES

LEEDS AND HOLBECK BUILDING SOCIETY.—Report for 1936 shows total assets increased by record figure of £603,728 to £3,634,605. Over one million pounds advanced on mortgage, actual amount being £1,086,327, an increase of £269,205. Mortgage assets, £3,430,383.

WESTBOURNE PARK PERMANENT BUILDING SOCIETY.—Report for 1936. Shares total £10,112,262. Deposits, £1,707,514. Dividend for 1936 on investment shares, £3 10s. per cent., free of tax. Total assets on 21,815 mortgages, £12,210,144. To Reserve Fund No. 1, £95,000, making it £750,000. To Reserve Fund No. 2, £14,472.

BANKS

SWISS BANK CORPORATION.—Net profit for 1936, 8,242,828 Swiss francs, which compares with 7,116,142 Swiss francs for 1935. Dividend increased from 4½ per cent. to 5 per cent., and 1,298,913 Swiss francs carried forward, against 1,056,085 Swiss francs brought in. Cash

stands at 310,665,161 Swiss francs, against 107,746,054 Swiss francs at end of 1935. Debtors, 491,539,165 Swiss francs, against 540,753,187 Swiss francs. Current accounts, 653,982,923 Swiss francs, against 343,258,207 Swiss francs.

APPOINTMENTS AND PERSONAL

The Bank of New South Wales announces that the Royal Victorian Institute of Architects has awarded the Victoria Street Architecture medal for 1936 to the bank's Melbourne premises.

Major H. R. Kerr, M.C., M.Inst.M.M., has been elected a director of Kassala (Sudan) Gold Mines.

Mr H. C. H. Graves has been appointed chairman of Vitamins, Ltd., in succession to the late Viscount Fielding.

Mr Andrew Williamson has retired from the chairmanship of Australian Estates Company, Ltd. Sir Frederick W. Young has been appointed chairman. Mr Williamson retains his seat on the board.

Mr Francis Alexander Johnston is relinquishing his position as a deputy chairman of National Provincial Bank, Ltd. He will retain his seat on the board. Captain Evan Cadogan Eric Smith, M.C. has been elected in the place of Mr F. A. Johnston.

The British Bankers' Association have appointed Mr Edwin Fisher as a member of the Council of Foreign Bondholders, London, in place of Mr Favill Tuke, resigned, and Mr Colin F. Campbell in place of the late Mr R. Hugh Tennant.

Mr A. G. Robertson has been appointed a director of Alpha Cement, Ltd.

Mr Charles George Dobson has been appointed director of Hall and Company, Ltd., from April 1, 1937.

Sir James Williamson has been appointed secretary of the Rohilkund and Kumaon Railway Company, Ltd., also managing director of the Bengal and North-Western Railway Company, Ltd., in place of Lt.-Col. W. R. Izat, D.S.O., R.E., who retains his seat on the board.

The Dominion Bank announces Maj.-Gen. D. M. Hogarth, C.M.G., D.S.O., has been elected a member of the board.

Mr P. M. Rosedale has resigned his position as chairman of the Yorkshire Traction Company, Ltd., but retains his seat on the board. Mr J. S. Wills has been elected chairman.

Mr P. M. Rosedale has resigned his position as chairman of the Yorkshire Woollen District Transport Company, Ltd., but retains his seat on the board. Mr W. S. Wreathall has been elected chairman, and Mr J. S. Wills deputy-chairman.

Mr J. S. Wills has been elected chairman of Hebble Motor Services, Ltd., in succession to Mr P. M. Rosedale, who has

ARGENTINE TRANSANDINE RAILWAY COMPANY, LTD.—The Argentine Government is to reconstruct part of the Argentine Transandine Railway destroyed in the flood of January, 1934. This involves the taking control of the line and the arrangement of terms for its acquisition. The Government will seek the advice of the National Railway Board, and holders will be advised by circular of further definite details.

WEST RAND INVESTMENT TRUST, LTD.—The Trust is to take over from Dr Hans Merensky an option granted by Wit Extensions, Ltd., and the Northern Free State Exploration Company, Ltd., on mineral options over approximately 165 square miles in the vicinity of Odendaalsrust, Orange Free State.

† Free of income tax. (s) Includes special bonus of 1 per cent., paid free of income tax. (t) Paid on 100 Founders' shares of £10 each.
(a) No comparable figure.

The position in the pig iron market has changed but little since the opening of the year; and business is limited by the small quantities which makers have for sale after meeting their contract commitments. Most works have orders in hand for delivery over several months, and there is little iron available to meet the supplementary orders which continue to reach the market.

The immediate outlook for large quantities of lead is not bright. Sales of lead on the London Metal Exchange: 1,050 tons on Monday, against 1,750 last week; 1,450 tons on Tuesday, against 1,300 tons last week; 2,700 tons on Wednesday, against 1,200 tons last week. The New York quotation on Wednesday was 6-00 cents per lb., against 6-00 cents a week ago and 6-00 cents a month ago. The official closing quotation in London for soft foreign for shipment during the current month was £27 7s. 6d. per ton, compared with £27 5s. a week ago.

Sales of spelter on the London Metal Exchange: 1,275 tons on Monday, against 1,100 tons last week; 650 tons on Tuesday, against 1,300 tons last week; 2,650 tons on Wednesday, against 1,700 tons last week. Wednesday's quotation in East St. Louis was 6.00 cents per lb., against 6.00 cents the week before and 5.45 cents a month earlier. Wednesday's official closing quotation in London for "good ordinary brands" for shipment during the current month was £21 16s. 3d. per ton, against £21 16s. 3d. last week.

TIN.—In consequence of better news from America, the cash quotation rose £1 15s. and the forward quotation £2 on the week. There has been some American buying in London, but only on a small scale. European consumers are also buying on a moderate scale only. On the other hand, supplies are more firmly held. According to A. Strauss and Company, Ltd., the world's visible supply of tin increased during January by 1,562 tons to 23,396 tons, but this was almost entirely due to the rise of 1,446 tons (to 3,568 tons) in the Straits carry-over. New supplies were 342 tons lower at 11,548 tons, while deliveries advanced by 1,060 tons to 11,432 tons. No less than 720 tons of the latter increase fell to the share of the United States, where deliveries reached the high total of 7,650 tons during January. Part of the increase in United States deliveries was, of course, due to the ending of the U.S. shipping strike. It is to be expected that deliveries will decline somewhat during February; while the recent trend of production points to a slight increase in new supplies. Stocks will thus almost certainly show another increase this month, a fact which might induce the International Committee to reduce the quota for the second quarter at its meeting to be held on March 5th.

Sales of tin on the London Metal Exchange: 350 tons on Monday, against 260 tons last week; 300 tons on Tuesday, against 200 tons last week; 370 tons on Wednesday, against 315 tons last week. The New York quotation on Wednesday was 51 cents per lb., against 50.10 cents a week ago and 51.00 cents a month ago. Wednesday's official closing quotation in London for standard cash was £228 15s. to £229 per ton, compared with £227 to £227 5s. a week ago. Stocks of tin in London and Liverpool at the end of last week totalled 1,702 tons, an increase of 311 tons on the week.

PLATINUM.—As was to be expected, the price of platinum has been raised further this week. On February 2nd, an increase of £2 5s. to £14 per ounce took place, which followed the New York increase from \$58 to \$68 on Monday. The basic position of the market has not changed since last week, and the forecast of price movements still holds good. Meanwhile, the Dominion Bureau of Statistics at Ottawa has published its preliminary figure for Canadian platinum production in 1936. It is 233,652 ounces, as compared with 190,166 ounces in the preceding year. The 1936 output represents the highest in the history of the Canadian platinum industry.

OTHER NON-FERROUS METALS.—Among other non-ferrous metals, aluminium ingots and bars for home delivery were again quoted on Wednesday at £100 per ton, and rolling billets at £102 per ton. Nickel, for home and export, was maintained at £180 to £185 per ton. Quicksilver, on the spot, was quoted at £14 6s. per flask of 76 lbs., against £14 6s. a week ago. Chinese antimony was quoted at £67 per ton ex warehouse, as against £65 per ton last week. Chinese wolfram for "February-March" shipment was quoted at 34s. 3d. to 34s. 9d. per unit, c.i.f., compared with 34s. to 35s. for January-February last week. Refined platinum was firmly held at £14 per ounce, against £11 15s. last week.

TEXTILES

COTTON.—Manchester.—The market has been firm during the past week. Prices have again gone against buyers, chiefly owing to the further advance in American yarns. In some quarters the higher rates have checked business, and delivery difficulties are increasing.

Prices for American cotton, after being raised to a new high level for this season, have eased slightly. The heavy fixing by spinners in Liverpool to cover yarn sales has revealed a shortage of contracts. There has been further evidence of an increasing consumption in the United States and trade activity in Lancashire has attracted more attention. The opinion is held that only a limited amount of loan cotton will be released by the Washington Government.

At the beginning of this week American yarn prices were raised by the Committees controlling the price agreements. This decision was announced at the end of last week, and resulted in heavy buying. The scarcity of ring qualities has become more pronounced than ever. The improved offtake in Egyptian numbers has been maintained.

Cloth inquiry has continued on a large scale. Rather varied reports have been circulated as to the sales for India, but free operations have occurred in several directions, and makers have been able to extend their order lists. Contracts have been put through in dhooties, which will not be completed until the beginning of next year. Healthy buying has taken place for Java, the Straits Settlements, Egypt, South America, the Continent, the Dominions and the Crown Colonies. Many buyers have operated owing to the probability of still higher prices. Home trade purchases have been encouraging in both standard makes and fancies.

The trade as a whole is in a healthier position than at any time since the post-war boom of 1919-20. The strongest sections are coarse American yarns and wide cloths.

COTTON PRICES

	1937				Corresponding Date	
	Jan. 13	Jan. 20	Jan. 27	Feb. 3	1935	1936
Raw Cotton—Mid. American	d. 7-21	d. 7-16	d. 7-23	d. 7-27	d. 7-04	d. 5-99
" Sakellaridis Fully Good Fair						
" Egyptian	10-34	10-29	10-27	10-10	8-85	9-41
Yarns—32's twist	11½	12	12½	12½	10½	10½
" 40's twist	11½	12	12½	12½	10½	10½
" 60's twist (Egyptian)	17½	17½	17½	17½	16½	16
32-in. Printers, 116 yds., 16 by 16, 32's and 50's	s. d. 19 6	s. d. 19 8	s. d. 19 10	s. d. 20 3	s. d. 18 0	s. d. 17 0
36-in. Shirtings, 75 yds., 19 by 19, 32's and 40's	27 3	27 6	27 9	28 2	24 3	24 0
38-in. ditto, 38 yds., 18 by 16, 10 lb.	10 8½	10 10	11 0	11 2	10 8	9 11
38-in. ditto, 37½ yds., 18 by 15, 8½ lb.	9 8½	9 10	10 0	10 2	9 6	8 11

COTTON OPERATIVES' WAGES.—A few weeks ago operative weavers and operative spinners in the Lancashire cotton industry secured an increase in wages, and the employers in the manufacturing section are now considering an application from the workpeople in sections which are not covered by the organisations already dealt with. It is estimated that between 40,000 and 50,000 operatives, comprising beamers, twisters, drawers, warp dressers, chain beamers, overlookers and tape sizers have

claimed a general advance of 15 per cent. on current earnings, with a minimum wage of 7 d. an hour for certain classes of weavers. A joint meeting with the employers was held in Manchester on Tuesday last, and it was announced at the close that the Manufacturers' Association is taking a census of the actual earnings of the operatives affected and the forms are not returnable until February 5th. After the returns are analysed, they will be considered by the Wages Sub-Committee of the employers. It is understood, therefore, that it will be two or three weeks before the Association can give a definite reply to the trade unions. It is taken for granted that an advance in wages will be given, but the rates may vary in the different sections.

WOOL.—Bradford.—The results of the recent London Sales may be considered satisfactory, although merinos reverted more or less to the quotations ruling last December. The closing days found Russia still in the market as a liberal buyer, many qualities showing a considerable advance. Altogether 94,500 bales were sold, the home trade being credited with taking 47,000 bales, the Continent 45,500 bales, and America 2,000 bales; 11,500 bales were carried forward to the next series, which begin on March 2nd.

Attention is now focused on overseas markets. High prices were paid at the two Tasmanian sales last week, and for fine wool at Geelong, Melbourne and Sydney. A little irregularity developed at most of the Australian selling centres towards the end of last month because of the reduction of Japanese competition. However, cables from Sydney this week clearly indicate a return of Japanese competition, with very firm and slightly higher prices for good combing merinos. It now seems as if the balance of the Australian clip will be sold freely at current prices. Sales in New Zealand are also satisfactory, and firm prices are still ruling for all descriptions of crossbreds. The home trade is seizing the opportunity to lay in stocks of these, the free purchases of Bradford topmakers in particular being a feature.

Markets in Yorkshire are not as active as during recent months, and it is rather difficult to sell merino tops 2d. below the prices ruling a month ago. Mills are not experiencing as much pressure for delivery of tops, yarns or pieces as two months ago, but most factories continue to run full time. Firm wool prices, however, will tend to stimulate sales.

GRAIN MARKETS

WHEAT.—Despite a recovery on markets in North America, prices in this country have been barely steady. Increasing selling pressure and absence of buying interest were responsible for easier markets in the early part of the period under review, but a better tone was evident later.

On Wednesday last, "May" futures were quoted in Chicago at 131½ cents per bushel, against 126½ cents the week before and 131½ cents a month ago. Quotations in London, Wednesday: No. 1 Northern Manitoba, ex ship, 49s. 9d. per 496 lbs., against 49s. 9d. a week ago; No. 2 Northern Manitoba, ex ship, 48s. 6d., against 48s. 9d. a week ago. According to *The Corn Trade News*, total shipments of wheat and flour last week totalled 1,853,000 quarters, against 2,209,000 quarters in the previous week and 1,007,000 quarters in the corresponding week a year ago.

FLOUR.—After another quiet week, prices are again lower. Wednesday's London quotations (excluding quota payments) were: Straight run, delivered Home Counties, 38s. 6d. per 280 lbs., against 39s. 6d. a week ago; delivered inner London, 38s., as compared with 39s. a week ago. Manitoba patents, ex store, 37s. 6d. to 39s., against 37s. to 38s. 6d. a week ago. Australian, ex store, 32s., against 33s. last week.

BARLEY.—The market in imported feeding barley remains quiet, while prices of English descriptions are rather lower. "May" futures were quoted at 81½ cents per bushel in Winnipeg on Wednesday, against 80½ cents a week ago. Quotations per 448 lbs. in London on Wednesday were: "English feed," at farm, 34s. to 36s., as against 36s. a week ago; "English malting," at farm, 36s. to 45s., against 38s. to 50s. last week; Californian (new), ex ship, 51s. to 60s., against 51s. to 60s. last week; Chilean, brewing (new), ex ship, 44s. 9d. to 50s., against 44s. 9d. to 50s. a week ago.

OATS.—On Wednesday, "May" futures were quoted at 50½ cents a bushel in Chicago, against 49½ cents a week ago and 52½ cents last month. Quotations in London, Wednesday: "English Black," at farm, 24s. to 26s. per 336 lbs., against 25s. to 27s. a week ago; "English White," at farm, 24s. to 26s., against 25s. to 27s. a week ago; mixed Canadian feed (Vancouver), landed, 23s. per 320 lbs., compared with 23s. 9d. last week.

MAIZE.—Prices are a shade easier. "May" futures were quoted on Wednesday at 105½ cents per bushel in Chicago, against 106½ cents a week ago and 105 cents last month. Quotations in London, Wednesday: "Plate," landed, 24s. per 480 lbs., compared with 24s. 6d. a week ago; "Plate," ex ship, 23s., as against 23s. 6d. a week ago; "Plate," "February," 23s. 9d., as against 23s. 9d. a week ago; yellow maize meal, ex wharf, was quoted at £6 7s. 6d. to £6 10s. per ton, as against £6 10s. to £6 12s. 6d. last week.

AMERICAN WHEAT MARKETS.—The following table shows wheat quotations for selected weeks in 1935-37:—

NEAREST FUTURE	Jan. 2, 1935	Dec. 31, 1935	Feb. 5, 1936	Dec. 30, 1936	Jan. 27, 1937	Feb. 3, 1937
Winnipeg (No. 1, Manitoba) —Cents per 60 lb.	82½	84½	86½	129	119½	124½
Chicago (No. 2, Winter) —Cents per 60 lb.	98½	101½	99½	135½	126½	131½

The visible supply of wheat in Canada amounts to 54,212,000 bushels, against 56,288,000 bushels last week, and 128,723,000 bushels in the corresponding week last year.

SALES AND PRICES OF BRITISH CEREALS.—The following table gives the estimated sale of home-grown wheat during the harvest years 1933-34 to 1936-37:—

	1933-1934	1934-1935	1935-1936	1936-1937
Estimated sales of home-grown wheat—	Cwts.	Cwts.	Cwts.	Cwts.
1 week to January 30.....	316,749	372,132	395,287	274,403
22 weeks to January 30.....	6,825,632	8,508,107	8,576,754	6,509,480
Average price of English wheat per cwt.	s. d. 4 5	s. d. 4 9	s. d. 6 5	s. d. 9 8

The following is a statement showing the quantities sold and the average price of British cereals in the past two weeks, and for the corresponding weeks in each of the years from 1933 to 1936:—

Week ended	QUANTITIES SOLD			AVERAGE PRICE PER CWT.		
	Wheat	Barley	Oats	Wheat	Barley	Oats
January 28, 1933.....	Cwts. 263,230	Cwts. 190,480	Cwts. 43,880	s. d. 5 4	s. d. 7 1	s. d. 5 11
January 27, 1934.....	316,749	219,016	40,429	4 5	9 6	6 1
February 2, 1935.....	372,132	239,090	62,979	4 9	8 2	7 0
February 1, 1936.....	395,287	225,874	69,043	6 5	8 0	6 1
January 23, 1937.....	343,038	382,587	69,672	9 11	10 3	8 5
January 30, 1937.....	274,403	273,392	86,271	9 8	10 2	8 5

OTHER FOODS

BACON.—After last week's reduction in the official prices, demand has improved this week. The official quotations (per cwt. for No. 1 Sizable) which formed the basis for dealings on the London Provision Exchange this week were: English: 86s. to 90s.; Canadian, 77s.; Danish, 86s., against 90s. to 94s., 80s. and 90s. last week. Arrivals in London last week included Danish, 14,771 bales; Canadian, 7,530; Dutch, 2,197; Lithuanian, 1,268; and Polish, 2,840, as against 12,118, 7,385, 2,302, 748 and 2,049 bales, respectively, in the previous week.

BUTTER.—Prices of Colonial butter are again lower. Heavy supplies and a substantial increase in cold storage holdings have had a depressing effect on the market. Danish, however, is again dearer. Quotations (per cwt.) on the London Provision Exchange on Wednesday were: New Zealand, finest salted, 86s.; Australian, choicest salted, 86s.; Danish, 120s.; compared with 89s., 88s. to 89s. and 116s., respectively, a week ago.

CHEESE.—The market has been fairly steady. Quotations (per cwt.) on the London Provision Exchange on Wednesday were as follows: English, finest farmers, 86s. to 88s.; Canadian, finest coloured, 71s. to 72s.; and New Zealand, finest coloured, 50s. 6d.; against 86s. to 88s., 71s. to 72s. and 51s. respectively, a week ago.

COCOA.—After a week of heavy transactions and wide price fluctuations, cocoa closed on Wednesday substantially lower on the week. The spot quotation in New York on Wednesday was 10½ cents per lb., as against 11½ cents per lb. last week. In London, on Wednesday last, good fermented new crop, Accra, February-April, was quoted at 48s. to 48s. 6d. per 50 kilos, c.i.f. Continent, against 52s. a week ago. Last week's movements of cocoa in London were as follows: Landed, 11,895 bags; delivered, for home consumption, 4,349 bags; exported, 25 bags; stocks, 132,321 bags, against 126,602 bags a year ago.

COFFEE.—The London spot market has been quietly steady. The market in New York has been steady, with prices unchanged. On Wednesday, Rio No. 7 (cash) was quoted at 9½ cents per lb. in New York, as compared with 9½ cents per lb. last week and 8½ cents per lb. a month ago. Movements of coffee in London last week were as follows: Brazilian, landed, 325 cwt.; delivered, for home consumption, 64 cwt.; exports, nil; stocks, 8,453 cwt., against 12,366 a year ago; Central and other South American, landed, 3,324 cwt.; delivered, for home consumption, 1,938 cwt.; exported, 1,280 cwt.; stocks, 58,437 cwt., against 60,428 last year. Other kinds: landed, 11,585 cwt.; delivered, for home consumption, 5,244 cwt.; exported, 1,724 cwt.; stocks, 108,018 cwt., against 136,771 last year.

EGGS.—Prices have shown further improvement under the influence of a better demand. At Smithfield, on Wednesday, English (ordinary packing, Grade I, about 15-15½ lb.) realised 12s. 9d. to 13s. 6d. per 120, as against 12s. 6d. to 13s. last week; while Danish (15½ lb.) made 9s. 6d. to 10s., as against 9s. 3d. to 9s. 9d. last week.

FRUIT.—Business at Covent Garden, says *The Fruitgrower*, is moderately good, most lines moving steadily. A spell of bright weather would improve the tone. Ample supplies of apples are available, and prices remain moderate. Oranges are plentiful and easier, but lemons remain firm, and are improving in quality. Grapefruit are in shorter supply, but remain about unchanged in price. A few English Conference pears are still on the market. Hothouse grapes are at present a limited item, and rather dearer, but consignments from the Cape are now due. South African fruit generally has been coming in for more attention this week.

MEAT.—There was a steady demand for fresh meat at Smithfield this week. Demand, however, was not so good for chilled beef, while mutton and lamb were slow items. On Wednesday last, Argentine chilled hind-quarters were quoted at 4s. to 4s. 4d. per 8 lbs., as compared with 4s. 2d. to 4s. 6d. a week ago. New Zealand frozen mutton was 3s. 4d. to 4s. per 8 lbs., against 3s. 4d. to 4s. a week ago. According to the Smithfield Market official report, supplies during last week amounted to 10,042 tons, an increase of 1,396 tons on the corresponding week last year. Beef and veal accounted for 8,145 tons, mutton and lamb 2,775 tons, and pork and bacon 1,195 tons, as compared with 4,632, 2,336 and 1,028 tons, respectively, in the same week of 1935.

PEPPER.—On Wednesday, Singapore white Muntok, spot, was quoted at 6d. per lb. in bond, against 6d. per lb. a week earlier. Black Lampung, spot, in bond, was quoted at 3½d. per lb., sellers, compared with 3½d. per lb. last week. Movements of pepper in London last week were as follows: Black, landed, 5 tons; delivered, 15 tons; stocks, 1,792 against 1,594 last year. White, landed, 62 tons; delivered, 63; stocks, 11,753 compared with 13,251 a year ago.

RICE.—The spot price of Burma No. 2, cleaned, was 10s. 3d. per cwt., ex warehouse, on Wednesday, as compared with 10s. 3d. per cwt. a week ago. February-March in singles to Continent and U.K., was quoted at 9s. 6d. per cwt., against 9s. 6d. last week. Movements in London last week were as follows: Landed, 43 tons; delivered, 151; stocks, 1,183 tons, against 3,801 a year ago.

SUGAR.—The markets have been quiet and easier generally. The spot price in New York on Wednesday was 3.65 cents per lb., as compared with 3.75 cents per lb. last week and 3.95 cents per lb. a month ago. Wednesday's sales of raw sugar in London included "March" delivery at 6s. 0½d. to 6s. 0½d., against 6s. 0½d. to 6s. 1½d. a week ago. Statistics of raw sugar in public warehouses in London and Liverpool for the week ended January 23rd were as follows:—Imports, 9,585 tons, against 44,171 in the previous week and 14,816 in the same week of 1936; deliveries, 15,373 tons, against 15,574 and 15,836 tons respectively; stocks, 263,556 tons, against 269,344 and 268,147 tons, respectively.

TEA.—The following table shows the average prices (compiled by the Tea Brokers' Association) of tea sold in Mincing Lane on Garden Account in recent weeks:—

Week ended	Northern India	Southern India	Ceylon	Java	Sumatra	Africa	Total
Jan. 30, 1936	d. 12-94	d. 12-51	d. 13-62	d. 10-53	d. 10-29	d. 11-77	d. 12-84
Dec. 10, "	12-55	12-54	14-51	11-47	10-30	11-58	12-92
Dec. 17, "	12-54	12-58	14-67	11-21	10-35	12-14	12-97
Jan. 7, 1937	12-82	12-66	15-14	11-87	10-64	12-12	13-31
Jan. 14, "	13-12	12-95	15-42	11-75	10-71	12-21	13-53
Jan. 21, "	13-47	13-26	15-58	12-41	11-08	12-31	13-83
Jan. 28, "	13-77	12-49	15-92	12-60	11-42	12-69	14-18

The quantities catalogued for this week's public auctions comprised 51,745 packages of Indian and 19,488 packages of Ceylon tea. After a quiet spell on Monday, during which medium and common sorts lost some ground, prices for Indian sorts firmed up on Wednesday. The tone of Tuesday's market in Ceylon descriptions was generally quieter than of late.

VEGETABLES.—At Covent Garden this week, according to *The Fruitgrower*, asparagus has eased in price on heavier arrivals. Sprouts and carrots are firmer, but cauliflowers have declined in price. House grown beans are steady, but mushrooms do not clear so well. Canary tomatoes are dearer on shorter supplies. The recent fall in the temperature improved the demand for potatoes, but this has been a purely temporary phenomenon. Meanwhile, supplies remain ample, and prices show little alteration at London markets. At the Borough on Tuesday, best siltland King Edward again made from 9s. to 9s. 6d. per cwt. ex market.

MISCELLANEOUS COMMODITIES

VEGETABLE OILS AND OILSEEDS.—The market remains quiet but steadier. Buyers are very reserved and, with ample supplies assured, do not appear to be inclined to enter the market at present. The new Argentine linseed is now arriving in this country in considerable volume, thus removing the scarcity in the mills and enabling production of oil and cakes to return to normal. The premium over shipment has thus all disappeared. Large quantities of the new seed have been arriving at River Plate ports for shipment, and in the first four weeks of this year 217,000 tons was exported against 150,000 tons a year ago. The greater proportion is destined for Europe, though larger quantities are being shipped to the United States. The quantity afloat for Europe is now 191,500 tons or 4,000 tons less than in the previous week, while that on passage to America and Canada is 103,500 tons, against 38,300 tons a year ago. The harvest in Argentina is practically completed, and the yield is stated to come up to expectations. Very little linseed is being shipped from India, whose exportable surplus of old crop is put at 20,000 tons. Egyptian cottonseed is weak and lower in the absence of demand.

Most vegetable oils have declined in the past few days. Linseed oil, however, is steady at the lower level, and for February-April delivery ex Hull is quoted at £26 5s. Crude cotton oil is easier, and is offered at £29 per ton ex Hull. Palm kernel oil has further receded, and is now £6 per ton below the highest asked six weeks ago. Demand for oilcakes continues satisfactory.

FURS.—The winter series of fur auctions opened in London on Monday with the Hudson's Bay sale. Supplies were considerably above recent levels, but, on the other hand, demand was good. Besides home buyers, there is a large attendance from the United States, while European support is excellent. Italy is represented for the first time since the imposition of "sanctions," while Leipzig merchants are more numerous and their exchange permits larger than of late. Spain is the only foreign European country not participating. Competition has been active. Compared with the October sales, beaver were dearer by almost 40 per cent., while otter, which have recently been neglected, rose by 10 per cent. Following a spectacular rise at the previous sales, musquash advanced by a further 5 per cent., and fisher were some 20 per cent. higher than in October.

RUBBER.—After a quiet week, with narrow price fluctuations, the market closed on Wednesday with the forward quotation rather lower, and the spot price unchanged on the week. Meanwhile, the strike situation in the United States shows little change; United Kingdom rubber stocks continue their downward trend. The spot price in New York on Wednesday was 20½ cents per lb., compared with 20½ cents per lb. a week ago and 21½ cents a month ago. Wednesday's official buyers' price for standard ribbed smoked sheet on the spot in London was 10½d. per lb., as against 10½d. on the corresponding day last week. In forward positions, business 10½d. a week ago, to 10½d. for March shipment, as against 10½d. to 10½d. a week ago. Stocks in London and Liverpool at the end of last week totalled 71,031 tons, against 73,059 tons a week earlier. A year ago stocks amounted to 182,032 tons.

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AGENTS IN CANADA:
BARCLAYS TRUST COMPANY OF CANADA
MONTREAL

WHOLESALE COMMODITY PRICES

UNITED KINGDOM: LONDON, February 3rd

The prices in the following are revised with the assistance of an eminent firm in each department

CEREALS AND MEAT				POTATOES—				WOOL—			
GRAIN, Etc.—				English King Edward				English Southdown, greasy, per lb.			
Wheat—				per cwt.				" Lincoln hog, washed			
No. 2, N. Man. 496 lb.				0 9 0				16			
Eng. Gaz. av., per cwt.				0 8 6				Queensland, scd. super cmbg.			
Barley, Eng. Gaz. av. ...				0 8 5				N.S.W. greasy, super cmbg.			
Oats, ...				0 8 5				N.Z., grey, half-bred 50-56			
Maize, La Plata, landed				0 8 5				Crossbred 40-44			
480 lb. ...				0 8 5				Tops—			
Flour, Lon. stan. ex mill,				0 8 5				Merinos 70's			
280 lb. ...				0 8 5				" 64's			
Rice, No. 2 Burma, per cwt.				0 8 5				Crossbred 48's			
MEAT—				0 8 5				" 46's			
Beef, per 8 lbs.—				0 11 1				MINERALS			
English long sides				0 11 1				COAL—			
Argentine chilled hinds				0 11 1				Welsh, best Ad'ty., ton			
Mutton, per 8 lbs.—				0 11 1				Durham, best gas, f.o.b.			
English wethers				0 11 1				Tyne			
N.Z. frozen				0 11 1				Sheffield, best house, at			
Lamb, per 8 lbs.—				0 11 1				pits			
N.Z. frozen				0 11 1				IRON AND STEEL—			
Pork, English, per 8 lbs.				0 11 1				Pig, Cleveland No. 3, d/d.			
OTHER FOODS				0 11 1				Bary, M'brough			
BACON—				0 11 1				Steel rails, heavy			
English				0 11 1				Tin plates			
Irish				0 11 1				METALS—			
Danish				0 11 1				Copper, Electrolytic, ton			
Dutch				0 11 1				Sheets (strong)			
HAMS—				0 11 1				Standard			
Canadian				0 11 1				Lead, Eng. pig, per ton			
United States				0 11 1				Spelter G.O.B.			
BUTTER—				0 11 1				Tin—English ingots			
Australian				0 11 1				Standard cash			
New Zealand				0 11 1				MISCELLANEOUS			
Danish				0 11 1				CHEMICALS—			
CHEESE—				0 11 1				Acid, citric, per lb., less 5%			
Canadian				0 11 1				Nitric			
New Zealand				0 11 1				Sulphate, net			
English Cheddars				0 11 1				Tartaric, English, less 5%			
Dutch				0 11 1				Alcohol, Plain Ethyl			
COCOA—				0 11 1				Alum, lump			
(Duty, British grown,				0 11 1				Ammonia, carb.			
11/8; foreign, 14/- cwt.)				0 11 1				Sulphate			
Accra, f.f.				0 11 1				Bleaching powder, per ton			
Trinidad				0 11 1				BORAX, gran.			
Grenada				0 11 1				Do., powder			
COFFEE—				0 11 1				Nitrate of soda			
(Duty, British grown,				0 11 1				Potash—Chlorate, net			
4/8; foreign, 14/- cwt.)				0 11 1				Sulphate			
Santos supr. c. & f. cwt.				0 11 1				Soda Bicarb.			
Colombian, good				0 11 1				Crystals			
Costa Rica, med. to good				0 11 1				Sulphate of Copper, per ton			
East Indian				0 11 1				CEMENT, best Eng. Portland, d/d. site,			
Kenya, medium				0 11 1				London area, jute sacks, 11 to ton			
EGGS—				0 11 1				(charged and credited at 1/6d. each) or			
English				0 11 1				paper bags 20 to ton (free, non-return-			
Danish				0 11 1				able)—			
DUTY—				0 11 1				4-ton loads and upwards 39/- per ton			
FRUIT—				0 11 1				1 and up to 4-ton loads 41/- per ton			
Valencia—				0 11 1				COPRA—			
Jaffa				0 11 1				S.D. Straits c.i.f., per ton			
Lemons, Malaga				0 11 1				S.D. Straits c.i.f., per ton			
Sicilian				0 11 1				Camphor—			
Apples: Amer. (var.) brls.				0 11 1				Japan, refined			
(var.) boxes				0 11 1				Ipecacuanha			
" Australian				0 11 1				HIDES—			
Onions—				0 11 1				Wet salted—Australian			
Valencia, case				0 11 1				per lb.			
Egyptian, bags				0 11 1				West Indian			
Grapes, Almeria, barrels				0 11 1				SUGAR—			
Grapefruit, Jaffa				0 11 1				English King Edward			
LARD—				0 11 1				per cwt.			
Irish finest bladders				0 11 1				0 9 0			
U.S.				0 11 1				0 8 6			

† These prices are for fuel oil for inland consumption—other than for use in Diesel-engined road vehicles—and do not include the Government tax.

UNITED STATES

New York quotations unless otherwise stated

	Feb. 5, 1936	Jan. 6, 1937	Jan. 27, 1937	Feb. 3, 1937		Feb. 5, 1936	Jan. 6, 1937	Jan. 27, 1937	Feb. 3, 1937
Wheat, No. 2, Winter, nearest future, Chicago, per bushel	89½	131½	126½	131½	Sugar, Cuban Centrifugals, 96 deg., spot, per lb.	3.31	3.95	3.75	3.65
Maize, nearest future, Chicago, per bushel	60½	105	106½	105½	Cotton, middling, spot, per lb.	11.45	12.96	13.22	13.20
Oats, nearest future, Chicago, per bushel	28½	52½	49½	50½	Rubber, smoked sheet, spot, per lb.	15½	21½	20½	20½
Rye, nearest future, Chicago, per bushel	58½	112½	109½	111½	Petroleum, Mid-continent crude 33 deg., to 33.90, at well, per barrel	104	104	104	116
Barley, nearest future, Chicago, per bushel	(a)	84	84	86	Copper, "Electrolytic," Domestic, spot, per lb.	8.45	11.67½	12.37½	12.72½
Coffee, Rio No. 7, cash, per lb.	6½	8½	9½	9½	Copper, "Electrolytic," Export prompt, per lb.	8.67½	11.90	12.60	12.95
" Santos No. 4, cash, per lb.	9½	11½	11½	11½	Spelter, East St. Louis, spot, per lb.	4.85	5.45	6.00	6.00
Cocoa, Accra, nearest future, per lb.	5.14	11.74	11.50	10.50	Lead, spot, per lb.	4.50	6.00	6.00	6.00
					Tin, " Straits," spot, per lb.	47.87½	51.00	50.10	51

(a) Nominal.

THE ECONOMIST

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NOTES OF THE WEEK

The arguments for doing this, which are, of course, the same as those which we urged last month against any defence loan at all—fall into two categories. First, economic authority in this country is opposed to borrowing because our economy is fast approaching, if it has not already reached, the boom stage, at which capital expenditure out of borrowed money is positively dangerous. The economists would agree that, in the next two years, the need is for higher taxation and lower loans, in order to brake the otherwise dangerous velocity which our business activity threatens to attain. The second reason is psychological. A defence loan, or series of such loans, makes the public think they are really getting armaments for nothing, or for no current effort. They consume the borrowed capital in the borrowing period—which heightens the *tempo* of business—and leave it to posterity to pay. Moreover, the effect of this bad example is a fact of political importance in an already frantic world. True, some other countries have adopted those expedients already. But we possess to-day the current taxable capacity which they have jettisoned; and for many a long year Great Britain has set a standard in such matters which has helped to make more difficult the rake's progress in finance. If rearmament is to be regarded as legitimate capital expenditure in the home of financial orthodoxy, it is

only to be expected that throughout the world the nations will succumb more light-heartedly to the temptation to borrow for the strengthening of their defences. And this in its turn means that the armaments race will undoubtedly be accelerated.

But perhaps the first effect of MR CHAMBERLAIN'S announcement will be to bring the country face to face with the stupendous scale of the preparations on which we are now embarked. In spite of the CHANCELLOR'S insistence that his figure is a maximum, he presumably would not have named it unless he had reason to think that the sum he may require is of this order of magnitude. But we have already increased our expenditure on armaments out of current revenue by something like £80 millions compared with the peaceful times of four years ago, and there is no reason to doubt that this expenditure out of the Budget will still further increase. This means that by the end of a further five years the exceptional expenditure on armaments (i.e. the excess over our normal £110 millions a year) will amount to some £500 millions out of revenue and £400 millions out of loans. We shall then have added to our normal expenditure more than four times the cost of the Boer War—and that before ever a shot is fired. Well may the world now pause and ask once more what will be the end of this universal madness.

The Cabinet and Germany

DAME RUMOUR was last week enlisted in the cause of German propaganda. Following HERR HITLER'S speech a German newspaper gave currency to the rumour—which was echoed in the whispering galleries of Westminster—that the British Cabinet was sharply divided in its attitude towards Germany. MR EDEN'S response towards Nazi advances was not sufficiently friendly for the taste of the majority; his trip to the Riviera was in reality a political, not a health, vacation: and the gentle LORD HALIFAX would first receive the redoubtable HERR VON RIBBENTROP.

Later gossip gave a more elaborate version. In June MR BALDWIN is to retire; MR EDEN (who is eminently MR BALDWIN'S young man) is to disappear with his leader; MR NEVILLE CHAMBERLAIN is to step into MR BALDWIN'S shoes; and MR EDEN'S place is to be filled by somebody who will be willing to carry out a more pro-German foreign policy. This at present unknown soldier will not only have to be amenable to the will of the new British Prime Minister; he must also be *persona grata* to the present Nazi rulers of Germany.

Now whatever credence may be given to these obviously prejudiced suggestions, one point of substance lies behind them all: namely, that the Cabinet is at this moment faced with the necessity of determining its attitude towards Germany. What are the aims an Anglo-German understanding would have to reconcile?

The first of them is to force France to renounce her present treaties with Czechoslovakia and Russia; and although any German pressure in this direction merely has the effect of tightening the bonds which Germany wants to prise asunder, it is hoped in Berlin that British pressure on France might prove most effective for the purpose. The new Foreign Secretary, so the theory runs, would tell M. BLUM that France cannot keep her alliance with Russia without forfeiting Great Britain's support, and that the time has now come for France to make her choice.

The fulfilment of this first German desire would open the way for the presentation of another. This would be that France and Great Britain should in effect repudiate their obligations under the Covenant of the League

towards all their fellow States-Members that have committed the offence of being situated on the far side of Germany's and Italy's eastern frontiers. This next step would follow of itself; for the Franco-Czech and Franco-Russian pacts are like the girders, wires and rods in reinforced concrete. When they have been wrenched out, the concrete can easily be pounded into the dust and ashes from which it was originally made.

What will Germany demand beyond that? She will hardly be willing to forgo her claims to the restitution of the colonies that were taken from her in the last war. This, as HERR HITLER has now declared more than once, is a point of principle and of honour for the Third Reich. Perhaps, however, in the above circumstances HERR HITLER will be willing to accept a token payment on account—the restoration, say, of Togoland pending the eventual creation of Germany's *Mittelafrika*.

If these are the German terms, the British public, rubbing its eyes, may well ask what this country is going to get out of it. The answer is that, in return for Britain's concession of Germany's demands, Germany would grant Britain the privilege which the Cyclops bestowed upon Odysseus when the hero, and others who had been in the same boat, found themselves prisoners in the cannibal giant's cave. "I will eat you," said the Cyclops to Odysseus, "the last of the batch." As we know from Homer, this did not satisfy Odysseus; and he quietly took measures to save his companions' lives and his own. This country, peace-loving though it be, does not find such an offer more attractive. "I will eat you last" is a boon scarcely worth all the concessions which this programme requires us to make to the Nazis in exchange for a year or two of grace.

How does this prospective Anglo-German deal look from a German angle of vision? If HERR VON RIBBENTROP could persuade the British Government to walk into the German giant's cave, the FÜHRER would, indeed, have good reason to be satisfied with his emissary. For the Germans know that, if once they can induce the British to make a bargain on these terms, then Germany has virtually won the world-power game.

The gist of the plan is clear. If Britain succeeds

in forcing France to leave Germany a free hand in the East, then Germany will build the whole of Central and Eastern Europe—at least as far East as Finland and Roumania, and perhaps even as far as "the Ukraine and the Urals"—into an immense, compact, highly organised German dominion. The resources of this Greater Germany will be of the same order as those of the United States; and when they have been converted, at Germany's leisure, into air-power on Germany's Western frontier, this German power will completely overshadow the power of France, Britain and the Low Countries put together. These four little countries in Western Europe will, however, still be holding, between them, the lion's share of Europe's colonial dominions. Germany will then be able to take some. A large packet of colonies will find its way into the German lion's mouth; the Cameroons and Tanganyika will have been reconquered in the Sudetenland and in the Donetz Basin—and not only they, but also perhaps Morocco, the Congo, Nigeria and Netherlands India.

If DAME RUMOUR last week-end sought to persuade us that any British Government would fall in with such grandiose ideas as these, she was indeed a lying jade. These may be the dreams of Nazi enthusiasts, but Germany's spokesmen know that there are limits beyond which British complacency cannot be pushed. In the event, it appears that HERR VON RIBBENTROP, in his interview with LORD HALIFAX on Thursday, did not raise the colonial claims of Germany at all, and only urged that the Franco-Soviet Pact or its Protocol should be so amended as to make it clear that they are not aimed at Germany. True, these documents can be read as providing for the encirclement of Germany; but only if Germany commits aggression. Indeed, they

actually state that the Pact is open to other Powers to join; and the Protocol expressly records the desire of France, Russia, Czechoslovakia, and other Eastern States, to conclude a general security pact including Germany. Germany will not agree to join a pact which includes Russia; but it may well be that HERR VON RIBBENTROP'S instructions are now to revert to the position before the ratification of the Franco-Soviet and Czecho-Soviet Pacts, and to renew attempts to rob them of the sting which they naturally caused to Germany. The parties to them would certainly guarantee that they are not aimed at Germany of malice aforethought; but no guarantee can be given that they will never be implemented against a Germany on the warpath.

If Germany is looking for peace along these lines the prospect is not unpromising; but if either in form or in substance she is seeking freedom to pursue her greater ambitions towards the East she will be making a demand that has been steadily rejected by British statesmen. During the past two and a half centuries even the extremest isolationists in Downing Street have never dreamt of disinteresting themselves in the European balance of power. Again and again, down to 1914 inclusive, they have actually gone to war in order to prevent some Continental Power from doing precisely what the Third Reich would like to do with British acquiescence. But it has happened far more often that British statesmanship has saved both Britain and Europe from a danger of war and tyranny by taking the lead in maintaining the concert of Europe. Thereby it has often induced ambitious Powers to renounce a resort to the *ultima ratio regum*. To play this rôle and take these risks in Europe remains the condition of England's greatness—and of her security.

The British Film Industry—II

British Film Finance

IN an initial article on the economics of the film industry, we showed that fixed prices for any class of film, at any given theatre, were non-existent; that in every case the skill of the renter (i.e. the distributor) was exerted to raise, and the skill of the exhibitor to reduce, the price demanded. There are, however, important conditions which modify this state of affairs, and these we now propose to examine. The dominant purpose of every film renter—as of every other trader—is to obtain the maximum return on the total product he has to sell. But in the film trade what is being sold is not a tangible commodity, but an abstract right—the right to show a particular film in a specified cinema for a definite number of days. The only variable in the transaction is the cash price, and here the renter has many more considerations to take into account than the exhibitor, whose outlook is confined to his own cinema, his patrons and his probable revenues. The renter must think imperially, or at least nationally. He knows that his maximum return for the whole of Great Britain is the sum of the separate returns from each of the areas into which the country is divided. He may secure this maximum return by selling to a single cinema, to a combination of two or three cinemas, or to a larger grouping. In some instances, one cinema in a town may draw as much as £2,000 a week, while the next half-dozen average only £400 each. It will obviously be more remunerative to sell a picture to the first house for 50 per cent. of net box-office receipts rather than to three or four of the others at 40 per cent. But if the smaller theatres can be induced to select and exhibit three times as many pictures as the larger theatre for a period, say, of three to six months, the contract will be placed

with the smaller theatres; for their territory will yield over £1,400 against £1,000. This example explains why, for example, in some areas important films may be consistently exhibited at secondary cinemas and inferior films at the larger houses.

Another consideration which weighs heavily with the renter is that of cinema circuits. More than 20 per cent. of the cinemas in Great Britain are owned by six or seven companies. The leading group owns over 330 cinemas and the second nearly 250. These circuits cannot all show the same films, either at the same time or even at different times. But their purchasing power is so great that they can generally negotiate for any important picture before any lesser group or any individual theatre. Their power is such, moreover, that they are able to secure films at a lower price than the aggregate of all their competitors.

The renter is able to bring further pressure to bear on the exhibitor through his trade organisation—the Kinematograph Renters' Society. The members of this Society control more than 98 per cent. of the entire available film supply. Exhibitors who fall into arrears with their payments may find themselves deprived of their supplies of film. This threat is so drastic that the exhibitor is compelled to be an exceptionally honest debtor, and the renters' bad debts are, therefore, phenomenally low. During several years they have totalled less than one-half of one per cent. of the amounts involved. The Society has also prevented the development of combinations among exhibitors—other than those arising from unity of proprietorship—in order to depress the level of prices paid to renters. It has consistently refused to co-operate with the exhibitors in

preventing the development of competition by withholding supplies from new cinemas; for the renters as a whole believe it to be in their interest that no restriction should be placed on the growth in the number of cinemas.

With the finance of individual film companies we propose to deal in some detail in our Stock Exchange section in the near future. In the meantime, we may briefly discuss some general financial features, which have been the subject, during recent weeks, of a good deal of Press attention. Capital losses have undoubtedly occurred in certain branches of the trade; but we would warn our readers against too ready acceptance of the statement that many millions have been lost during the last two or three years in film production. A writer in a trade publication recently reached that conclusion after consideration of a list of charges registered at Somerset House for moneys purporting to be advances for film production. But such figures may be very misleading. It does not follow, when a charge of, say, £1,000,000 has been registered, that the whole of this sum has been, or ever will be, actually borrowed. It merely records an arrangement by which a series of advances will be made, in rotation, for a succession of pictures, provided that certain conditions—for each picture in turn—are satisfied. In some recent instances not more than one, or at most two, of these instalments have been advanced; and further sums are not now available. Equally misleading are bald statements that forty or fifty new production companies have been registered in recent months. Many of these companies are, in fact, designed to produce only a single picture. Others register merely the aspirations of promoters, which will never be realised. Others, again, are merely separate subsidiaries of already existing units. That the finance of film production has unsound features is undeniable, but their elucidation needs detailed expert research rather than hasty generalisations or partial data.

At the exhibiting end of the industry, however, the present position is fairly clear. We know that the public pays over £40 millions a year for admission to the cinema. How is this huge sum divided among different interests? The tax collector has, as always, the first claim upon it. Entertainment tax is now payable on all admissions over 6d., and brings in over £5 millions annually for the Treasury. Of the remaining £35 millions, it is estimated that nearly £22 millions is retained by the

exhibitors and £13 millions paid to the renters. A careful computation suggests that the exhibitors' payments for running costs—i.e. for outgoings other than films—are in the neighbourhood of £10 millions. Depreciation accounts for approximately another £2 millions, and leaves about £10 millions for fixed charges and profits. The aggregate capital value of all British cinemas may be estimated at nearly £80 millions. On this basis, allowing for charges, the return comes out at nearly 10 per cent.

How is the renters' £13 millions disposed of? Probably some £2½ millions are required annually to defray the running costs of their highly elaborate organisation—including salaries, rents, advertising, and so on. Approximately £6½ millions are remitted to America for films. Of the balance of £4 millions, probably over £1½ millions is required to pay for the cost of the positive prints used in the cinemas and another £1 million is spent on the news reels. About £1½ millions to £2 millions remains for payments to producers of British films, to which we may add net receipts from sales of British films abroad, which are probably in the region of £1 million. This brings the total earnings of British films to nearly £3 millions.

We have made no mention of renters' profits, because of the inherent difficulty of giving a precise meaning to that term. The American renters remit all their surplus receipts to their head-offices, where these funds are merged with all other receipts in determining profits. The American renters are merely agents, and their profits cannot be calculated on the assumption that they are willing buyers in a free market. The figure of £2½ millions, mentioned above as the renters' costs, does, however, include the profits of the British renters; but in the case of theatre companies owning their own renting organisations, the profits shown in the renters' books do not indicate the actual earnings of the renting branches.

In the light of the facts which have been elicited in the course of this series of articles, it is clear that the film industry ranks among the major British trades. Certainly there are few industries whose products reach a larger proportion of the total population. And the present series of articles suggests that its organisation is paralleled by that of no other industry. Understanding of its ramifications is clearly essential to any study either of its present problems or of its future possibilities.

Shipbuilding Revival

BRITISH shipbuilders may rejoice that their industry has emerged from the greatest slump of modern times. But many of its leaders are seriously asking whether improvement is merely a flash in the pan or whether they can look forward to a period of more stable activity like that of pre-war days. We propose to examine the industry's present position and prospects in the light of the changes of the past decade.

Prosperity in shipbuilding is linked with the fortunes of shipping and the course of international trade. Before the war the volume of world trade increased steadily and almost uninterruptedly. Between 1913 and 1923 it made, on balance, little headway; but during the next five years it resumed its interrupted advance. Another serious check, however, came after 1929, and, as we showed in *The Economist* of January 30th (page 226), the volume of world trade in 1932 was less than 75 per cent. of its pre-depression level. Even after the partial recovery of the last four years, the world trade index was still nearly 15 per cent. lower last year than in 1929.

Shipbuilding is particularly vulnerable to fluctuations in world trade. As shipping capacity cannot be rapidly

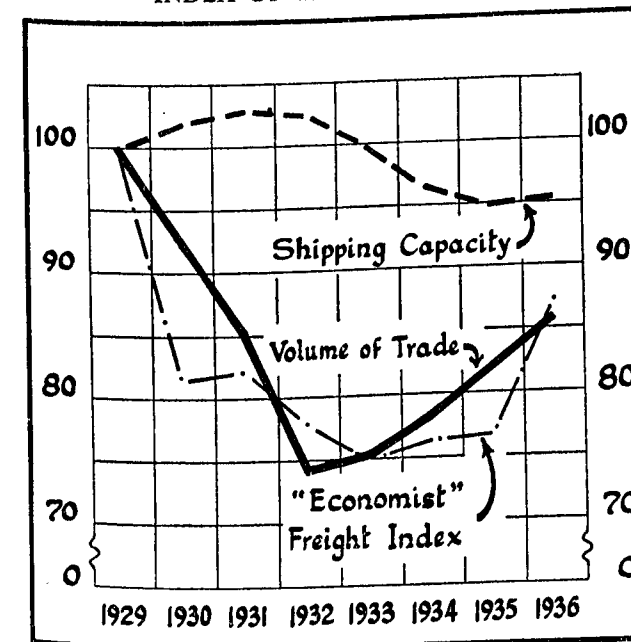
adjusted to changes in demand, every fall in world trade is immediately reflected in declining freight rates and increasing unemployment of vessels. Moreover, the volume of new mercantile tonnage constructed each year represents only a small fraction of existing tonnage. Orders for new vessels tend, consequently, to decline during depression far more than in proportion to the fall in world trade. Between 1929 and 1932, indeed, the volume of new orders became, for a time, almost negligible. In any case, there is an appreciable time lag before the industry can adjust its output to a change of demand, either upward or downward, since a year or more is required for the construction of a modern vessel. New launchings normally increase for a time, even after the world's shipping position has visibly deteriorated, and are correspondingly slow to rise during the first phase of recovery.

Before the war these factors were largely obscured by the strong upward trend of international trade. Actually the lowest annual world output of mercantile tonnage between 1903 and 1913 was 1,602,000 in 1909, and the highest 3,332,900 tons in 1913. In more recent years,

however, the inherent instability of the industry has been accentuated by trade fluctuations and by the growth of subsidised construction in many countries—its reflection of increased economic nationalism. These tendencies are well brought out by the first of the two diagrams annexed. The volume of world trade, it will be seen, has been on the upgrade since 1932. The output of ships only began to turn upward a year later, but since 1935 it has made rapid progress.

As we have recently pointed out (see *The Economist*, January 9th, page 53), the omens are now favourable to an expansion of international trade. The volume of tonnage has been reduced to almost negligible proportions. The demand for new vessels is therefore likely

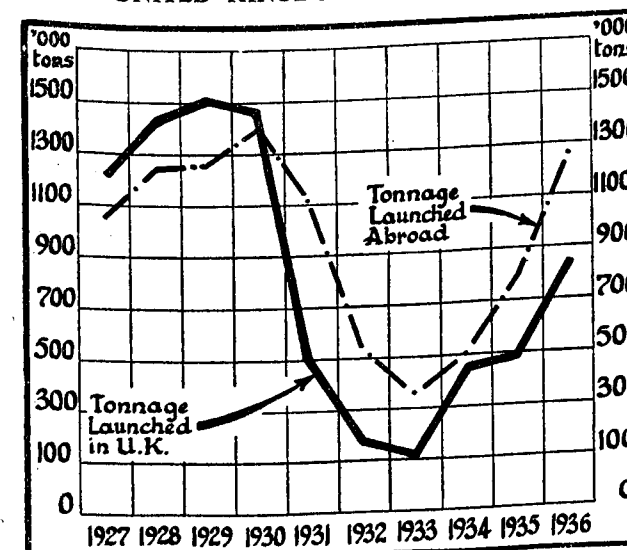
VOLUME OF WORLD TRADE, MERCANTILE SHIPPING CAPACITY, AND "THE ECONOMIST" INDEX OF FREIGHT RATES



to continue its upward trend. But the volume of orders placed in the near future may well be substantially in excess of the tonnage suggested by a mere calculation of necessary additional capacity. Technical progress has recently been so rapid that the expense of running many existing vessels is greater than the running costs plus capital charges of modern ships. A modern cargo vessel, for example, is capable of carrying twice as much freight, per ton of coal consumed, as a similar ship built either before or during the war.

British shipbuilding, however, has problems peculiar to itself, which arise from the fact that its share of world

MERCANTILE TONNAGE LAUNCHED IN THE UNITED KINGDOM AND ABROAD



tonnage construction has tended to decline since the war, mainly as a result of subsidised construction abroad.

Between 1900 and 1913 the British output of mercantile tonnage was greater than that of all other countries in the world together. Between 1920 and 1929 it sometimes exceeded, and sometimes fell below, the total constructed abroad. But, as our second chart shows, foreign launchings have exceeded British output in every single year since 1929. An important factor in this result has undoubtedly been the decline in the tonnage of foreign orders placed in this country. As recently as 1930, for example, the tonnage of new British-made vessels, exported to countries other than the Dominions, approached 500,000 tons, valued at £20 millions; while at the end of last year the tonnage under construction, for registration abroad or for sale, was only 70,000 tons. And there are few indications of any marked expansion of foreign orders in the near future.

It is most important that British shipbuilders, like their colleagues in some other constructional industries, should not neglect their permanent interests in the export markets, even though the outlook for domestic orders may be brighter than for many years past. Of the latter fact, certainly, there appears little doubt. It is true that the volume of mercantile shipping under construction at the end of last year was still below the million-ton mark, compared with 1,560,000 tons on hand at the end of 1929. But work on naval vessels this year will be equivalent to about 500,000 tons of merchant vessels, and total activity should therefore regain the level of 1929, when only a small amount of tonnage was under construction in private yards for the Admiralty. Some time, indeed, may well elapse before the industry can deal with a further substantial expansion of orders. The recent revival has already revealed a number of bottle-necks in its organisation, one of the most serious being a shortage of skilled labour after a prolonged period of inactivity. There is a danger, moreover, of serious delay in obtaining deliveries of essential raw materials, such as iron and steel. Such a shortage of materials, if it were accompanied by rising prices, might lead, among other undesirable effects, to a further diversion of orders to foreign shipyards. Altogether, though immediate prospects are most encouraging, there is no evidence that, in the long run, the industry will be any the less vulnerable to fluctuations in activity in the future than in the past.

Are Interest Rates Rising?

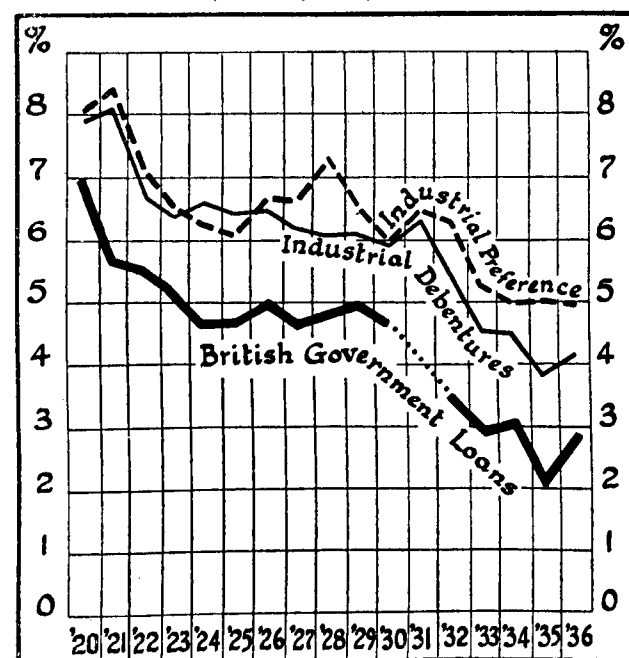
THE rate of interest looms large in contemporary discussions of Britain's commercial prosperity. Bankers, economists and politicians have expressed varying views on the practicability of maintaining rates at their present low levels, but practically all are agreed that a serious rise would have unwelcome repercussions. The moment is particularly opportune, therefore, for publication of the results of an inquiry made by *The Economist* into the actual rates at which long-term borrowers have obtained capital in the London market in recent years.

Before we discuss these results, a few words of explanation and definition are necessary. We have excluded from our computation all borrowings for periods of less than twelve months. Regular returns of the interest rates paid by short-term borrowers from the British Government downwards, for periods from one day upwards, will be found in the statistical returns relating to the Money Market, published in *The Economist* each week. Our long-term figures are averages of the yields offered, on issues of capital by public prospectus, by the British Government and by all companies which have issued fixed interest securities (i.e. debentures or preference shares) in every year from 1920 to 1936. The interest yield on each issue has been weighted by the amount of new capital involved, computed in terms of new money. Issues for conversion of pre-existing obligations, in other words, have been disregarded. The results shown in detail on page 346 have been plotted in the chart overleaf.

There is no doubt whatever that since the end of the Great War the general trend of long-term interest rates—apart from purely ephemeral fluctuations—has been steeply downwards. The British Government paid nearly 7 per cent. on its new borrowing in 1920, and less than 3 per cent. in 1936. The rate on new company debentures was only half as high in 1936 as in 1920. The decline has been accomplished in three stages. From 1920 to 1923-24 interest rates were falling rapidly; from 1923-24 to 1930-31 they showed considerable variation, but their general trend was stationary; from 1930-31 to 1935 their course was again downward. On the whole, the curve of debenture rates has followed that of Government loans. The two series have run more or less in parallel, with about one per cent. between them. The curve for preference shares has been much more erratic, since it has been influenced by factors of industrial risk, as well as by pure interest considerations.

Has the period of declining long-term interest rates come to an end? Clearly, the downward movement last year suffered its first serious check since 1930-31. Although the preference rate was practically stationary, the apparent yield on new Government loans rose from 2.19 per cent. to 2.85 per cent., and the rate on industrial debentures from 3.83 per cent. to 4.17 per cent. Earlier experience suggests, however, that it may be dangerous to read too much into a single year's fluctuations. The figures from which our averages have been compiled, further, suffer from an unavoidable limitation. The rates of interest actually paid are determined by considerations like the status of the borrowers and the duration of their loans, as well as by those affecting the general supply of and demand for new capital. Out of £291 millions offered by the British Government in 1935, as much as £98 millions had a maximum life of only five years, the remainder having a maximum life of 26 years. In 1936 the whole of the £61½ millions borrowed had a maximum life of 21 years.

PRICE OF NEW CAPITAL, 1920-36
(Issued by Prospectus)



Other evidence suggests, however, that although the upturn in interest rates last year may have been slight, it was real and perceptible. In the table in the next column, we set out the total amounts raised at fixed interest by various borrowers, in recent years, together with the weighted average rates of interest at which they were borrowed. We have added figures for 1913, to afford a basis of comparison with pre-war conditions. The significance of these figures may be briefly discussed. It will be observed that in July, 1935, a Treasury-guaranteed London Electric debenture issue for £32 millions, with a maximum life of 20 years, was successfully floated to yield 2.70 per cent. to redemption. Last month a further £9½ millions of the same stock was offered on a redemption yield basis of 3.05 per cent. Loans issued by British municipalities in the last year or

two have been cast, more or less, in a common mould, with maximum "lives" of 20 to 25 years. But the £20 millions raised by home corporations in 1935 cost the borrowers, on the average, 3.02 per cent., while the £42 millions raised in 1936 cost them 3.21 per cent.

A somewhat more favourable impression is suggested by a special computation we have made for the past two years of the new capital raised by the increasingly popular technique of Stock Exchange placing, as distinct from issue by prospectus. From the detailed tables on page 386 readers will discover that, taking prospectuses

GOVERNMENT ISSUES

	British Government		Dominion and Colonial Governments		Total—Home and Empire Governments	
	Amount (£'000)	Per cent.	Amount (£'000)	Per cent.	Amount (£'000)	Per cent.
1913	None	—	26,290	4.15	26,290	4.15
1929	67,000	5.00	26,366	4.97	93,366	4.99
1932	107,589	3.50	23,761	4.60	131,350	3.72
1935	291,000	2.19	2,907	3.02	293,907	2.21
1936	61,304	2.85	375	3.50	61,679	2.86
New Basis†						
1935	291,000	2.19	2,959	3.02	293,959	2.21
1936	61,304	2.85	885	3.33	62,189	2.86

OTHER BORROWINGS AT FIXED INTEREST

	Home Corporation Loans*		Industrial Bonds Debentures and Notes†	
	Amount (£'000)	Per cent.	Amount (£'000)	Per cent.
1913	920	4.41	25,086	5.50
1929	8,316	4.96	25,849	5.48
1932	28,832	4.75	6,111	5.44
1935	20,000	3.02	24,941	3.83
1936	41,751	3.21	18,913	4.17
New Basis‡				
1935	20,750	3.01	46,484	3.95
1936	46,942	3.60	36,877	3.95

* The above figures exclude the London Electric Transport Finance issue (guaranteed by the British Government) in July, 1935, of £32,000,000 in 2½ per cent. debenture stock at 97, to yield 2½ per cent.; also the Railway Finance Corporation Loan in February, 1936, of £27,000,000 in 2½ per cent. Stock at 97 to yield 2½ per cent.; and the £9,300,000 Railway Clearing House 2½ per cent. Loan in December, 1936, at 94½ per cent. to yield 2½ per cent. Excluding Issues under Trade Facilities Act.
† Including, in addition to prospectus borrowing, all capital made available by Stock Exchange placing and permission to deal.

and placings together, some £46.5 millions of industrial debentures were raised in 1935, at an average rate of 3.95 per cent. In 1936, the total was somewhat lower, at £37 millions, but the average rate was unchanged at 3.95 per cent. On the other hand, while borrowers are still finding it possible to convert their maturing obligations into new stock carrying lower interest rates, the rates "after conversion" are rising. In 1935 British municipalities converted £15 millions of stock on an average yield basis of 2.80 per cent.; in 1936, some £20 millions of stock was converted at an average level of 3.11 per cent. The amount of industrial debentures converted was between £28 and £29 millions in each year, but the new stocks were issued at an average rate of 4.00 per cent. in 1936, against 3.85 per cent. in 1935.

We may conclude, therefore, that, so far as capital market records go, the downward movement in interest rates appears to have been arrested last year. The next few months will show whether this was merely a temporary development or the reversal of a well-established trend. Up to the end of last year, certainly, the upward reaction in rates had not gone very far, and in almost every case our computations of average interest rates were well below the levels of 1934. Since the new year opened, however, the market for existing fixed interest securities has been depressed, and market values have fallen appreciably. This week's announcement of the Government's decision to seek power to borrow up to £400 millions for re-armament is obviously not calculated to help the gilt-edged market. It is reasonable to assume, therefore, that a resumption of large fixed interest borrowings in 1937 may well be associated with a further increase in the percentage yields offered to subscribers.

Japan's Year of Crisis

It was freely prophesied in Japan that 1936 would be a year of crisis. And now crisis has come, though not, perhaps, in the way expected. The present struggle is not between the Government and the peasant population, nor has it arisen directly over the burden of war and warlike preparations. The issue lies between an army, whose dreams are realisable only through the restoration of a new Shogunate with dictatorial authority, and a financial hierarchy fighting to maintain its influence through the political parties which are its governing instruments.

Outside observers have frequently argued that the strain resulting from Japan's imperialistic policies would produce unbearable distress among the peasantry. In 1936, however, economic conditions were more favourable for the Japanese farmer than in any of the preceding five years. His income from rice, cocoons, wheat, barley and rye has increased. *The Oriental Economist*, indeed, has put the cash value of saleable crops at a level exceeded during recent years only in 1929. Although Government action has been necessary to maintain the price of rice, prices of silk and cocoons are likely to rise further, for recovery is rapidly progressing in the United States, and the American demand for raw silk is increasing.

A mild attempt was made last year further to alleviate the hard lot of the agricultural regions by reducing their tax burden and by subsidising the prefectures out of national government revenues, which had been increased by higher urban taxation. A significant part of the benefits both of higher farm income and lower taxation will doubtless be absorbed by middlemen, merchants and landlords, but the farmer will at least not be worse off than before. To the extent that the standard of rural living recedes from a starvation level, industrial workers may also benefit, for industrial wages cannot rise much above those of agriculture so long as the ranks of industrial workers, particularly of female textile workers, can be replenished from a depressed peasantry. During 1936, indices of industrial wage rates and actual earnings, calculated by the Bank of Japan, were actually lower than in 1935, despite an increase in the number of hours worked. The reduction in real wages was even of more considerable, for retail prices, particularly those of commodities of domestic consumption, rose more rapidly in 1936 than in preceding years.

Recent tendencies have not been wholly favourable to the large capitalists of Japan. Last year's increases in the indirect taxation may well affect the interests of the semi-monopolist financial trusts and industrial organisations as much as the rise in income tax, if they necessitate the higher wages to counteract a higher cost of living. The large concerns are directly interested, not only in large concerns among their own workers, but in those of conditions among the many small workshop and household industries, which are frequently controlled by the large groups for whom their work is done.

The most important economic factors, however, behind the political events of the past twelve months and in Japan, have been developments in foreign trade and in the financial policies of the Government, which have been increasingly subjugated to military ends. Industrial production is still rising rapidly, particularly in the heavy industries, which benefit from armament expenditure. But Japan's foreign trade balance, which was exceptionally active in 1935, reverted to its normal passivity in 1936. Exports of cotton textiles, for example, decreased slightly last year. Japanese goods are continuing to meet increased trade restrictions in many of their principal markets. Last year there were trade wars with Canada and Australia; and negotiations

are pending for a new agreement with India, which may be less favourable than the old. The progress of recovery in other countries, and the rising costs of raw materials are adversely affecting the competitive power of Japan's export industries which, with the major exception of silk, rely on imported raw materials.

It became apparent last year that Japan could not continue to export large amounts of capital to Manchukuo. But the army, directing the Government, refused to abate its Manchurian policy or to allow the gold reserves to be used for foreign payments. To prevent a flight of capital, of which signs were becoming evident, drastic control of foreign exchanges was adopted. It is claimed that this control will not be continued after the middle of the present year, when the usual seasonal excess of imports will have come to an end. But it would be more in accordance with precedent if control were, in fact, maintained for exactly as long as the present economic and military policies.

The Government has recently reduced the interest burden of its rapidly growing debt by a large conversion operation. The banks, who are the main holders of Government bonds, benefited by premium payments on conversion, but their income will suffer in the future; and, in any case, the bond conversion was designed to pave the way for a still further increase in the national debt. The draft Budget for 1937-38, presented by the Finance Minister in the last Cabinet, showed an excess of expenditure over ordinary income of 806 million yen. The deficit, together with a further 155 million yen for special accounts, was to be raised by bond issues. This Budget produced a political storm. It has been withdrawn by the new Terauchi Government, and certain adjustments are promised in its successor. It is most unlikely, however, that the army will relax any of its demands.

So far the army has been able to carry the large financial trusts with it, in passive if not active support of its foreign policies. Last year, however, the financiers showed signs of growing uneasiness. The army *coup d'état* of last February resulted, if not in open victory for the army, at least in the formation of a Government more amenable to its persuasions. During the latter part of the year there were constant reports that the army wished to dispense with the political parties altogether; to destroy even such small control over the Government as remains to the Diet; to introduce various economic monopolies of a Fascist character, and restrict the electoral franchise, which is now exercised by some 12 millions of the Japanese people, to the heads of families and to ex-army men. Such policies as these are anything but popular with the financial interests, who are at one with the Liberals in disliking the company into which the army's foreign policy has brought their country, and the consequent abandonment by Russia of negotiations for a long-term fishing agreement. They would not welcome open armed intervention in China; and they are refusing to supply capital to the South Manchurian Railroad, which is the army's instrument of economic aggression in North China.

Friction between the rival powers came to a head in the recent parliamentary crisis, which ended with the resignation of the Hirota Cabinet and the assumption of power by General Terauchi. The latter has declared that "the army is opposed to the operation of the Parliamentary institution along democratic ideas of the Western type." If the army continues to destroy the feeble remnants of Parliamentarism it will, in fact, destroy an instrument of the financial magnates rather than an organ of opinion of the Japanese people. The financial powers, unfortunately for themselves, are unable to call upon the common people as allies in opposition to the army dictatorship, for there is more sympathy among peasants for the army than for the financiers. But even the peasants may tire of army politics. If armies are to rule, they must produce victories. And at present the Japanese army is producing, not victories, but an increasingly difficult international position, economically and politically. Hope deferred may make even a Japanese heart-sick.

Notes of the Week

Freer Trade or Deadlock?—The stirrings of anti-tariff hopes have so far had no consequences calculated to inspire optimism. Our Swedish correspondent warns us (on page 358) that little can be immediately expected from the meeting of the signatories of the Oslo Convention, which has been called at The Hague. He points out that the reciprocal concessions which can now be made between Holland, the Scandinavian countries, Finland and Belgium are very slight; and that real progress can only be made through a wider agreement embracing other States. The onus of responsibility, in fact, now rests—as it has rested for so long—upon the British Government. The Oslo Convention might have become an effective instrument at Ouchy as long ago as 1932 had it not been for the agreements of Ottawa.

The challenge has been repeated; and Mr Runciman has been to Washington. Questioned in the House this week about his American visit, the President of the Board of Trade showed reluctance to make any definite statement. He was asked if the time had come for the drafting of a trade agreement with the United States, and if there was any immediate prospect of the reduction of trade barriers between the two countries. He denied that he had conducted any negotiations in Washington, but confessed to useful conversations. His conclusion was that "further exploration will be necessary before it can be determined whether there is a firm basis upon which negotiations can take place." What is the obstacle? Is it war debts? Is it Ottawa? Is it the most-favoured-nation clause? Meanwhile the world waits for a British decision whose consequences, whatever it may be, will be far-reaching for the future of world trade and world peace.

World Trade and Peace.—The American Government's Trade Agreements Act, after its extension for three years from next June was approved by the House of Representatives, came before the Senate Finance Committee on Wednesday. Mr Secretary Hull prefaced it with a letter in which he urged its extension. To abandon it, he said, would give a fillip to the economic warfare which has already played such havoc in the world; and its extension might ease the economic tension which was driving many nations towards military conflict. "In the years that lie ahead," he went on, "an adequate revival of international trade will be the most powerful single force for easing political tension and averting the danger of war." On the same day General Smuts launched a cogent plea for relaxation of tariffs and trade restrictions in the cause of world peace. In this he urged the British peoples, together with the Americans, to return to their original way of using trade as a civilising medium. The new French Minister to Washington, M. Georges Bonnet, also pointed out when leaving Paris on Wednesday for the United States that if the democracies closed their economic ranks they could achieve stability by freer trade. These powerful reminders must not be ignored by the British Government, or treated with that easy optimism which General Smuts deplored. All is not for the best in this economically disordered world.

Safety in Mines.—The pit at Gresford where 265 men lost their lives in September, 1934, is still sealed. But that tragic disaster was thrown into stark relief last week by the alarming report of the Chief Inspector of Mines and his two colleagues. There was some disagreement between the assessors, but the major findings were undisputed. The ventilation of the mine was inadequate and precarious; air measurements were improperly recorded; to permit of the speeding-up of work, shot-

firing was too quickly executed; the provisions of the Eight Hours Act were ignored; the apprehensions of the manager were overridden for purely commercial considerations. Moreover, the management made some attempt to conceal the grave facts, and the colliery owners showed no eagerness to assist in the investigation. Nor were the workmen themselves blameless; they connived at illegal shot-firing, and in violation of the law worked double shifts in order to gain free time on Saturdays. The implications of the report are even wider. The system of inspection and supervision is inadequate; inspection might be more frequent and more effective, if the inspection districts were more efficiently organised, and if there were more inspectors to do the work. The price of disregarded regulations is loss of life, and the sealed pit at Gresford is a mute witness of the cost. The Royal Commission on Safety in Mines, at present sitting, cannot fail to take up the challenge of this report. Members of Parliament will voice their anxiety in the debate announced for next week. But the lessons of the report extend still further. Owners, managers, trade unionists and civil servants have been warned; so too have those to whom a new Factories Bill was recently entrusted. National campaigns for physical fitness, and for safety at sea, at work and on the roads, lose much of their force as long as tragedies like the Gresford disaster are possible.

A Fitter Nation.—The last war exploded the myth that the British are physically a decadent people; we do not compare unfavourably with any of our neighbours. But a comparison of the average physique of boys and girls in our elementary schools with that of the sons and daughters of the well-to-do shows a startling discrepancy. Far more than universal education and minimum standards of house-room is needed if our people are to reach the highest attainable standards of health, intelligence and mental and moral equipment. Not least among these needs is the provision of adequate physical training for all our people.

On Monday, the Government announced its decision to set up machinery and allocate money for the encouragement of schemes of physical training, run by local bodies and by voluntary associations. The Government is to appoint about thirty persons, as a National Advisory Council, under Lord Aberdare, to co-ordinate the work of voluntary organisations and to advise representative bodies for wide areas of England and Wales. A similar Council is to be set up for Scotland, under the Secretary of State. The local committees will examine the needs of their areas for physical training facilities, instructors, recreational centres, playing fields, equipment, etc., and the various local government bodies included in each committee's area will be able to ask for grants-in-aid from special grants committees. The grants committees can defray the costs of the local committee's administration, and can make grants for capital expenditure up to a total of about £2,000,000 over a period of about three years. A national college for training instructors—men, at first—is to be established at Government cost. It was made clear by the Minister that local government bodies and voluntary organisations would be expected to pay some contribution for the training of their necessary instructors; and that grants would only be given to local authorities in exceptional cases, if they could not provide the required facilities out of rates or existing grants.

While all this is certainly welcome, it seems a nebulous beginning for a really national plan. It further complicates a mass of voluntary organisations, and the new

Council has only advisory powers. The Government selects its own National Council and its own grants committees—to be the repositories of such administrative and financial power as the scheme provides. It would not be unnatural if the grants committees, thus composed, proved less amenable to propositions from local councils with Labour majorities. The annual amount of Government grants may be £667,000, or even less than £500,000. There is, moreover, some substance in the criticism that, laudable as is the aim to improve the physique of everybody, the poorest physiques stand in the most urgent need of improvement; and to expect the demonstrably undernourished 10 per cent. of our people voluntarily to engage in, and to profit from, physical training is unwarranted. The nutritional problem also needs urgently to be tackled; but not in broad general terms. It should be tackled *ad hoc*, locally, where the submerged tenth of our people are to be found; for this tithe of the nation suffers at the same time the most inadequate housing, clothing and nourishment. What is in a general way the best for the whole population should not be made the enemy of what is the good for the unfit 10 per cent.

Party and No Party.—A confused situation has followed the repudiation by the major parties of the Left of proposals for United and Popular Fronts. Labour candidates receive Communist support against their will. Apprehensions of Marxism moved Mr Attlee to refuse his support to a meeting on Spanish relief; yet he was inspired to telegraph his good wishes to the Left Book Club rally at the Albert Hall, where Mr Strachey and Mr Pollitt sat cheek by jowl with the Liberal Mr Acland on the platform. A considerable body of opinion doubtless believes that a more effective Opposition, bent on immediate reforms, is constitutionally desirable and politically wise. But the somewhat unexpected retention of St. Pancras by the Conservatives, small though the majority was, reflected the divisions in the Opposition. At a time when the unrepresentative disparity of party strength in the Commons should if possible be minimised, the gathering at the Albert Hall on Sunday last revealed that there is a substantial body of opinion which is neither effectively led nor adequately represented. The Oxford University by-election reveals a similar picture. The programme presented by Sir Arthur Salter to the electors reflects dissatisfaction with the direction in which the two major parties in Parliament are travelling. Sir Arthur asks for a policy which shall be progressive, informed and independent of any caucus or interest; and on the content of his pronouncement there would be a great body of agreement. But the party reins are held too tightly to permit of its free expression. Here is an unsolved problem for our constitutionalists.

President and Supreme Court.—President Roosevelt has set the cat among the pigeons again, and on a calm day the screams of anguish can be heard across the Atlantic. Last Friday, without previous warning, he sent to Congress radical proposals for the reform of the personnel and procedure of the Federal judiciary. The central proposal is that when any Federal judge has reached the age of 70½ without retiring the President shall have power to appoint one more judge to sit with the obstinate septuagenarian. The proposal is to apply to the whole of the Federal Courts, but its main significance lies in the fact that six out of the nine members of the Supreme Court, including all the four consistent conservatives who have voted against all President Roosevelt's measures, are over the age mentioned. If Mr Roosevelt gets his way he will be able to appoint six new judges, all presumably of liberal sympathies, and thus convert the present majority of the Court into one more sympathetic to his own interpretation of the Constitution. This is a most ingenious circumvention of the Constitution. That document specifies that there shall be judges, and that they shall hold office "during good behaviour." But it does not specify the size of the Court, and there is excellent precedent, from the heyday

of the Republican Party under President Grant, for the membership of the Supreme Court being enlarged by Act of Congress to make it more amenable to the wishes of the President.

Mr Roosevelt's message also included a number of excellent suggestions for changes in procedure in constitutional cases, which would have the effect of speeding up the process of judicial decision on these matters and avoiding the unfortunate delays which now result in Acts being found unconstitutional after they have been in full force for two or more years. These recommendations on procedure are generally accepted as reasonable and welcome, but they have been largely disregarded in the acute controversy which has arisen over the proposed new appointments to the Supreme Court. To understand the intense indignation which this proposal has aroused, it is necessary to appreciate the very deep reverence in which the Supreme Court is held not only by Americans but by the great majority of foreign jurists who have studied its record. Mr Roosevelt has been denounced as a would-be dictator; opposition to him has been declared even by some of his usual supporters, such as Senators Johnson and Norris; the legislatures even of Democratic States such as Texas have passed resolutions against the proposal; and the full bitterness of Big Business's hatred of Mr Roosevelt is once more vocal. It remains to be seen whether Congress will give him what he wants. The present indications are that it will; but Congress is an unpredictable body.

The foreigner will have more difficulty than Americans (for whom it is a question of religion) in making up his mind on the ethics of the controversy. On the one hand, the President's proposal is a clear violation of the intention of the Constitution, which set up a judiciary independent both of the Legislature and of the President. On the other hand, the Supreme Court has been "packed" before, and by the party which is now most incensed. Moreover, wider considerations suggest the reflection that it is better to find some way out of the present deadlock than to allow the particular interpretation, which five elderly lawyers choose to put upon a 150-year-old document, completely to thwart the very clearly expressed wishes of 27 million voters. Americans are wont to boast that their Constitution establishes a "Government of laws, not of men," but it would be closer to the truth to say that it is a Government of lawyers, not of men. Constitutions are made for humanity, not humanity for Constitutions. If the choice lies between a change in the opinions held by the Supreme Court, however brought about, and a breakdown of the whole constitutional system, even American conservatives might, on reflection, prefer the former.



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**SKANDINAVISKA
KREDITAKTIEBOLAGET**

The Automobile Strike Settled.—A settlement in the automobile strike in the General Motors plants at Flint, Michigan, was reached on Thursday morning. Towards the end the real issue emerged very clearly. The Union's irreducible demand was that it should be recognised as the sole collective bargaining agent for all the workers. The Corporation refused, unless a secret ballot established support of the Union by a majority of the workers. But the Union declined the offer of a ballot, saying that the closing of the plants was sufficient evidence of its strength. The compromise eventually reached was that General Motors will recognise the Union as agent for its members only; but on the other hand it will not negotiate with any other body for a period of six months. It is difficult to pronounce a judgment on the rights and wrongs without bearing in mind the background of allegations and counter-allegations. The Union asserts that there is no other genuinely independent bargaining agency in existence, and that the Corporation's system of espionage and victimisation (about which unsavoury evidence is being taken by a Congressional Committee in Washington) would render even a secret ballot unrepresentative. The Corporation counters with the charge that the strike has succeeded in closing the plants only because of the picketing methods adopted by the Union, and not because of its support by a majority of the workers. It is probable that all these allegations are true. The real welfare of the workers seems to be far removed from the thoughts of either side, and the collective bargaining rights of the workers who are not members of this particular Union have been cheerfully jettisoned in return for some recognition for itself. One disputant was thus aiming at the creation of a powerful organisation, which would bring authority and prestige to its officials. The other was trying to perpetuate its feudal dominance over its workpeople. This was not a labour dispute as the term is understood in Great Britain, and the public seems, with some reason, to have taken the attitude: "A plague on both your houses!"

Activity in Spain.—The struggle in Spain broke out with renewed intensity last week-end. The rebel force from Algeciras captured Malaga on Tuesday, aided, apparently, by German and Italian warships which patrolled the coast and prevented the Government's naval forces from harrying the land operations of the rebels. The Malaga defence junta obviously collapsed; they were never strong; and their forces have retreated northwards towards Valencia. This is an important victory for the rebels, for Malaga can now be made a base for the rebel cruisers and the German and Italian warships aiding them, from which Barcelona and Valencia can be bombarded—perhaps invaded. Again, land operations can now begin from Malaga, reinforced by landings of rebel or foreign auxiliaries there. On Monday the forces of General Franco, under cover of German and Italian aircraft and tanks, launched a heavy attack south of Madrid, and occupied land along the Madrid-Valencia road—the only way still open for the retreat from Madrid. It is still not sure what effective position has been gained by the rebels; but they have, with the aid of their allies, scored two big successes this week.

The Non-intervention Farce.—The farce of non-intervention is still sedulously being played by the international repertory company which meets under Lord Plymouth's gentle presidency. Last week-end a Gibraltar message announced that 15,000 fresh Italian troops had landed at Cadiz from many ships, three of them liners and all with their names blacked out. So the farce proceeds, while the London Committee tries to establish the international control of Spain's frontiers to prevent intervention. It begins to appear obvious that Herr Hitler only agreed to withdraw from Spain and to aid efforts at non-intervention because in the meantime

General Goering at Rome had told Signor Mussolini to take on the job of intervention for a little while. And so are the British and French Governments outwitted at every trick and turn; when the British signed the Anglo-Italian agreement at the new year, Herr Hitler kept up the intervention; when he was asked to give it up, Signor Mussolini kept it going. This week all three Fascist Powers, Germany, Italy, and Portugal, have declined to allow Portugal's land and sea frontiers to be supervised. The British and French Governments seem intent on facilitating the victory of Fascism in Spain. The farce of non-intervention will then come off, in favour of the Spanish tragedy.

Dominion Status in Peace and War.—General Hertzog's constitutional high-wire act becomes more breath-taking at every performance. His only rival is that daring young man on the Irish trapeze, Mr de Valera. Lately we have had from South Africa two new displays of legal virtuosity. First, there was the strange but politically serviceable theory that a demise of the Crown was created, not by any act of any Parliament, but by the King's signing of a paper saying that he intended to abdicate—a theory riddled with brilliant ease in parliamentary debate by one of the General's own supporters, Mr Egeland. Secondly, the Union Government introduced last week a Bill declaring that the King shall take an Oath, either on assuming the government of the Union or at his Coronation, "the purport of which shall be that he will govern the people of the Union" according to its laws and customs. Beyond "purport" the Bill does not go, except to provide that the Oath may be a joint one for all the nations of the Commonwealth. The birth of this premature measure seems to have been precipitated by the Prime Minister's anxiety to clear such matters out of the way before he himself sails for London; but the result is, to say the least, a legislative curiosity. It is doubtful whether General Hertzog and his advisers have the Athanasian genius needful in expressing the Commonwealth constitution.

A more solid and practical advance in Dominion status is evident in the Australian Government's decision to appoint their present Liaison Officer with the Foreign Office to a similar post at the Washington Embassy. Australia has at present no direct diplomatic representation abroad, but she is steadily building up—doubtless under Mr R. G. Casey's inspiration—a trained service that will not flounder if and when it is eventually thrown into the deep water of independent diplomacy. There was a noteworthy realism, too, in the Ottawa debate last week on Mr Woodsworth's motion declaring in advance that Canada would be neutral in a European war. Mr Lapointe, who, in effect, was defending the Government's programme of increased armaments, justly described the resolution as destructive, and it was rejected without a division. Internal as well as external triangles of political force make it necessary for Canada to keep a free hand with regard to participation in any war. To strain the Commonwealth bond by advance declarations of neutrality would be rather like digging a pit under a great building in which people were comfortably living, on the ground that there might one day be an earthquake.

Canadian National Railways.—The rearrangement of the finances of the Canadian National Railways may pass, at first sight, as a mere book-keeping manoeuvre, such as might be made between a strong parent company and a subsidiary in difficulties. The most important elements in it are the abandonment of the Government's claims against the railway for the principal and interest on advances to meet deficits to a total of \$856 millions, and the transmutation of the Government-held debt of

\$284 millions, lent for capital purposes, into an equity without fixed interest. But the adjustment takes on a larger significance when viewed against the background of the unceasing controversy over national control of the railways in Canada. The disappointment of the Co-operative Commonwealth Federation at the last general election, and the resounding victory of the Liberals (who theoretically frown upon Socialist doctrine), show that, so far as State Socialism is a general political issue in Canada, it is an unpopular one. But the body of feeling behind continued national ownership of the C.N.R., reinforced by the widespread distrust of big business—of which the Canadian Pacific Railway is held to be an example—is so great that no Government would dare to turn the railway back to private control. The financial readjustment is obviously regarded in Canada as a gesture in the direction of perpetuation of State ownership.

Finland to the Fore.—The Presidential elections, which take place in Finland next Monday, have acquired a certain degree of speculative interest because of the emergence of so many candidates. Through his refusal to admit the Socialists to power—they represent the largest single party in the Parliament, but have no absolute majority—the President, Hr. Svinhufvud, has incurred considerable antagonism in the country. Apart from this, his chances of re-election would be unquestionable. This veteran but remarkably vigorous statesman was seventy-five last December; but he has always been Germanophil, while many Finns now dislike, and even distrust, the Nazi regime; and he is now faced with several powerful rivals. There is the Liberal ex-President, Professor Stahlberg, and the Socialist leader, Vainio Tanner; while if the popular Governor of the Bank of Finland, Hr. Risto Ryti, who has so far declined all invitations, agrees to stand, his candidature would perhaps attract a majority of votes.

Owing to the remarkable degree of prosperity and internal stability reached by Finland in recent years, a change at the Presidential palace has lost some of its former significance. The four years' boom shows no signs of decline; so there is little room for extremism and discontent. Whatever Fascist or Communist tendencies there may have been in the past, and whatever President Svinhufvud's personal sympathies for Germany may be, Finland can still be considered a progressive, democratic country—anxious for internal and external peace. The Finns want no adventures, and the mere suggestion that they should participate in, or passively facilitate, any attempted German aggression against Soviet Russia is abhorrent to the vast majority. Against this background, the visit of the Finnish Foreign Minister, Hr. Holsti, to Moscow this week is symptomatic. Its purpose was to emphasise that the Finns will not allow themselves to be manoeuvred into an anti-Russian position. Indeed, they are anxious for better relations with Russia. The growth of the German fleet in the Baltic, after the 1935 Anglo-German Naval Agreement, has made Finland, like Poland, very nervous; and despite the rankling of the Aland Islands dispute with Sweden after the War, Finland is consolidating her position with the Scandian bloc. The real poles of attraction for Finland are, politically, Scandinavia, and, economically, England. The Finns have been able to achieve their remarkable expansion of exports and imports, followed by a spectacular rise in their standard of living, largely by virtue of their profitable trade with this country.

Employment in January.—The seasonal decline in employment between December and January was less pronounced than usual last month. On January 25th the number of insured persons in employment was 11,106,000—a total 26,000 less than in December, but 715,000 more than in January a year ago. As unfavour-

able weather conditions affected outdoor employment on the day of the count both in December and in January last year, comparability is somewhat impaired; but the figures, nevertheless, are most satisfactory. The number of unemployed on the registers rose by 60,504 to 1,689,223, the increase being partly attributable to the registration of more than 25,000 juveniles who left school at the end of the December term. Compared with January last year, unemployment declined by 470,499. The unemployment position in various industries is shown below:—

Industrial Group	Jan. 20, 1936	Dec. 14, 1936	Jan. 25, 1937
Coal mining.....	183,148	146,729	138,408
Iron and steel manufacturing	34,338	22,699	21,979
Engineering.....	77,578	47,606	47,736
Metal goods manufacture	49,405	29,829	33,095
Shipbuilding and repairing	55,694	38,954	38,846
Motor vehicles, cycles and aircraft	20,730	13,218	16,319
Public works contracting	138,387	123,259	120,460
Building	267,385	171,725	173,578
Electric cables, apparatus, etc.	14,091	7,612	9,520
Furniture making, etc.	18,062	11,245	15,454
Cotton	78,003	52,270	47,942
Woolen and worsted.....	20,526	14,294	15,822
Hosiery	12,685	8,428	10,976
Boots and shoes	19,607	18,628	17,146
Distributive trades	17,597	20,996	20,996
Printing and bookbinding	25,881	25,155	31,706
Agriculture	78,286	71,400	73,442
Hotel, boarding-house, etc., service	230,782	175,402	200,582
Shipping service	43,779	33,990	32,981
Dock, harbour, etc., service	48,881	42,895	44,412
All persons registered	2,159,722	1,628,719	1,689,223

The aftermath of the Christmas trade spurt is reflected in an increase in unemployment in the distributive trades, furniture making, printing and bookbinding, and in hotel and boarding-house service. In agriculture, there was a further seasonal decline in employment. The level of employment was well maintained in coal mining, iron and steel manufacture and engineering; improvement was shown in the cotton industry, in boot and shoe manufacture, and in public works contracting. London, the South-Eastern and the South-Western administrative areas, the Midlands and Scotland, suffered most from the increase in unemployment.

The Army Reserve.—In view of European alarms and excursions and of the exigencies of order within the Empire, the inability of the Army to secure all the recruits it needs remains a serious problem. There was a general feeling in the House of Commons on Tuesday that the Reserve Forces Bill, introduced by the Minister for War, was a very small measure for dealing with a very big subject. The object of the Bill is to increase to the statutory limit of 6,000 the number of men who, having served seven years with the Colours and five with the Reserve, are still liable to be called up in times of emergency. By increasing the period during which these men may serve with the "A" Reserve from two to five years it is hoped to double the present strength of 3,000.

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Critics on both sides of the House asked for a clearer and more general statement of the Government's recruiting policy. Was the Army required for police purposes or for a major war? Did not the real shortage of men lie with the Colours rather than with the Reserve? The Government's approach to these problems was denounced as piecemeal; and strong exception was taken to the assessment under the Means Test of the 6d. per day received by the second-line Reservists. While it is comforting to know that the men who were called to serve in Palestine are now no worse off, at least, than they were when they left their employment, it is to be doubted if such a measure as this Bill, and such an inducement as the daily sixpence, go far to solve the real problems of military strength.

* * *

A Population Inquiry.—Sir William Beveridge voiced on Wednesday the disturbing conclusion of our demographers: our population is soon going rapidly to fall. He pointed out that the people who really mattered were the women under 50; that for every 100 mothers in this country to-day there would be, unless things altered, only 75 in the next generation; and that one-quarter of our population was therefore likely to disappear in each generation. He forecast a population of 20 millions in 2037, and of only 5 millions in 2137. Similar figures were freely used that evening when Mr Cartland's motion, which successfully urged the Government to set up a Departmental Inquiry, was debated in the House. It was suggested that the future well-being of the nation was in danger; that the next generations of our people would not be able to maintain the houses, schools and industrial equipment which we were erecting; and that they would not be able to pay our debts.

* * *

It was agreed, however, that surmises might be falsified by events. Better maternity services might remove the fear of childbirth; proper nutrition, better jobs for young people, and less fear of war might increase the readiness of parents to have children. Sir William Beveridge himself suggested at Sheffield that the vicious circle might be broken by family allowances and bigger, better and cheaper homes. If by these or other means the absolute number of female children per family could be increased, the dangers of underpopulation would be at least postponed, even if the present rate of reproduction were later resumed. The problem is very serious. Statisticians have often been wrong; but they have also often been right. And it is fitting that the Government should have agreed to pursue this urgent inquiry.

* * *

It is, however, not enough that the existing Departmental inquiry should just quietly proceed, as Mr Hudson said would be the case. There is already in existence a Population Investigation Committee under the chairmanship of Professor Carr-Saunders, and composed of the leading demographers and experts in this country. We trust the Government will economise in effort, and utilise the available material and ability which the Investigation Committee has brought together. Indeed, we see every reason why the inquiry should be public. It is a matter of extreme public importance.

* * *

New Standards for Roads.—Mr Hore-Belisha has just issued to the local highway authorities a lengthy memorandum advising new standards for roads which are much in advance of existing practice. The objects of the memorandum are increased public safety, greater convenience of traffic and more effective preservation of the countryside. The Minister especially advocates safety measures; planning to meet probable changes in the amount of traffic; keeping careful map records of accidents; the limitation of points of access to main roads, and the careful regulation, under the Ribbon Develop-

ment Act, of new building along them. For new roads a minimum curvature and details of banking are suggested, and the minimum visibility for hills and bends is put at 500 feet, with a recommendation that unless this condition is fulfilled the system of three lanes should not be adopted. The ideal form of crossing is recognised to be one at which the roads are at different levels, and it is suggested that when new roads are built, land should be kept for the future building of bridges. Consideration is recommended for the erection of subways or pedestrian bridges at roundabouts. The conditions for cycle tracks, guard rails and signals are defined in detail.

* * *

As to amenities, the Minister advises that redundant and obsolete signs should be ruthlessly removed; that the position of old buildings should be taken into account in planning any improvements; that wherever possible trees should not be felled, but left on the verges, or the whole road should be deviated; and that planting is to be encouraged. For rural areas there is the interesting suggestion that, "because of the tendency of pedestrians to step in front of fast-moving vehicles," shrubs should be planted judiciously between the footpath and the carriage way. Even from this brief summary it may be seen that the Ministry of Transport has drawn up what is, in effect, a code for road builders. And since it has been prepared in consultation with local officials, there is every prospect that the Ministry's advice will be taken. The country is one step nearer to possessing a coherent and consistently planned system of roads.

* * *

Special Areas Reconstruction.—The Special Areas Reconstruction Association was set up last June to furnish financial assistance to small businesses in the Special Areas. Since then, it has approved some forty-two loans to the value of £243,450. And on Monday and Tuesday of this week its operations were exposed to the comments and criticisms of M.P.s, when a supplementary vote of £10,937 was sought to cover the administrative expenses of the scheme. There was a marked lack of enthusiasm for the work done so far. It was argued that there had been overlong delay in the granting of applications for loans, and that the conditions with which applicants had to comply were unduly severe. Since the object of S.A.R.A. was originally to give help to businesses not in a position to obtain assistance from banks in the ordinary way, it would be disquietening if its conditions of assistance were more stringent than those of the banks. Certainly the Nuffield Trust appears likely to do a great deal that S.A.R.A. was instituted to do.

* * *

The Standstill Agreements.—Negotiations were opened on Tuesday for a further prolongation of the Standstill Agreements between Germany and her creditors, which date from 1931 and have been more or less automatically renewed every year since. The agreements originally covered debts totalling Rs. 6,300 millions, but as devaluations have occurred in the interim, and many creditors have cut their losses and accepted payment in registered marks at as much as 50 per cent. discount, the total is now only about Rm. 950 millions, the service on which is only Rm. 27 millions. British funds involved originally amounted to only 25 per cent., but are now 60 per cent. of the total, with the United States next with 30 per cent. In view of this fact, some special treatment for British creditors should be urged. Germany has a large favourable balance with this country and an adverse one with the United States. This is not to suggest that there should be a special agreement with Great Britain, but it is clear that the position has so altered that all countries cannot be treated alike. Germany had an appreciable export surplus last year; and both this, and the free surplus under the Anglo-German Payments Agreement is being used for her imports of war materials. It is rumoured that there is a strong body of opinion demanding that the agreement shall not be prolonged for

more than six months. This would be only a minor precautionary measure; and some more far-reaching change in the settlement is by now overdue.

* * *

France and the Gold Clause.—In view of the recent gold clause case, concerning payments between this country and the United States, on which we commented last week, the decision of the French Government to continue to uphold the gold clause is a matter of interest. Article 6 of the original Devaluation Bill stipulated that all foreign loans contracted before devaluation should be paid in Poincaré, pre-devaluation, francs. On Tuesday the Chamber of Deputies passed an amendment stating that only those loans which stipulate that payment shall be made in Poincaré francs shall be so treated, and that the rest shall be paid in francs of the current legal value. Thus the gold clause is upheld, but it is not extended to loans which did not originally contain it. As outgoing loan payments of this kind are at the moment heavier than those in the reverse direction, the saving to the French Treasury should be substantial. M. Vincent Auriol actually estimates it at about Frs. 600 millions. The decision will necessarily be unwelcome to the creditors affected, which include Belgium, Austria, Czechoslovakia and Turkey; but the original article was of a generosity which they could hardly have expected. The new legislation may be another indication of the financial difficulties with which France is struggling, but it is certainly legitimate.

* * *

Television Developments.—The Postmaster General's announcement, to the effect that only the Marconi-E.M.I. system will operate from the B.B.C. Television Station at Alexandra Palace from now till the end of next year, should provide a much-needed fillip to the television industry generally. The dual experimental service, in which the Marconi-E.M.I. and Baird systems were used in alternation, was a necessary evil, which owed its inception to the fact that eighteen months ago the Television Advisory Committee were unable to choose between them. The result has been that manufacturers have had to design receivers for home viewing, capable of receiving both standards. The Committee's decision has possibly been due to the noticeable absence of flicker in the received picture, under the Marconi-E.M.I. system, and its superiority in the delineation of outdoor scenes. The response of the purchasing public to the B.B.C.'s service which has operated since last November has been lukewarm, and it is only from the sale of sets to the home viewer that substantial profits may be expected to accrue from television. The apparatus can now be made somewhat less complicated, and a reduction in prices has already occurred. We discuss, on page 369, the effect of these developments on the earnings prospects of those television companies in which the investor is interested.

* * *

It is generally agreed that models costing £50 to £60 are still beyond the reach of the general public. Profits are comparable with those made by the ordinary radio industry, accordingly, are unlikely to be earned for a considerable time. The preference shown by the Television Advisory Committee for the Marconi-E.M.I. system is, of course, a tribute to the company and will doubtless have a goodwill influence on their sales of sets. But every radio manufacturer can compete in the television market, and competition from Baird, G.E.C. and Scophony is likely to be keener than ever. The position of the transmission of television, in short, has been considerably simplified; but no one would dare, as yet, to predict the corresponding organisation in the field of reception.

* * *

Science and Industry.—The traditional reproach that British industry proceeds by rule of thumb is fast losing force. The annual report of the Department of

Scientific and Industrial Research, published last Saturday, shows how much careful and exact thought is being taken for the morrow. With Government advice and assistance many large undertakings have set on foot programmes of co-operative research, conducted by teams of experts. After five years' hard work, results, both varied and valuable, can be recorded. The community has more efficient electric lamps. Great strides have been made in television and in the hydrogenation of coal to produce oil. Milk is cleaner, and less of it is wasted. The loaf of bread has a longer life, and shoes fit better. The amount spent by industry on this kind of research rose from £167,370 in 1934 to £232,468 in 1936; and the benefit to the milk industry alone represented an annual saving of £50,000. Much still remains to be done. The total sum spent is still small in relation to the vast field which awaits the attention of the research worker, whose efforts are invaluable, not only to particular industries, but to the nation at large. The development of wireless aids to aerial navigation, the progress towards lighter aircraft, and the correlation of hull shapes, high speeds and rough water conditions—all these have their bearing on the safety and amenity of our daily lives.

* * *

Air Mail to Australia.—The agreement which has at last been reached between the United Kingdom and Australian Governments, for the inauguration of a twice-weekly air mail service in 1938, follows expected lines. Australia will impose a surcharge of 5d. per half-ounce on outgoing letters, while mails from this country will be carried for 1½d. She contemplates the abolition of the surcharge, however, as soon as the traffics are sufficient to justify the financial sacrifice; and it must surely go as soon as New Zealand comes into the scheme—as she intends to do—on the basis of a 1½d. charge. The Commonwealth Government is to retain operating control of the section of the route from Sydney to Singapore, though the scheme as a whole is entrusted to Imperial Airways. When Australia first declared her objections to the original scheme for a twice-weekly flying-boat service, with no surcharge, for Empire air mails, there was a tendency to accuse her of petty parochialism in the face of a splendid, imaginative advance. There may, however, have been more good sense than bad publicity behind her reluctance to adopt flying boats (for her own problem of civil airways is mainly one of inland routes); her desire to maintain control of a section which is strategically as well as commercially most important for her; and her canniness towards a grandiose plan after many disappointments over speed and punctuality under the more modest conditions of the past. The revised scheme is probably the better for Australia's original hesitation.

* * *

Volume of Oversea Trade.—Britain's oversea trade last year was characterised by a marked rise in imports and by stagnation in exports. This tendency is reflected in the indices of the volume of goods exchanged

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between the United Kingdom and other countries, published in last week's *Board of Trade Journal*. The volume of retained imports last year was considerably higher than in 1929 and 1930. The quantity of goods exported during 1936, on the other hand, was still 6.9 per cent. smaller than in 1930, and about 24 per cent. below the pre-depression level. While the average prices of exports in 1936 showed only a slight rise, those of retained imports rose by 4.7 per cent.

VOLUME AND VALUE OF IMPORTS AND EXPORTS

Period	Retained Imports				Exports of Domestic Produce			
	Declared Values	Index of Average Values	Values in terms of 1930	Index of Volume	Declared Values	Index of Average Values	Values in terms of 1930	Index of Volume
	£ Million	1930 = 100	£ Million	1930 = 100	£ Million	1930 = 100	£ Million	1930 = 100
1924 ...	1,137	135.0	842	88.0	801	120.8	663	116.2
1930 ...	957	100.0	957	100.0	571	100.0	571	100.0
1931 ...	797	81.0	984	102.8	391	89.4	437	76.5
1932 ...	652	75.3	867	90.3	365	83.3	438	76.8
1933 ...	627	71.3	878	91.7	367	81.9	447	78.7
1934 ...	681	73.3	929	96.9	396	82.2	482	84.4
1935 ...	702	74.8	938	97.9	426	81.7	521	91.3
1936 ...	789	78.3	1,008	105.3	441	82.9	531	93.1
1st qtr. 1936	164.4	74.1	221.4	92.8	105.5	81.6	129.2	90.6
2nd ..	166.1	73.1	227.0	95.0	101.0	81.1	124.4	87.3
3rd ..	168.4	74.3	226.0	94.6	105.3	82.0	128.3	90.0
4th ..	201.6	77.4	259.7	109.0	110.0	82.2	134.8	97.2
1936								
1st qtr.	184.5	76.6	240.7	100.6	106.1	82.1	129.2	90.5
2nd ..	185.9	76.7	242.3	101.3	101.8	82.7	123.1	86.3
3rd ..	192.1	77.6	247.6	103.5	112.2	83.2	134.8	94.5
4th ..	226.0	81.7	276.6	115.6	120.6	83.6	144.3	101.1

Owing to the continued expansion of production for the home market, the demand for raw materials showed a marked increase in the past year, when imports of these products were 13.3 per cent. higher than in 1935. The volume of retained imports of commodities classified as articles wholly or mainly manufactured rose by 9.9 per cent., but the quantity of food, drink and tobacco purchased abroad last year was only 3.3 per cent. bigger than in 1935. Smaller shipments of coal, non-ferrous metals, iron and steel, and oils, fats and resins were mainly responsible for the relatively poor showing of exports in 1936. While exports resumed their upward trend in the second half of last year, imports rose in volume throughout 1936. Moreover, the indications are that imports will continue to increase faster than exports during the current year.

World Production of Iron and Steel.—During the past year world production of crude steel rose above the pre-depression level. In continuation of recent trends, however, the output of pig iron increased more slowly, and, in 1936, was still about 10 per cent. below production in 1929. Production of crude steel in the principal countries, as estimated by the British Iron and Steel Federation, is shown below:—

OUTPUT OF CRUDE STEEL

(In millions of tons)

	U.K.	Germany (incl. Saar)	France	Belgium	U.S.A.	World (incl. other countries)
1913 ...	7.7	15.1	6.7	2.4	31.3	75.1
1929 ...	9.6	18.2	9.5	4.0	56.4	118.4
1934 ...	8.8	13.6	6.1	2.9	26.1	80.6
1935 ...	9.7	16.2	6.2	2.9	34.1	96.3
1936 ...	11.7	19.0	6.6	3.1	46.9	120.3

Output in Belgium, France and in the United States last year was still smaller than in 1929, but both the United Kingdom and Germany produced more steel last year than in the pre-depression year. The indications are that the demand for steel will continue to expand in most countries during this year. And, since supplies of iron ore and iron and steel scrap are none too plentiful

even now, there is some anxiety lest there may be a scramble for these materials, accompanied by a hectic advance in prices which might endanger the orderly progress of the industry.

Wholesale Price Movements.—Wholesale prices are a little steadier now after last autumn's rapid rise. A fortnight ago there was a definite check, but the advance has now been resumed, although at a slower rate. For England, the complete *Economist* index number has risen by 0.6 per cent. and that for primary products by 1.3 per cent. In the United States, the primary products index number has fallen by 0.1 per cent., while the complete Irving Fisher index number remains stationary. The French wholesale index number is a little lower and the German one a little higher.

SEPTEMBER 18, 1931 = 100

Date	The Economist Indices			Price of Gold (sterling)	U.S.A., Irving Fisher	France, Statistique Générale	Italy, Milan Chamber of Commerce	Ger- many, Statistisches Reichsamt
	British Complete Index (sterling)	Primary Products						
		British (sterling)	American (dollar)					
1932								
July 27th 1933	99.5	103.5	84.1	136.9	88.3	91.3	88.5	88.1
July 26th 1934	108.1	120.6	124.7	145.7	100.9	89.7	88.2	86.6
July 18th 1935	109.5	124.8	136.7	162.4	113.2	81.4	83.2	91.1
July 31st 1936	112.7	126.7	146.2	165.6	120.2	75.9	98.2	93.9
Jan. 29th 1936	118.1	131.7	145.7	165.6	121.8	82.3	...	95.1
Feb. 26th	117.4	132.8	145.0	166.0	120.7	85.2	...	95.2
Mar. 25th	117.4	133.9	144.3	165.8	119.6	85.2	...	95.3
Apr. 29th	117.3	132.8	143.2	165.8	119.2	85.0	...	95.3
May 27th	115.5	130.1	140.5	164.3	117.7	85.2	...	95.4
June 24th	116.2	133.2	147.0	163.2	119.8	84.1	...	95.5
July 22nd	118.7	140.4	157.2	163.4	120.6	86.6	...	95.7
Aug. 19th	119.4	141.9	163.2	162.7	121.9	88.8	...	96.1
Sept. 30th	121.8	144.5	159.6	165.0	121.8	96.4	...	95.9
Oct. 28th	123.6	145.7	161.1	167.1	122.5	102.1	...	95.8
Nov. 11th	125.0	148.9	167.8	167.7	123.7	105.3	...	95.9
Nov. 25th	126.3	150.9	172.0	167.2	124.8	106.9	...	95.9
Dec. 9th	128.2	157.0	179.5	166.7	125.6	108.9	...	96.3
Dec. 30th	131.3	163.9	187.3	166.7	128.8	113.0	...	95.4
Jan. 13th	133.6	165.1	190.2	166.6	131.5	115.5	...	96.7
Jan. 27th	134.2	164.2	184.5	167.0	131.0	115.9	...	95.7
Feb. 10th	135.0	166.3	184.3	167.2	131.0*	115.7*	...	93.9

* These figures refer to Feb. 3rd.

Details of the British price index show that movements are still irregular. The cereals and meat group is stationary, while advances in "other foods" and minerals are offset by a fall in textiles:—

The Economist INDEX (1927 = 100)

	Sept. 18, 1931	Jan. 13, 1937	Jan. 27, 1937	Feb. 10, 1937
Cereals and meat...	64.5	88.2	88.3	88.3
Other foods	62.2	65.2	67.8	68.7
Textiles	43.7	69.4	69.2	68.8
Minerals	67.4	98.0	97.2	99.3
Miscellaneous	65.8	82.3	82.2	82.8
Complete index	60.4	80.7	81.0	81.5
1913 = 100	83.1	111.0	111.4	112.2
1924 = 100	52.2	69.7	70.0	70.5

Numerous primary product prices continue to fall, including foreign wheat, maize, jute, and the non-ferrous metals. Barley, oats, potatoes, beef, tea, coffee, cocoa, sugar, butter, cotton are among those that have risen.

Shipping Freights: A Correction.—We regret that, in a Note in our last week's issue, our index of shipping freights for January, 1937, was given as 118.9 (1898-1913 = 100) and 102.2 (1913 = 100), instead of 135.6 and 116.5, respectively. As the original figures and the comment based upon them were alike misleading, owing to an error in compilation, we ask our readers kindly to note this correction. It will be observed that the average level of freight rates did not decline, but continued to rise during January.

Overseas Correspondence

From Our Special Correspondents

United States

The Legacy of the Crown

NEW YORK, February 2.—The judgment delivered recently in London by the Judicial Committee of the Privy Council, nullifying certain Acts of the Canadian Parliament, illustrates the genealogy of our own constitutional practices. Prior to American independence, the several American colonies not only shared in the British Constitution, but were specifically organised under Royal Charters, which were the supreme law of the land. Appeal was often made through the Courts to the Royal Charter in the event of conflict with acts of the Colonial Administration, and the capacity of the Courts to resolve such disputes was probably never contested. Our written Constitution is the historical descendant of the Royal Charter; but (a) no Royal Charter had ever been granted to the thirteen colonies as a unit, and (b) the Constitution was conferred on the Central Government by authority of the People and not of the Crown. But the capacity of the Courts to interpret the Constitution, and to invalidate laws in conflict with it, was not created by the Constitution; rather it was perpetuated by the Constitution in a political society accustomed to living within the framework of a formal instrument, whether Royal Charter or written constitution. The genealogy of the Canadian case is almost identical.

Is There a Boom?

Our economy is "like Cerberus, three gentlemen at once." We are in a boom in consumer goods industries, as a consequence of the generous extension of consumer credit; we are, or were, on the verge of a boom in the motor industry, when, before the strike, there was a reasonable prospect of a production of well over five million cars in the year, and in steel and some of the factory equipment industries; but, at least by comparison with the past, we are very far from a boom in building, either residential or non-residential.

FEDERAL RESERVE BUSINESS INDICES, 1923-5 = 100
ADJUSTED FOR SEASONAL

	Dec., 1935	Nov., 1936	Dec., 1936*
Industrial production (total)	101	114	121
Manufactures	101	115	122
Minerals	102	111	115
Building contracts (total)	68	58	61
Residential	26	40	40
All other	103	72	77
Factory employment	88.6	96.0	98.2
Factory payrolls	77.4	90.5	94.5
Freight car loadings	71	80	86
Department store sales ..	83	93	92

* Preliminary

The following table shows the unadjusted December indices of the highly active industries:—

Iron and steel	125
Textiles	132
Automobiles	147
Tobacco*	153
Petroleum	155
Leather and shoes	112

* November. December figures not yet available.

These figures are in sharp contrast to the unadjusted index of 34 for residential building. In the recent symposium of economic opinion on the state of England, there appeared to be unanimity of opinion that there is no boom in that country. It is questionable if such categorical agreement would be expressed about conditions here. Taken as a whole, our

economy could not be described as booming; in detail, we certainly have no stock market boom directly financed by credit, and no building boom financed by credit; but we have something which some persons would describe as a boom in consumer goods, financed by consumer credit.

The December index of production was 121, only 5 points below the May peak of 1929, and 2 points below September, 1929, the month when the boom collapsed. The average for the last six months of 1936 was the same as that for 1928. Since 1928, our population has risen by 7 per cent. On the other hand, 1928 was definitely a boom year. Such comparisons provide no real answer to the question whether there is, or likely to be, a boom in 1937.

The Changing Balance of Trade

The foreign trade figures for December 1935 and 1936, emphasised the change in our trade balance, particularly in the past two years:—

FOREIGN TRADE OF U.S. (\$000,000)					Gold Imports
	Merchandise Exports Imports		Silver Exports Imports		
Dec., 1935	\$ 223	\$ 186	0.769	48	190
Dec., 1936	229	244	0.236	2	57
	<u>+ 6</u>	<u>+ 58</u>		<u>- 46</u>	<u>- 133</u>

The new policy of the Stabilisation Fund was inaugurated late in December, and it is possible that it affected the gold import figures. Presumably gold bought by the Stabilisation Fund and imported would be reported as an import; but gold (if any) held abroad would, of course, not figure in these statistics. The total gold reported by the Treasury in its "inactive account" is close to \$120 millions, only a little of which was acquired in December. The Fund has made no statement as to whether or not it transfers all gold purchased.

The December imports of goods were unusually large, and supply a clue to the vigorous price movement in primary commodities which marked the last two months of the year. It did not alter the general trend of our trade balance; rather, it emphasised it:—

MERCHANDISE TRADE OF U.S. (\$000,000)

	Exports	Imports	
1934	2,133	1,685	+448
1935	2,283	2,047	+235
1936	2,453	2,419	+34

A variety of explanations is offered for this abrupt change, including the drought, Secretary Hull's treaties, the price movement, the vigour of the American recovery, etc.

Reducing Excess Reserves

On January 30th the Federal Reserve Board announced an increase of reserve requirements of 50 per cent. of the base rate, or 33½ per cent. of present require-

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ments. It is to be applied in two equal steps—on March 1st and May 1st:—

RESERVE REQUIREMENTS—%.		DEMAND DEPOSITS		
Class of Banks	Present	Mar. 1-Apr. 3	May 1	
Central Reserve City	19½	22½	26	
Reserve City	15	17½	20	
Country	10½	12½	14	

For time deposits, in all classes of banks, the base rate is 3 per cent., and the present requirements of 4½ per cent. will be raised to 5½ per cent. on March 1st and to 6 per cent. on May 1st. It is officially estimated that the action will absorb \$1,500 millions of excess reserves. The system will thus be rendered more responsive to open market operations. This step, with the recently-adopted policy of the Stabilisation Fund, disposes of the problem of excess reserves. The Board of Governors is placed within reach of control over the credit system, or, more precisely, over the volume of credit supplied by the Federal Reserve system.

The flood has approximately reached its peak along the lower Ohio, and while there are apprehensions about the Mississippi they appear less grave than a week ago. Estimates of the numbers of persons driven from their homes have run as high as 900,000, and estimates of the property damage as high as \$400 millions. In the magnitude of destruction and in the numbers of persons affected this may be rated as the largest flood in our history, and very likely one of the greatest national disasters.

France

Opposition Demand for Economy

PARIS, February 11.—The English credit, a loss of Frs. 3,000 millions in the gold stock of the Bank of France, and the unexpected raising of the rediscount rate of the Bank provoked a financial debate in the Chamber. Members accused the Government of resorting to inflation, and of mortgaging the gold of the Bank, after putting the embargo on it to impede its outflow. M. Vincent Auriol replied that he was not borrowing more than his predecessors had done. His statement of the needs of the Treasury for 1937 was as follows:—

	Frs. millions
Estimated deficit	4,600
Military and public works	13,685
Pensions fund	2,200
Public undertakings	12,272
Treasury charges	3,370
	36,127

Some Frs. 8,000 millions of this total have been already met, and the Treasury needs only Frs. 28,000 millions against Frs. 30 millions last year.

This statement did not, however, take into account the reimbursement of the English loan of Frs. 4 milliards; thus the Government will need to borrow Frs. 32,000 millions at least. The exact figures are uncertain, and the adversaries of the Cabinet are making even higher estimates (Frs. 32,000 to 42,000 millions). They maintain that this extravagant expenditure is sapping public confidence. Economy is the watchword of the Opposition. In the Senate, M. Caillaux added that the Finance Committee would in future refuse to vote new expenditure which was not accompanied by actual economies. M. Auriol replied, however, that confidence would soon be restored by the success of the Government's economic policy; this was already shown, he said, by the increase in fiscal receipts. M. Auriol maintains that the Budget will be balanced in the second half of the year.

Rising Prices and the Popular Front

The difficulties of the Treasury are actually of secondary political importance, compared with the rise in prices; public opinion is very alarmed. "What is the increase in wages worth, if it is absorbed at once by the

rise in prices" is the slogan invariably heard in the streets, when a further increase in the price of bread, or wine, or butter occurs. The Popular Front is anxious, and the organs of the Left demand that the rise in prices should be checked at once. The leaders of the Trade Unions are urging their followers to be patient, to "digest" the labour reforms, and to safeguard the victory of the Popular Front. But their patience will not last very long.

The Government's Difficulties

The stipulations of the 40-hour week have been further relaxed in order to increase production and to diminish imports. These imports increase the import surplus, and render the task of the Equalisation Fund more difficult. It is rumoured, moreover, that the Government intends to take steps against those wholesalers who are shifting the entire cost of the new social laws and the rise in prices to the shoulders of retail consumers. And it is suggested that the Government will also lower tariffs and suppress new quotas, in order to increase the competition of foreign products in French markets.

These efforts, and the declaration of M. Auriol that he was opposed to a further devaluation and would remain true to the tripartite agreement, restored confidence somewhat. French difficulties are not only the consequence of the new social policy, but also of other causes; such as the rise in world prices and a certain dislike of a Socialist Government. Yet the Government has made important concessions to liberal and capitalist doctrines (with the exception of the incomprehensible taxation of gold). It is now hoped that the Paris Exhibition in May will further revive business and restore confidence. But it appears to many observers that the present uncertainty cannot last much longer. Five months after devaluation, France must make headway, or decline.

Germany

Propaganda for the Plan

BERLIN, February 10.—Although no programme of output under the Four-Year Plan has been published, and it seems, indeed, that none has been compiled, the recently created Office for Raw Materials is now supervising all new enterprises. A certain measure of co-ordination is therefore assured. Independently of the special powers given to General Goering as Director of the whole plan, the Ministry of Economy can regulate production under its old powers. It can authorise or forbid the raising of industrial capital in the market, and prohibit the expansion of existing concerns. The Nazi Press strongly advocates the compulsory investment of industrial profits in plan undertakings. Industrial concerns are willing enough to invest if, where market conditions themselves do not ensure profits, the Reich will give its already promised guarantees. In general, industry holds that it is burdened sufficiently. The Corporation Income Tax, which yielded only Rm. 106 millions in 1932-33 and was last year increased, is estimated to yield Rm. 1,100 millions in the present financial year; and the new tax on exchange-depreciation profits will hit hard those great companies which still have substantial foreign debts. Although production in general has regained the best pre-depression volume, industrial net profits have not fully recovered. The Party Press stresses the substantial company profits which were not paid out in dividends, and which, indeed, were mostly not disclosed at all. The plan is being given an ever more anti-international and anti-Jewish character. The Director of the Labour Front, Dr. Ley, promises that it will ultimately cheapen building materials, housing, clothing, and fuel; but other authoritative utterances admit that the particular products to be turned out under the plan will be very dear, at least at the beginning.

Uncertain Debt Position

The Reichsbank announces a prolongation until June 30, 1937, of the Conversion Fund regulation for the service of foreign debts. The provisions of Clearing or Payment agreements will not be affected. A conference is to be held this week in Berlin to discuss the Standstill Agreement. At the Conference of February, 1936, interest rates were left unchanged, and the only important change was the establishment of a "travel mark" within the registered mark system. The Standstill Debt, which was Rm. 6,300 millions in 1931, was fixed at Rm. 1,603.7 millions at the end of 1935. The reduction of debt in the year 1935-36 was estimated at Rm. 400 millions; the known reduction in March-December, 1935, was Rm. 357 millions. This week's conference will probably report the debt at about Rm. 1,000 millions. No explanation has yet been given of what became of the estimated Rm. 1,000 millions surplus on trade and shipping services in 1936. Fragmentary figures which have been published of the debt service transfers, travel allowances, the repayment of trade debts, and losses of various kinds, do not account for more than about two-thirds of the surplus.

In 1936, exports of most manufactured articles, and also of coal, heavy metals and chemicals, increased very considerably, with a few exceptions. A curious feature, in view of the shortage of materials and of the decline in imports was the sharp rise in the export of yarns and cloth:—

	Exports in millions of Rm	
	1935	1936
Iron and iron goods.....	729	852
Machinery (not electrical)	362	484
Electrical machinery	206	235
Coal and coke	367	389
Chemicals and dyes.....	541	565
Vehicles	72	102
Yarn and cloth.....	295	394
Paper and paper goods	147	168
Glass	120	137
Pottery	51	54
Musical instruments, clocks, etc.	102	117
Leather and leather goods	97	86

The quantity of exports increased rather more than the value, although for some articles export prices in 1936 were higher than in 1935.

Better Conditions for Farmers

According to the Bureau of Statistics, agricultural prices (to first producers) in the farming year 1935-36 had recovered to 77.1 per cent. of the 1928-29 level, after being as low as 58.8 per cent. in 1932-33. Prices of materials used in farming were in 1935-36 78.6 per cent. of the level of 1927-28, having risen from 74.4 per cent. in 1932-33. It follows that the "price-scissors" which was so widely open to the disadvantage of farmers in 1932-33, has almost entirely closed. Sales of agricultural machinery last year reached Rm. 330 millions, or 38 per cent. more than in 1935. Exports increased 42 per cent. The value of agricultural production in 1935-36 is returned at Rm. 11,600 millions; of this, Rm. 2,285 millions was consumed by the producers.

The steel industry continues active. The syndicates report that prices exceeding those of the International Cartel are being offered for the speedy delivery of exports. The industrial use of gas over long distances is increasing rapidly. The Ruhrgas A.G., of Essen, reports delivery for all purposes in 1936 of 2,027 million cubic metres, which is an increase of 21 per cent. over the 1935 figure. Of this quantity approximately 40 per cent. went to iron producers, 40 per cent. to iron consumers, and 13 per cent. to municipalities. The Siemens und Halske and Siemens Schuckert companies have each increased their dividends (for 1935-36) by 1 per cent. The turn-overs of both companies show large increases.

The New Company Law is intended to facilitate capital increases by existing concerns. A company may decide to increase its capital in favour of the holders of bonds convertible into shares, or in order to prepare for a merger. The increase will only come into effect when the option to convert is exercised.

Sweden

A Move Towards Freer Trade

STOCKHOLM, February 10.—The question of closer economic co-operation between signatories of the almost forgotten Oslo convention of 1930 has so far not advanced beyond the stage of preliminary discussions and somewhat platonic official declarations. After a visit which a Dutch delegation, headed by the Minister of Commerce, Mr. Gelissen, paid to Sweden, Mr. Sandler, Swedish Foreign Secretary, went with the King to Brussels. He then went on to The Hague to see Dr. Colijn, the most active personality in the move for the revival of the Oslo instrument. The Dutch Government has now made known its intention to call at the end of February, at The Hague, an informal meeting of representatives of the signatory States, i.e. the three Scandinavian countries, Holland, Belgium and Luxembourg.

A certain scepticism is shown in business quarters about the possibility of reaching positive results by vitalising the Oslo Convention. While there hardly exist any trade barriers in Sweden and Norway, Denmark is certainly not in a position to abolish her import and transfer restrictions, and Holland will hardly take any such step without compensation. And neither Norway nor Sweden has any further tariff concessions to grant. The move must therefore be regarded as the beginning of negotiations for removing trade restrictions, on a wider scale than within the frame of the Oslo agreement.

Rapid Rise in Prices

The boom follows its normal course; business continues to expand. The only disturbing factor is the almost hectic rise in wholesale prices which has recently taken place. The general wholesale price index of Professor Silverstolpe, regularly published by the Board of Trade (100=average 1913/14) showed for January a jump of not less than 6 points, i.e. from 125 to 131; it had remained unchanged at 113 during the first part of 1936. A striking increase was recorded by metals, which rose from 121 to 144 after having been at 100 in July, 1936. This rapid rise in prices has inspired rumours of an early reduction of the sterling rate in Stockholm. But the Minister of Finance, in an interview, stated that the Swedish Government has at its disposal sufficient means to check the price advance. He admitted that the most effective of these was a lowering of the sterling rate. But such a step, the Minister stated, would certainly not be undertaken without very mature consideration; and only if the price advance in Great Britain were to continue at a disquieting pace.

Boom in Pulp and Paper

Industrial production continues to expand. Market reports for the main Swedish staple articles have been satisfactory. Sales of wooden goods have been brisk, particularly on account of better demand from Great Britain, and rising prices. Pulp sales have been favourable. Great liveliness is reported from the paper mills; and the Scandinavian Kraft paper cartel, Scancraft, recently increased its prices by 17 shillings per ton for Great Britain, and by 20 shillings for other markets. The metal industry is working at full capacity, though the works are increasingly suffering from lack of raw material, of semi-finished goods, and particularly of pig iron. The shortage of pig iron, which has caused an abnormal rise in pig iron prices, is due largely to the inadequate supply of charcoal.

Unemployment showed in December a seasonal rise; the number of unemployed rose from 28,700 to 31,000 against 58,000 for December, 1935. There was a shortage of skilled labour in the metal and machine trades. Unemployment in building rose slightly. During December, money was plentiful, and deposits at the joint stock banks rose from Kr. 3,790 millions, to Kr. 3,833 millions; total advances increased from Kr. 3,971 millions to Kr. 3,991 millions.

Italy

Falling Birth Rate

TURIN, January 30.—The number of Italians living in Italy, which increased from 37,947,000 in December, 1921, to 41,176,671 on April 21, 1931, reached 42,528,000 on April 21, 1936 (the census date). It was estimated at 42,764,000 at the end of 1936. Disregarding territorial changes, marriages, births, deaths and the excess of births over deaths (per 1,000 inhabitants) changed as follows:—

	Marriages	Births	Deaths	Excess of Births over Deaths
1872-75	7.9	36.8	30.5	6.3
1891-95	7.4	36	25.5	10.6
1911-14	7.4	31.7	19.1	12.6
1922-25	8.4	29.5	17.3	12.2
1926-30	7.3	26.8	16.0	10.9
1931-36	6.8	23.8	14.1	9.8
1936	7.2	22.2	13.5	8.7

The encouragements which have been given to new and large families have not been able to arrest the decline in births; the increase of population is due to improved sanitary conditions and consequent lower mortality. The natural increase in population was lowest in the north; in Piedmont there was an excess of births over deaths of only 0.7 per 1,000 inhabitants. The increase was largest in the south (Calabria 16.8, Lucania 15.2, Sardinia 14.5 per 1,000).

The Growth of Rome

Internal emigration was highest from agricultural areas. In the Venetian provinces there was an excess of 43,932 emigrants over immigrants, in Marche of 5,497, in Abruzzi of 6,142, in Puglia of 6,479, in Calabria of 9,300, in Sicily of 27,883, and in Sardinia of 12,774. The greater part of the rural migrants moved into the industrial and trading regions: Piedmont had a surplus of 2,073 immigrants over emigrants, Liguria of 10,264 and Lombardy of 12,937. The largest quota went to Latium. The capital city took over 30,142. This is a highly significant index of the movement towards centralisation which is taking place in Italy. Rome has fast become the largest city in Italy. In 1935 and 1936 the excess of immigrants over emigrants in Rome was 34,915 and 34,331 respectively; 28,535 and 33,604 in Milan; 20,380 and 15,104 in Turin; 6,040 and 8,534 in Naples; 8,185 and 6,920 in Genoa; and 9,625 and 9,829 in Bologna. At the end of 1936 Rome reached a peak of 1,198,023 inhabitants; the population of Milan was 1,130,142, of Naples 886,952, of Turin 642,179, and of Genoa 631,202. The growth of the Corporative State has tended to make Rome, not only the political capital, but also the real centre of all the banking, industrial and trading interests of the country. Economic life depends more and more on decisions taken in the capital, and the capital is therefore bound to grow relatively bigger and bigger.

U.S.S.R.

World Revolution and the United Front

MOSCOW, January 31.—The Soviet Government finally has succeeded in persuading sceptical observers that it has had to reckon with a serious opposition, led by members of rival factions, into which the ruling Communist Party split after Lenin's death in 1924. Stalin and his associates struggled openly with these factions for five years, and then suppressed them by force. They were faced with the alternative of accepting Stalin's programme and leadership, or fighting against them in secret.

According to the testimony in the second of a series of conspiracy trials which began last August, the leaders of all rival Communist factions had united on a common platform in which the principal plank was Stalin's overthrow. Even sceptical observers, while unable to accept the testimony at face value, were convinced that an opposition movement had crystallised within the Communist Party, and that Stalin had been compelled to act swiftly to break up the opposition before it had fairly started.

These trials, which will continue for some time, have international implications. Trotskyism, as opposed to Stalinism, has become a considerable factor in the international revolutionary movement. The Trotskyists have interfered with Stalin's efforts to combine foreign Communist parties in a United Front with other anti-Fascist groups. Claiming to be the only "pure" revolutionaries, the Trotskyists argued that the United Front is side-tracking world revolution. Stalinists contend that the immediate task is to preserve the Soviet Union, while the Red Army is being expanded to the point where it can not only defend Russia, but also help revolutionary uprisings in other countries. Both groups aim toward world revolution, but disagree on the means to attain it.

So far as Russia is concerned, the "myth of world revolution" has retarded the country's development. The inter-Party struggles, whether conducted openly or in secret, preoccupied the attention of Communist leaders who held key positions in Soviet industry, agriculture, etc., and the inefficiency of many industries may be largely attributed to the political and theoretical distractions of those who should have been devoting all their time to executive work.

A Middle-Class State

But the present "purge" may be salutary. Stalin has discovered that veteran revolutionaries are less trustworthy than members of the dispossessed classes. For more than two years the political police have been busy clearing out political malcontents from the vast State machine, and almost all of those implicated were Communists. The prestige of veteran revolutionaries has declined at the same time that that of former "class enemies" has risen.

As a result of the present "cleaning," it appears to some observers that a new kind of middle-class state is emerging in Russia. At the top stand Stalin and his closest associates, men who picked him as a winner in the Party struggles. Just below this group stand the executives of the "one vast syndicate" which Soviet Russia has become. At one time these executives were drawn largely from the Communist Party and from men of proletarian origin. They are now selected by a loose merit system, without regard to social origins, and form a new kind of upper middle-class. Below them stand the superior workers and peasants, who have an honoured position in the State bureaucracy. The whole structure rests on the broad mass of workers and peasants, closely organised and controlled by the bureaucracy, who are persuaded by every device of modern propaganda that they are important cogs in the State machine.

This political, economic and social system differs from all others in that it tolerates no individual "capitalists"; the State has a monopoly of the means of production, and well-paid executives may invest their surplus earnings only in personal property and Government bonds. But material and social rewards are now sufficient to impel ambitious men and women to struggle for advancement. This system promises to become more efficient and practicable than the earlier system, in which most of the key positions were given to veteran revolutionaries or to untrained "proletarians." But the system requires absolute loyalty to the Party dictatorship; the political police must detect and root out malcontents. That is the purpose of the present series of trials.

Letters to the Editor

Bankers, Boom and Budget

TO THE EDITOR OF THE ECONOMIST

SIR,—The answer to your question is easy and should be obvious. If, subsequently, the desire of the public to hold idle balances is diminished, the excess can, in such circumstances, be withdrawn without detriment to the rate of interest.

It is not easy to become accustomed to the idea of trying to avoid booms and slumps. But it is a necessary first step in this direction to get accustomed to the notion that the supply of idle balances should not be kept constant irrespective of the fluctuating impulses of the public to hold them.

Yours, etc.,

J. M. KEYNES.

King's College, Cambridge.

TO THE EDITOR OF THE ECONOMIST

SIR,—Is not Mr Keynes in some danger of misinterpreting his own analysis, and of treating two exactly opposite situations as though they were mere variants of the same situation?

The price of gilt-edged securities may sag because on the balance their holders, including banks, are desirous of becoming more liquid, i.e. of increasing their holdings of what seems to them (according to their several standards) to be "cash." Or the price of gilt-edged securities may sag because on the balance their holders, including banks, are desirous of becoming less liquid, i.e. of increasing, directly or indirectly, their investment in commodities or equipment. The latter is surely the predominant reason for the tendency of gilt-edged prices to sag during the later phases of a trade recovery.

In the former case it may well be proper for the Central Authority to counter the public's shift towards liquidity by increasing its own willingness to hold gilt-edged securities. But it by no means follows that it is proper for it in the second case to reinforce the public's shift away from liquidity by taking the same course. For to take this course is to neutralise the check which the tendency of gilt-edged prices to sag, i.e. of the rate of interest to rise, imposes upon the growth of the public's appetite for investment in commodities and equipment.

The danger of attempting to kill two such dissimilar pigeons with one verbal shot is well illustrated by the crucial sentence of Mr Keynes' second letter, which I reproduce with my own italics:—

If the public is deprived of its normal supply of idle balances by the demand for active balances, or if it gets nervous about the prospects of the gilt-edged market, then I feel strongly that, unless we deliberately desire to raise the rate of interest, this demand for idle balances should be satisfied for the time being, the extra idle balances being subsequently withdrawn as a change in the atmosphere or in the circumstances permits.

The phrases which I have italicised seem to suggest that if later on a recession of trade develops, so that less money is required for the conduct of business and more becomes available to satisfy the desire for idle balances, the Central Authority should contract the basis of credit. Is this really the policy which Mr Keynes will advocate in the next slump?

We may see no reason for apprehension in the trade activity and the accompanying price movements: if so, well and good. Or we may be confident that we are strong and clever enough to control them by direct action, in spite of our own endeavours to prevent the rate of interest from responding in the usual manner to an enhanced demand for loanable funds: if so, again well and good. But let us at least be clear that for the Authority to support the gilt-edged market *à outrance* during a boom is not an action of the same kind as to support it *à outrance* during a slump, but an action of the opposite kind. For the second is to move in opposition to the movement of the public along the scale or spectrum of liquidity, the first is to move in conjunction with it. The second therefore is compensatory, the first inflammatory.

Yours, etc.,

D. H. ROBERTSON.

Trinity College, Cambridge.

Mr Runciman in Washington

TO THE EDITOR OF THE ECONOMIST

SIR,—In your note of the week (January 30th) on Mr Runciman's visit to Washington you raise a very interesting and important question. Discussing the possibility of a trade treaty with America you say "it is well, however, to realise the limited scope of such a treaty. According to American law it must be reciprocal; that is, the concessions offered by either party must be approximately equal."

I suggest that the *quid pro quo* to be offered by this country for a very material reduction of the barriers to British trade should be the continuance by this country of Most Favoured Nation treatment to America.

Apart from the question of the rates of the American tariff which are in many cases prohibitive, the Commercial Counsellor of the British Embassy at Washington reported about two years ago that the administrative and sanitary restrictions regarding imports into the U.S.A. were such that "rather than face these impediments foreign exporters and American importers often give up the attempt to trade."

The policy of the British Government has been stated as follows: this country "will certainly not be prepared to continue indefinitely to accord full Most Favoured Nation treatment to countries which show themselves unwilling to meet the reasonable requirements of this country in regard to the treatment of United Kingdom goods."

I believe that if this stated policy of the Government were followed to its logical conclusion, it would permit a considerable reduction in the British tariff either through an agreement with America, or if negotiations were unsuccessful because it would be no longer necessary to extend such reduction to imports from America.

Yours faithfully,

J. LOGAN STRANG.

1 North Charlotte Street,
Edinburgh.

Basic Facts about the CANADA LIFE

90th YEAR

NEW BUSINESS	£9,648,900
RECEIPTS	£8,063,000
PAYMENTS	£5,431,600
ASSETS	£51,886,200
(Including special reserves and undivided surplus totalling)	£1,870,600

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the Keynotes of our traditional policy'**

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A Road and Rail Controversy

TO THE EDITOR OF THE ECONOMIST

SIR,—Having read with interest the first article in *The Economist* on "A Road and Rail Controversy," I had looked forward to the reply from the railway point of view. But I must confess to disappointment and to a complete inability to see what is indeed the railway case.

On what *are* railway rates based? It seems to me the writer of the second article has failed to answer this question. Railway rates are dismissed as being "finally determined by statutory restraints." Even if Parliament is made responsible for the railway rate structure, there must be some basis on which it is built. Furthermore, whatever the original basis may have been, it can hardly have achieved "finality" if 69 per cent. of railway freight revenue is derived from exceptional rates and "agreed charges." And if this figure is accurate, it must tend to make railway rates, as a whole, approximate more and more closely to "cost of service."

The railway reply would have been more convincing if some attempt had been made to show that this and other figures adduced in the "Road Transport Case" were inaccurate. Instead, it confines itself to blunt contradictions, which, without proof, fail to answer the road arguments. Epithets are not evidence. If the figures produced in the first article are wrong, and it must be emphasised that no evidence is given to prove them to be so, it is a pity the railway reply did not include a statistical statement showing the true position. If they are not wrong, the alleged reply merely evades the issue.

Again, why does the exclusion of overhead costs invalidate the road argument—rightly, as it seems to me, based on haulage costs alone? Certainly stations and permanent way must be maintained, but their cost must be spread over all traffic; its allocation is mainly a matter of book-keeping.

Is it possible that the writer of "The Railway Reply" cannot answer the "Case for Road Transport" except by the time-honoured method of abusing the plaintiff's attorney?

Yours faithfully,

H. E. CRAWFORD.

Bush House, Aldwych,
London, W.C.2.

Hawker Aircraft

TO THE EDITOR OF THE ECONOMIST

SIR,—On November 28, 1936, the chairman of Hawker Aircraft, Ltd. (the "Aircraft Company") intimated to the ordinary and "A" ordinary shareholders of the company that the Hawker Siddeley Aircraft Company, Ltd. (the "Siddeley Company") offered to exchange four ordinary shares of 5s. each of the Siddeley Company for every five ordinary or "A" ordinary shares of the Aircraft Company.

The prices at the close of business on November 27th were: Aircraft Company ordinary, 31s. 9d. (2s. down on the day), Siddeley Company, 36s. 6d. (6d. down on the day), the latter being just ex a one in ten free bonus. Taking the four to five ratio on the Siddeley Company price of 36s. 6d., the offer was equivalent to a price of 29s. 2d. per share to the Aircraft Company ordinary shareholders. On November 30, 1936 (i.e. after the announcement), the price of Aircraft Company ordinary shares fell 2s. to 29s. 9d., while Siddeley Company ordinary shares were 6d. better at 37s.

It is not as if the price of the Aircraft Company's shares had been forced up in the market, in anticipation of the offer, faster than the rise in the Siddeley Company's shares. What are the facts? Siddeley Company ordinary were issued in July, 1935, at 15s. Aircraft Company ordinary were then about 28s. When the merger was foreshadowed by the chairman of the Siddeley Company (and incidentally of the Aircraft Company, too) on June 4, 1936, the relative prices were: Siddeley Company ordinary, 26s. 3d.; Aircraft Company ordinary, 27s. Between the latter date and November 27, 1936 (the eve of the actual announcement of the offer), Siddeley Company ordinary had risen 13s. 9d. per share (cum the one in ten bonus declared on November 11, 1936), while the Aircraft Company ordinary had only risen 4s. 9d. per share.

In my experience it is almost unprecedented for an offer of either cash or securities to be made for the shares of a company on such terms as would give a holder a poorer value than the current market price. In this particular case the Siddeley Company already held 50 per cent. of the ordinary shares of the Aircraft Company, and some 80 per cent. to 85 per cent. of the outside shareholders accepted the offer. All shareholders must be presumed to have been aware that the marketability of their holdings would be jeopardised if they did not accept. And those shareholders who, in fact, did not, now find themselves practically without a market.

In the circular to shareholders, the chairman pointed out that the profits of the Aircraft Company were likely to be less than those of the two previous years, and stressed this factor as a strong argument for acceptance of the Siddeley Company's offer. Further, a second circular was issued on December 16th, reiterating this point and extending the date of the offer. It also stated that the offer was entirely voluntary, and that shareholders could refuse or accept accordingly. There was, however, no warning added as to the result of refusal on the question of marketability. Now when a holder of some shares feels or knows that the company is facing lower profits, he generally tries to sell his shares. So, if the board of the Siddeley Company felt so sure that the Aircraft Company's profits would be lower, would it not have been better business for them to offer their own Aircraft Company holding to the public by an offer for sale, rather than to acquire the publicly-held remainder of the capital?

The main point which, however, emerges from this experience is the very weak position in which a minority shareholder can be placed.

Yours faithfully,

"EQUITY."

Books and Publications

Preparing for the Next War

THIS book* differs from most of the many other books recently published in Germany on industrial mobilisation for war; it ignores policy and organisation and concentrates on statistics. The statistics, analysed adequately in the text, are grouped under three headings: the need for industrial mobilisation; the basic problems of industrial mobilisation; and industrial mobilisation and the economic structure. Readers will find a great quantity of useful data about past wars; about the cost of armaments in the various European States, in Japan, and in the United States; and about their capacity to produce armaments. But they will find nothing regarding Germany, except certain known facts about her industries. If power in war is relative, it is of little use to know how much munitions Great Britain

produced in 1935, and Russia even in 1936, if one knows nothing at all about Germany.

Nevertheless the book is useful. It brings out clearly, as a reason for preparing for industrial mobilisation, the vital importance of the time factor. In this respect, indeed, the term "industrial mobilisation" is a mistake. It seems that a vast supply of war material ought to be available at the outbreak of hostilities, to be mobilised only in the sense that soldiers already available are mobilised. This is the logic of the statement by the Director of the Defence Economic Staff of the Reich War Ministry that attack on the enemy's country will begin before war is declared. In the last war, time often moved very lazily. Eighteen months, it is stated, were needed by Great Britain for the manufacture of a particular gas; and of all the guns produced in the United States after she declared war, only four reached the front.

It is plain that no accumulation of arms and munitions in advance would suffice for even a short war; as in 1914-18, existing armaments factories would not

be able to meet the current demand. Of the three possible ways of creating in advance a reserve production capacity only one, it appears, really counts. The development of armament industries for export is limited, and the establishment of reserve munitions factories, which would lie idle in peace time, would be too costly. In effect, therefore, industrial mobilisation means the transformation of peace factories into war factories. This will be enforced by the State. The last war proved that high prices alone were not a sufficient incentive to manufacturers to adapt their plant.

The book gives due prominence to the labour problem. The "domination of material" in modern war has not, in fact, replaced men by machines. On the contrary, it has massed skilled workers behind the machines. Some illuminating figures are given of the number of men behind the lines necessary to keep going a tank or an aeroplane at the front. The reserve of labour is, however, already very considerable, for an ever smaller proportion of the German population is occupied in producing really indispensable peace-time goods. Germany, in the last war, saved enormous quantities of materials and labour by suspending domestic construction. In 1913 she added 200,000 to her total number of dwellings; in 1918 only 2,800. It is implied that at the outbreak of war some unemployment might be an advantage; Germany with 76 per cent. of her industry employed (1935) is presented as being better off than Russia, which has a greater industrial capacity, which is, however, practically fully employed.

The compilers calculate that Russia and Japan are each producing 18 per cent. of the world's total output of war materials, which is double the share of Great Britain. They admit, however, that, finding Russia's own return of her expenditure on war materials unconvincing, they summarily increased it by 65 per cent.

This book rejects the Nazi view that countrymen make the best soldiers. It emphasises the superior skill of the townsman in the handling of machinery.

Shorter Notices

"A Simple Theory of Capital, Wages and Profit or Loss." By E. C. van Dorp, LL.D. P. S. King. xix+290 pages. 12s. 6d.

In the introduction to this book, the author makes the welcome remark that "the dragon of scholasticism must be killed." It is a pity, therefore, that only thirty pages are devoted to her own positive theory, while the bulk of the book consists mainly of rambling and often polemical criticisms of the theories of others. The author's chief quarrel is with the marginal productivity analysis. This seems to be due largely to an apparent failure to grasp its mathematical basis, and to a confusion between static and dynamic conditions.

Dr van Dorp's own theory of wages is a naïve form of the wages fund theory. Wages depend, not on what is being produced, but on the amount of consumption goods left over from the previous period of production, which *entrepreneurs* decide not to consume themselves. "How much the capitalist will consume is a datum for economic theory" (page 77). This fixes the wages fund. The problems of working-class savings, and of the accumulation and decumulation of stocks of consumption goods, are nowhere referred to. It is indeed astounding that the author, who has evidently an extensive knowledge of economic writings, should have thought that this simple thirty-page exposition was adequate as a new theory.

English readers of this book will feel that the critical section suffers badly from too little attention to Marshall, who is dealt with in seven pages. This accounts for many of the misunderstandings in the much longer analysis of Keynes's new theory. The long discussion of Böhm-Bawerk is a typical example of the scholasticism which the author deplores, but it may be of interest to a few specialists. Taken as a whole, the only merit of this book is that it draws attention to the perplexities of the problem of profit and interest, and to the necessity of examining wages and profits together; but it cannot be said that any original contribution is made. About practical issues the author's suggestions are also very simple—since all our ills are due to the interference of governments and trade unions, all our exertions must be directed to restoring free economy.

"Forward From Liberalism." By Stephen Spender. Gollancz. 295 pages. 7s. 6d.

This is an interesting and curious book by a young intellectual and poet who wants to call himself a communist. It is a curious book because it makes quite clear that Mr Spender is in fact a liberal. The things he believes in—with an immediately recognisable sincerity—are freedom, justice and equality. But he is determined to be known as a communist, and the whole book trying to resolve the problem. Finally, the truth is out: "I am a communist because I am a liberal."

Mr. Spender's convictions shine so brightly through his book that one is unwilling to quibble over labels. One is only left wondering what trick of taste or fashion it is that has made him so anxious over labels himself.

"Spain." Report of an All-Party Group of M.P.s. Lawrence and Wishart. 15 pages. 3d.

Three Unionist, two Labour and one Liberal M.P.s visited Spain and entered into relations with the Spanish Government in Madrid in November-December. Their Report emphasises the terrible sufferings of the Madrid civilian population; denounces aerial bombing of this population; urges its evacuation with the aid of foreign motor transport; and exhorts both sides to more humanitarian treatment of prisoners. The Report says Franco's forces are much less than those of the Government, and describes one Italian prisoner captured from the rebel forces as having informed the M.P.s that he and his fellows had been serving soldiers in a Rome artillery regiment, and had been sent to Spain. It also urges the need of gas-masks in Madrid. The M.P.s had an interview with M. Blum on their way back, when the French Prime Minister agreed to help in the international task of evacuating the Madrid population. The Report itself is an interesting document, free from any taint of party bias, constructive, and (for its small size) most informative.

Books Received

An Atlas of Empire. By J. F. Horrabin. Gollancz. 160 pages. 3s. 6d.

The Gold Clause. Vol. II. By A. Plesch. (London) Stevens and Sons, Ltd. 106 pages. No price stated.

International Affairs. Vol. XVI., No. 1. January-February, 1937. The Royal Institute of International Affairs. 2s. 6d.

Agricultural Prices. By F. L. Thomsen. McGraw-Hill. 471 pages. 24s.

The Slavonic and East European Review. Vol. XV., No. 44. January, 1937. Eyre and Spottiswoode. 6s. net.

Transportation Development in the United States. Proceedings of the Academy of Political Science. Columbia University.

Les Principaux Aspects du Problème de la Balance des Comptes dans l'Economie Générale. By E. Barbey. Lausanne and Paris. 274 pages. Frs. 6.

Grenzen des Staatskredits. By Karl Burkheiser. Bank-Verlag, Berlin. Rm. 4.

The Economic Record. December, 1936. Economic Society of Australia and New Zealand. Oxford. 5s.

Soviet Export. By M. Zhirmunski. Mezhdunarodnaya Kniga. No price stated.

Probleme des Deutschen Wirtschaftslebens. Deutscher Institut für Bankwissenschaft und Bankwesen. Walter de Gruyter. 860 pages. No price stated.

Our Money. By W. H. Coates. The Institute of Chemistry. 24 pages.

Official Publications

The following may be obtained from H.M. Stationery Office, Adastral House, Kingsway, W.C.2.

Department of Overseas Trade: Report on Economic and Commercial Conditions in Brazil, September, 1936. 3s. net.

Department of Scientific and Industrial Research: Report for the year 1935-36. Cmd. 5350. 3s. net.

Statistical Abstract for the United Kingdom, 1913 and 1922-1935. Cmd. 5,353. 6s. 6d. net.

Department of Overseas Trade: Report on Economic and Commercial Conditions in Turkey, 1936. 9d. net.

Civil Estimates: Supplementary Estimate, 31st March, 1937. 9d. net.

Post Office Commercial Accounts for the year ending 31st March, 1936. 9d. net.

Civil Appropriation Accounts for the year ending March 31, 1936. 7s. net.

* "Industrielle Mobilmachung"; Bearbeitet vom Institut für Konjunkturforschung. Hanseatische Verlagsanstalt, Hamburg. Rm. 3.60.

MONEY AND BANKING

Brazilian Exchange

It is nearly three years since Brazil presented her long-term overseas creditors with a cut-and-dried debt scheme which arbitrarily graded their securities in tiers for interest-paying purposes, and greatly reduced the total volume of payments. Before the end of September the whole position is to be reviewed, in order that a fresh scheme may run from April 1, 1938, so that Brazil's present exchange position is of interest.

Although exchange control was introduced into Brazil in May, 1931, the present exchange arrangements date from February 11, 1935. All exports, with a few minor exceptions, must be sold in the "free" exchange market to authorised banks. The latter then deliver 35 per cent. of the resultant exchange to the Bank of Brazil at a stipulated official rate (57 milreis to the £) and the balance of 65 per cent. is left for the "free" market. By a ruling of June, 1935, these quotas were maintained, but the authority of the Exchange Control was required for all remittances abroad, even though they were made through the "free" exchange market.

In March, 1935, an Anglo-Brazilian Payments Agreement was arrived at, in order to make provision for the liquidation of blocked commercial debts, due to the United Kingdom for goods imported into Brazil before February, 1935. The Agreement was implemented a year later. Only small cash payments were forthcoming, the majority of the debts being funded by the issue of Brazilian 4 per cent. Sterling Stock, redeemable within about five years. Similar arrangements were made for the liquidation of blocked American funds. This was the second occasion within a few years when Brazil resorted to funding arrangements for the settlement of foreign commercial credits.

Brazil's visible trade balance deteriorated rapidly between 1931 and 1935, as the following table shows:—

	Imports (£ gold)	Exports (£ gold)	Export Surplus (£ gold)
1931	28,755,694	49,543,866	20,788,172
1932	21,744,297	36,629,594	14,885,297
1933	28,131,911	35,790,080	7,658,169
1934	25,467,306	35,239,611	9,772,305
1935	27,431,141	33,011,848	5,580,707

As a result, largely, of the reduced export surplus, and the consequent shortage of foreign cover, the "free" exchange rate depreciated steadily to a level of 93½ milreis per £ at the end of July, 1935. During 1936, however, the trading position improved, and the latest available statistics show that between January and November, 1936, exports were valued at £35,234,240 (gold), against £30,057,887 (gold) in the same period of 1935, and imports at £27,126,300 (gold), against £24,967,830 (gold). Thus, the recorded export surplus for the first eleven months of 1936 was £8,107,940 (gold), against only £5,090,057 (gold) for the same period of 1935.

The appreciation in the "free" market value of the milreis, in terms of sterling, has been further assisted by the adoption of the United States dollar as the basis of milreis quotations, last October, after the devaluation of the franc. At the end of December, 1935, the sight rate on London was Rs. 89\$900 per £, but it had improved by the end of 1936 to Rs. 82\$500. It has subsequently appreciated steadily to a present level of about Rs. 80\$000. The improvement partly reflects temporary factors, such as the transfer of funds from France before the devaluation of the franc, and the influx of capital from abroad (particularly from North America) to finance new cotton production. The main factor, however, is undoubtedly the improved trading balance.

The most encouraging feature of recent returns is the greater diversification of the products which have been exported from Brazil. This factor has compensated for the steady decline in Brazil's proportion of the world's shipments of coffee, which was only 59.51 per cent. between January and November, 1936, against 64.56 per cent. for the same period of 1935. Although the volume of Brazilian coffee shipments was lower in 1936 than in 1935, their aggregate value was slightly higher, largely as a result of official intervention after the conclusion of the Bogotá Agreement with other American coffee-producers. Nevertheless, as Brazil's economy must continue for many years to depend mainly on the fortunes of coffee, there is widespread criticism in Brazil of the present valorisation policy. Artificial support of prices may certainly give a specious appearance of immediate prosperity, but the production of coffee for eventual destruction obviously cannot possibly be made the basis of a permanent policy. If the industry is to be restored to a sound basis, either a reduction in production or a substantial increase in consumption is essential.

Meanwhile, Brazil's cotton-growing industry is rapidly increasing in economic importance. The value of cotton exports is now about 45 per cent. of that of coffee shipments, and Brazil's export surplus is now largely bound up with the fortunes of the raw cotton industry. This industry, which is mainly carried on in the State of Sao Paulo, was practically non-existent before 1934. Last year's Sao Paulo cotton crop approached 200,000 tons—a record figure. But former hopes of a 250,000-ton crop are being nullified by bad weather and pest. A crop of about 250,000 tons would, at present prices, produce a return of more than £12 millions sterling. Further expansion, however, may be limited by shortage of labour, unless the limitations imposed on immigration by the Constitution are modified.

A favourable visible trade balance of £8,108,000 (gold) for January to November, 1936, is equivalent for the complete year to, say, £8,845,100 (gold), or £15 millions sterling. Allowing for the fact that certain classes of exports are very frequently undervalued, the total is not far short of the £18 millions sterling at which Brazil's overseas requirements are generally computed, under present conditions. The actual balance is, however, affected by the existence of a "compensation" agreement with Germany, under which the Government's percentage of 35 per cent. of exchange arising out of exports to Germany is deliverable in blocked currency. Further, it is impossible to say to what extent the position is, or may be, modified by the movement of capital from abroad. At present, however, the exchange market at Rio de Janeiro is easier than it has been for some time past. There is a plentiful supply of export bills, and none of the delay in remitting funds, which was in evidence up to quite recently, is now being experienced. Altogether, there appears to be little likelihood of any further accumulation of blocked commercial credits.

What light do the figures throw on the bondholders' problem? On the basis of eleven months' figures, the total value of Brazil's exports for the complete year 1936 should approach £65 millions sterling. The 35 per cent. of the resulting exchange which has been delivered to the Government should thus represent £22,500,000 sterling. It is generally considered that from £13 millions to £15 millions sterling is required by the Government for all expenses abroad, including £9,000,000 for the present debts scheme. The authorities would appear, therefore, to have a comfortable margin, on the right side, in 1936.

Financial Notes

Germany and the B.I.S.—There has recently been a strong belief in some quarters that Herr Hitler's announcements, in his speech on January 30th, of the final removal of all international restrictions on the legal status of the Reichsbank would entail the withdrawal of the German members from the Board of the Bank for International Settlements. The fact that the meeting of Central Bank governors in Basle last week-end was somewhat prolonged lent support to the rumour that Dr Schacht was about to announce the withdrawal of the Reichsbank. This interpretation, however, was strongly disclaimed in banking circles, and on February 8th the B.I.S. issued an official statement which put an end to all rumours. The statement affirms that no changes are contemplated in the relations between the B.I.S. and the Reichsbank. This, of course, is not incompatible with Germany's equality of status, which, indeed, is all that Herr Hitler claims. Germany could obtain no possible advantage, either of finance or of "face," from the abandonment of yet another means of international co-operation.

* * *

Bank of Nova Scotia Meeting.—A comprehensive survey of recovery in Canada was made by Mr J. A. McLeod, President of the Bank of Nova Scotia, in his presidential address. Unlike most other countries, Canada's recovery began with, and still depends on, the export trade. Rising prices for primary products have been the most powerful agent, but the trade agreement with the United States has also been helpful. Canada still suffers, however, from unemployment, unbalanced budgets, and an inadequate agricultural income. The first of these evils, which can only be slowly eradicated, is a heavy drain on the Dominion's resources, for about 9 per cent. of Canada's population is still in receipt of Government relief. The second results largely from the method of dividing taxing power between the federal, provincial and municipal governments. The position of the farmers is improving, but their net income is still 40 per cent. below the 1925-29 average. In a discussion of monetary conditions, the General Manager, Mr Patterson, showed that the cheap money policy has not yet resulted in a recovery in the building trade; and it cannot, unfortunately, affect the fundamental problems of agriculture. It is clear that recovery in Canada, as elsewhere, is far from uniform. But recovery stimulated by foreign trade may be healthier than recovery dependent entirely on the home market. On these grounds it is certainly possible that Canada may outstrip some other countries in the near future, in spite of the unsatisfactory position of agriculture.

* * *

The Foreign Exchanges.—There have been more movements of rate than usual during the past week. The franc has fluctuated somewhat, but has definitely strengthened, and on Thursday there was no adverse pressure at all. This is due very largely to the talk of stabilisation of the franc at a definite gold content, which, whatever the measure of devaluation decided upon, would be bound to hold the rate steady. It is certain that the franc crisis has for the moment passed. The guilder has been heavily offered and has gone to Fl. 9.00, owing, it is understood, to purchases of dollars to cover repatriation of funds. Rumours of a French loan in Amsterdam may also have had an anticipatory effect. The dollar has also weakened, and Swiss francs have been offered up to Frs. 21.48. The past week's movement of exchange rates is indicative of a series of capital movements which are on the whole in the direction of the countries whose currencies were recently devalued. And for the first time for weeks France is not excepted.

The Money Market.—It has been a quiet week in the money market. The payment of the second instalment of the French credit on Friday 5th made money fairly usable throughout the week. Conditions have remained fairly comfortable, however, as nearly all Treasury bills were being paid for on Friday 12th, since these mature on May 12th, the date of the Coronation, and will thus run an extra day. As the third instalment of the French credit also falls due on Friday, a temporary stringency may develop. Rates remain unchanged.

	Jan. 21, 1937	Jan. 28, 1937	Feb. 4, 1937	Feb. 11, 1937
Bank rate	2	2	2	2
Clearing banks' deposit rate	½	½	½	½
Short loan rate:—				
Clearing banks	½-1*	½-1*	½-1*	½-1*
Others	½	½	½	½
Discount rates:—				
Treasury bills	½	½	½	½
Three months' bank bills	½-¾	½-¾	½-¾	½-¾

* Loans against Treasury bills and other approved bills and British Government securities within six months of maturity; 1 per cent. Treasury Bonds and other gilt-edged stocks within six months of maturity; and other collateral respectively.

The announcement of the Defence Loan on Thursday afternoon was taken very calmly by the market. Whatever may be the ultimate effect on interest rates, it is felt that there will be no immediate changes in monetary conditions.

* * *

The Bank Return.—The note circulation has fallen this week by £2.3 millions, which is normal considering the recent expansion. It is offset by an equal increase in the reserve. Bankers' deposits have risen by £3.1 millions, and public deposits have fallen by £0.5 million.

	BANK OF ENGLAND				
	Feb. 12, 1936	Jan. 20, 1937	Jan. 27, 1937	Feb. 3, 1937	Feb. 10, 1937
	£ mill.	£ mill.	£ mill.	£ mill.	£ mill.
Issue Department:—					
Gold	200.5	313.7	313.7	313.7	313.7
Note circulation	399.3	450.5	452.3	457.3	455.0
Banking Department:—					
Reserve	61.9	63.6	61.8	56.8	59.1
Public deposits	11.0	13.6	12.1	12.2	11.7
Bankers' deposits	103.6	100.3	98.4	96.1	99.2
Other deposits	36.3	37.6	38.4	38.3	37.3
Government securities	79.2	74.9	78.6	80.4	81.2
Discounts and advances	13.4	8.9	8.0	8.5	6.5
Other securities	14.6	22.1	18.7	18.9	19.5
Proportion	41.0%	42.0%	41.4%	38.7%	39.8%

The only other changes of interest are a fall of £2.0 millions in discount and advances, and a rise of £0.8 million in Government securities and of £0.6 million in other securities.

* * *

January Clearing Bank Averages.—The January returns of the eleven English clearing banks show some substantial changes compared with December. Cash is still high, although it has fallen £6.2 millions from the December figure. Owing to a combination of seasonal influences, deposits have dropped for the first time since last March, being £7.4 millions below December's record high figure. Advances have decreased by £4.4 millions, but the February returns should show an increase following the transfer of the £40 millions French credit. The heavy increase of £22.9 millions in discounts shows that after the New Year had passed and the need for cash reduced, the banks have been taking up bills freely. This is offset by a fall in call and short loans, as the market has necessarily secured less bills. Investments have again increased. Our usual comparative table will be found on page 386.

THE STOCK EXCHANGE

Gearing: Some Practical Conclusions

SUCCESSFUL investment is essentially a matter of measuring risks. Since the war, fluctuations in national income, industrial activity, prices, profits and share values have been far wider than before, and, simultaneously, the outlook of investors has undergone a perceptible change. It is now generally recognised that neither preference shares nor even debentures confer immunity from economic vicissitudes, since any security whose income depends on industrial earnings must needs carry an industrial risk.

The series of articles which we have recently published, on the "gearing" of ordinary shares, gains significance from the modern tendency, even among conservative investors, to argue that, if an industrial risk is to be taken at all, it is better to secure the positive long-term equity inherent in an ordinary share than to put one's faith implicitly in a debenture or preference share, whose income is sharply defined in good times but has no limit, short of zero, in bad times. It is less widely realised that the existence of these latter types of security tends significantly to heighten the risks of the ordinary share. If all industrial company capitalisations were in "straight" ordinary shares, holders could face even depressions like that of 1932 with comparative equanimity. Between 1929 and 1932 the total business activity of Great Britain, as shown by *The Economist's* index (annual averages), declined, after all, by no more than 15 per cent. But, as every investor knows, the decline in ordinary share values was much more abrupt. The investor in ordinary shares who desires to secure more than an average gain in income and capital when profits are rising, and to suffer less than an average loss when profits are falling, may be strongly advised to bear three factors constantly in mind. First, some industries are notoriously subject to extreme fluctuations, even in a normal trade cycle. Secondly, some industries have heavier overhead costs than others. Thirdly, the equity earnings of any given company may fluctuate owing to the quite arbitrary factor of fixed interest capitalisation. As we have shown in the two preceding articles, the interposition of a fixed *corpus* of prior payments for debentures and preference shares, magnifies the risks attaching to equity shares. We may proceed to examine each of these factors in turn.

The importance of the first point may be appreciated from the following table, which shows the percentage increase in productive activity in a number of industries between the third quarter of 1932 and of 1936, according to the Board of Trade's index.

VOLUME OF INDUSTRIAL PRODUCTION
(September Quarter Figures)

Industry	Change 1936 compared 1932 (%)	Industry	Change 1936 compared 1932 (%)
Iron and steel	+142½	Mines and quarries	+30½
Textiles	+63½	Leather, boot and shoe	+25
Non-ferrous metals	+53½	Chemical and allied trades	+21½
Engineering and shipbuilding	+47	Food, drink and tobacco	+16

The immemorial advice to buy low and sell high obviously has special relevance to shares of companies operating in industries like iron and steel, which are peculiarly susceptible to cyclical trade influences. The profits of such concerns, further, are liable to fluctuate even more widely than their productive activity. Companies in most industries which produce capital goods normally have considerable fixed plant and, consequently, large overhead expenses, which cannot be greatly reduced if production and profits fall. The "net

profit" item disclosed in company reports is invariably a residual figure which is arrived at after the deduction of many such items of expenditure. In other words, every published profit is subject to an invisible gearing factor whose incidence can be only a matter of very broad estimate, so long as British company law does not insist on the disclosure of comprehensive figures of gross, as well as net, receipts.

All conclusions, however, are liable to be completely upset by the fact that even if two companies, operating in the same industry, and paying the same fixed charges, were to show an identical percentage rise or fall in total net profits, the percentage charges on their ordinary share earnings would be altogether disparate if one happened to have higher fixed charges than the other. Now, the incidence of this gearing-factor is a matter of pure mathematics. The investor who is considering, at any given moment, whether he ought to buy or sell a particular equity share knows: first, how much the company in question earned in its last year of operation; and, secondly, how much the company requires to pay its fixed charges. Subject to any changes in capitalisation, etc., subsequent to the date of the accounts, it is possible to state what percentage rise or fall in ordinary share earnings will follow every 1 per cent. rise or fall in total net earnings. On page 244 of *The Economist* of January 30th last we published a table of relevant figures for eight well-known British companies, whose capitalisations illustrated every stage between high gearing and no gearing. A simple arithmetical operation based on those figures shows that a rise or fall of 1 per cent. in present total earnings would produce the following percentage increases or decreases in the equity share earnings of each company:—

Company	%	Company	%
Staveley	1.00	Austin Motor	1.71
J. and P. Coats	1.20	Vickers	2.16
Imperial Chemical Industries	1.31	Allied Newspapers	2.65
Bass Ratcliff	1.45	Lever Bros.	3.26

* Subject to any adjustments for taxation.

Sooner or later there will be a check to the upward trend in industrial profits which has now lasted for four years. Whenever it occurs, its first onset will be the signal for a switch—broadly—from high-g geared equities in producers' goods industries with heavy overhead charges to low-g geared equities in consumers' goods trades with small overheads. Liability to extensive changes in earning power is a virtue in a boom but a vice in depression. Even over a short period, the high-g geared share will tend to fluctuate in value much more violently than the low-g geared share. For that reason (and for many others) high gearing is wholly inappropriate for new companies whose shares have still to prove their investment worth. The notorious shilling deferred share of the 1928-29 boom was an instance of the deliberate exploitation of high gearing, to produce exaggerated market activity. No one can well maintain that new company finance, even during the past few months, has been wholly free from this objectionable feature.

It is precisely because gearing is an arbitrary and non-economic factor that its effects deserve the investor's unremitting attention. It is the more to be regretted, therefore, that, with the growth in the number of holding companies in every branch of industry, the ability of the investor to calculate the true gearing ratio of the securities he holds has been seriously diminished. There can be no question that the development of the holding company has increased the instability of British equities. The extent to which fluctuations in industrial earning

power may be magnified, when they are expressed in terms of the ordinary shares of a holding company, is not widely realised. It may be appreciated, however, from the following example. The figures relate to a hypothetical holding concern which, through an intermediate company, holds a majority interest in three operating companies:—

	Operating Companies			Intermediate Holding Company (Holds 60% of Ord. Cap. of A, B and C)	Final Holding Company (Holds all Ord. Cap. of Intermediate Company)
	A	B	C		
Presumed Amount of Annual Fixed Charges...	£500,000	£500,000	£500,000	£300,000	£100,000
Latest Results:					
Earnings of Operating Co.'s	1,000,000	800,000	600,000	240,000	140,000
Earnings for Ord. in each Co.	500,000	300,000	100,000	240,000	140,000
Let Earnings of Operating Co.'s Fall 10%*					
Earnings of Operating Co.'s	900,000	720,000	540,000	216,000	126,000
Earnings for Ord. in each Co.	450,000	360,000	120,000	216,000	126,000
Change in Ord. Earnings	-20%	-27%	-60%	-60%	-103%
Let Earnings of Operating Co.'s Rise 10%*					
Earnings of Operating Co.'s	1,100,000	880,000	660,000	264,000	154,000
Earnings for Ord. in each Co.	550,000	440,000	150,000	264,000	154,000
Change in Ord. Earnings	+20%	+27%	+60%	+60%	+103%

* From present level, in each case.

The formation depicted in the above table is simple, as holding company relationships go. Compared with some of the groupings in the American utility industries, for example, it is simplicity itself. Yet, on the basis of the figures shown, a 10 per cent. increase in the earnings of the operating companies would be sufficient to double the earnings available for the ordinary shares of the parent holding company; while a drop of 10 per cent. would reduce the parent company's equity earnings to less than nothing. Normally, the investor in a holding company sees none of the intermediate figures set out in our table. The law requires the parent company merely to disclose its own profits. Even the meagre

requirements of the Companies Act of 1929—relating to qualifications in auditors' reports on subsidiaries and the method of bringing subsidiary profits and losses into parent companies' accounts—do not apply to the operating companies, A, B and C, in our table. These companies are not subsidiaries but sub-subsidiaries of the parent concern, and the Act makes no provision whatever for disclosure in the case of sub-subsidiaries.

The present series of articles, therefore, reinforces the plea for wider disclosure in holding company accounts, which has been made, time and again, in these columns. Until ordinary shareholders have, as a matter of right, a complete consolidated income statement for every holding company group in which they are interested, they will lack information which is indispensable to a correct understanding of the investment risks they shoulder by the purchase of holding company shares.

Investment Notes

Re-armament Finance Repercussions.—The immediate Stock Exchange reaction to Mr Chamberlain's announcement of a £400 millions re-armament finance programme was to quote lower and wider prices for gilt-edged, home rails and leading industrials—the traditional response to a matter whose serious import is not to be assessed in a moment. It is now clear that neither Mr Keynes nor the bank chairmen were wholly responsible for the sagging in gilt-edged stocks, which, in fact, started on the day after circumstantial forecasts of the Government's policy first appeared in the week-end Press, four weeks ago. We discuss the general issues at stake in our opening leading article. The investor, however, is necessarily interested in the size, time and form of the prospective borrowing. Under the first heading, it may be reasonable to suppose that the

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MANUEL RITCHKEN, 20 Wellington Road, Parktown, Johannesburg, Engineer, Managing Director.

LONDON COMMITTEE

Brigadier-General THE HON. ALEXANDER VICTOR FREDERICK VILLIERS RUSSELL, C.M.G., M.V.O., Ketches, Newick, Sussex (Director, Sun Insurance Office, Limited, and Sun Life Assurance Society).
WILLIAM E. OGDEN, F.C.A., Audrey House, Ely Place, London, E.C.1. (Partner in the firm of Ogden, Hibberd, Bull and Langton, Chartered Accountants.)

The Offer for Sale, will show, *inter alia*, that:

- The Company has been formed to acquire as from July 1st, 1937 the business of the PREMIER METAL CO., LTD., of Johannesburg, Contracting and Constructional Engineers and Dealers in Mining and Industrial Machinery, which was established in 1912.
- The business extends throughout the whole of the Union of South Africa and Rhodesia in connection with boilers, steam and electric hoists, suction gas engines, crude oil engines, etc., and has been built up almost entirely out of profits. Further working capital is now required to meet the increasing volume of orders obtained and anticipated as a result of the great developments in the Gold Mining Industry.
- Total Net Assets, exclusive of Goodwill, and excluding profits since July 1st, 1936, amount to £130,138 4s. 0d., which is in excess of the Share Capital of the Company.
- Net Profits for the three years ended June 30th, 1936, after Depreciation and amortisation, but before Directors' remuneration and Income Tax, were:—
Year ended June 30th, 1934 £8,850
" " " 1935 14,760
" " " 1936 21,280
Profits for the year ended June 30th, 1936, after charges of £2,150, were equivalent to nearly 16½ per cent. on the Ordinary Share Capital, or 11 per cent. on the price at which the Shares are offered for sale.
- Profits for the year ended June 30th, 1936, after charges of £2,150, were equivalent to nearly 16½ per cent. on the Ordinary Share Capital, or 11 per cent. on the price at which the Shares are offered for sale.
- The Managing Director estimates the profit for the four months to October 31st, 1936, at £8,000, and the net profits for the current year at not less than £23,000, equivalent to 20 per cent. on the Ordinary Share Capital, or 13½ per cent. on the offering price.

Copies of the Offer for Sale, upon the terms of which alone applications will be accepted, and Forms of Application, are now available from:

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MARTINS BANK, LIMITED, 68 Lombard Street, London, E.C.3. (Bankers for the Offer) and Branches.
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and from

THE HARROW INVESTMENT TRUST LTD.
27 Clements Lane, London, E.C.3

All monetary figures referred to are expressed in terms of South African currency, unless otherwise stated.

"Budget surpluses" which are to be employed as an alternative, so far as they go, to borrowing new capital, will be interpreted in the widest sense, and will, presumably, include such ultimate windfalls as the profit from the Exchange Equalisation Account, and the eventual profit if and when the gold reserve is revalued. The balance of these factors suggests that the demand upon the gilt-edged market may be less than the total borrowing powers taken. On the question of dates of issue the Chancellor was silent, but the White Paper issued on Thursday evening shows that borrowing powers will extend over five years from April 1st next. Issues will presumably be made as necessity—and opportunity—serve, but the consensus of City opinion on Thursday was that any major operation before next autumn was unlikely. As regards the form of the new borrowing, investors can only seek for inferences from the method of provision in the Defence Votes. These will be charged with interest at 3 per cent. per annum on the capital sums voted up to 1942, and thereafter annuities will be set up on the Votes to repay the sums issued with interest at 3 per cent. per annum in a period of thirty years. These provisions, being of an internal nature, within the Budget, do not determine the form of borrowing. The sums so provided, however, will be respectively available for meeting an equivalent amount of interest on the National Debt and for debt redemption as the Treasury may determine. If the new loans are devised to fit these requirements, questions of accounting principle will surely be involved, for it cannot be pretended that the "assets" to be financed will enjoy a 30-year life. A 15-year loan with a heavy sinking fund would be far preferable—and would prove much more acceptable to the investor.

Tithe Redemption Stock.—The publication in certain sections of the Press of a report that a very considerable amount of Tithe Redemption stock would

shortly come on the market caused early selling of gilt-edged this week. It is worth while making the facts clear. Under the Tithe Act of 1936 it was arranged that about £70,000,000 of stock, at 3 per cent., with a Government guarantee, should be issued to tithe-owners in place of the tithe-rent charge. Tithe-payers were to pay, first to the Tithe Redemption Commission (a temporary body) and later to the Inland Revenue, a half-yearly instalment of redemption. The first instalment is due on April 1st next. But there is nothing to warrant the belief that the stock will be issued in part or whole at that date. Nor, of course, will it be issued to the market: it will be issued to the tithe-owners, with accrued interest, when their claims have been dealt with by the Commission. The Commission has obviously an immense mass of claims to adjudicate before it can hand over any convenient portion of the stock. It has, in fact, been officially stated that little will be ready until about May, when it will be announced in the ordinary way in *The London Gazette*. The whole operation will probably not be finished within two or more years. Moreover, by far the greater part of the stock—about £60,500,000—goes to the Church, and neither that, nor indeed any of the remaining £10,000,000 which goes to lay owners and Cambridge and Oxford Colleges, is likely to be exchanged for speculative securities or for cash in significant quantities. Tithe Redemption stock, in short, can have at most the very slightest effect upon the gilt-edged market.

Wall Street and the Law.—The President's proposals for rejuvenation of the Supreme Court have precipitated great political controversy, but Wall Street, once the first shock was over, seems to have taken a philosophical view of the matter. The investor should have nothing to fear from the inclusion of a number of judges whose attitude towards modern social problems is not confined to the legal concepts of a hundred years ago. Nor need the investor fear evil consequences from the President's proposals to speed up procedure in the Federal Courts throughout the country, and to prevent the use of spoiling injunctions intended to handicap and destroy Federal legislation. In themselves, the measures are intended to provide a more efficient and elastic legal system. Criticism of the proposals is really meant for the remaining New Deal policies, which may receive more friendly hearing if the legal changes are adopted. Many of these are hardly inimical to the investor, but specific fears concern a revival of N.R.A. and a no-quarter fight with the utilities. The N.R.A. clauses dear to the President deal with labour, but there is no suggestion that the "codes" should be reconstituted, and even these benefited big business rather than the small man. Utilities are more obviously a matter for concern, but utility shares are not likely to suffer more than at present. The general attitude of the investor to American recovery need not be changed. By mid-week, indeed, Wall Street had recovered all of its lost ground, and after the General Motors settlement, prices were higher than on the eve of the announcement of the Supreme Court proposals.

A Code for Property Societies.—Those whose duty it is to criticise national financial developments may be permitted a measure of self-congratulation when their words strike root. Some months ago the fixed trust movement (as it then was) formed an association to check certain practices which had become widely recognised as undesirable. It is now the turn of the property societies, recently formed under cover of the Industrial and Provident Societies Acts (and not, therefore, subject to the rigours of the Companies Act), to get together for the protection of the public. To act as one's own arbiter of good behaviour, and at the same time as agent for the investor and as an interested principal, implies an objectivity of outlook which is not, alas, too common in the hard world of affairs. But until such time as the President of the Board of Trade can introduce his Bill for controlling unit trusts (which will presumably

incorporate some provisions for dealing with certain companies registered under the Industrial and Provident Societies Acts) a self-imposed code has its own merits. The activities of the Association of Property Societies, Ltd., which has been created to regulate property society business, will, therefore, be watched with considerable interest. The Association reports that some fifty societies have made inquiries regarding membership, which are being scrutinised by an "applications committee." The Council lays down the principle (surely a rather self-evident starting point) that "the greatest measure of protection" for the investing public will be secured by prohibition of the public offer of loan capital which, *after providing for prior charges*, is in excess of the society's available assets. The Council goes on to claim that its own standard of information, which will be available for public examination, far exceeds the requirements of the Acts. At present only eight societies are members of the Association. It remains to be seen, therefore, how widely its writ may run.

Capital Issues in January.—The new issue market has quickly regained its stride after the end-year lull. If the £61 millions of new money for the 2½ per cent. Funding Loan in the December total is excluded, the January business is comparable with that month. The amount of subscriptions for recent months is shown below:—

(000's omitted) Excluding Conversions					
Monthly Average (Old Basis)	United Kingdom	British Possessions	Foreign Countries	Total	
	£	£	£	£	
1933	17,520	2,429	449	20,398	
1934	11,474	2,494	125	14,093	
1935	18,388	1,270	21	19,679	
1936	19,195	2,035	58	21,288	
(New Basis)					
1935	27,233	2,443	97	27,773	
1936	37,370	2,823	964	41,157	
Monthly Total (Old Basis)		Govt. Other			
November, 1935 ...	Dr.150	6,448	2,375	Nil	8,673
November, 1936 ...	61,254	11,335	3,338	60	75,987
December, 1935....	Dr.50	94,108	1,304	Nil	95,362
December, 1936....	Dr.50	18,588	2,173	53	20,764
January, 1936.....	450	30,760	2,495	Nil	33,705
January, 1937.....	300	23,361	1,214	Nil	24,875
(New Basis)					
November, 1935 ...	Dr.150	14,475	5,997	192	20,514
November, 1936 ...	61,254	26,799	3,955	157	92,165
December, 1935....	86,950	13,695	1,448	519	102,612
December, 1936....	Dr.50	101,663	5,519	4,088	111,220
January, 1936.....	450	42,864	3,055	1,299	47,668
January, 1937.....	300	32,778	5,061	96	38,235

The principal offers of the month were of £9,000,000 London Electric Transport debentures for tube extensions in N.E. London, followed by £5,700,000 (net) of Richard Thomas convertible debentures.

Company Notes

Home Rails: Southern Dividend.—This week's home rail dividends have run extraordinarily close to the form book. The Southern Railway has resumed dividends on its deferred stock (after a lapse of five years) at the generally anticipated rate of ½ per cent. The London, Midland and Scottish ordinary stock receives 1½ per cent.—the first payment since 1931—and the Great Western, from whom 3 per cent. was confidently expected, has covered this rate with a margin. These rates, which fit very closely to the earnings estimates given in *The Economist* of January 2nd, could only disappoint the inveterate optimists, and even they were warmly surprised by the excellence of the Great Western statement. The Southern announcement on Monday showed an increase of £751,042 (3.2 per cent.) in gross receipts for 1936, and of £153,863 (2.5 per

cent.) in net revenue. The ½ per cent. distribution, therefore, was fractionally short-earned. In computing the net revenue figure, the company has charged rates and contributions to the Freight Rebates Fund on the revised basis. Since the further rating saving in 1936 compared with 1935 was of the order of £75,000, the margin between gross and net increases has been largely absorbed by increased operating costs. The half-yearly statement last July showed that practically the whole of the increase in railway receipts had been absorbed by working expenditure. In the second half, receipts, including ancillaries, increased by £585,000, and net revenue by £171,000, with the increased wages costs (from August 16th) roughly cancelling out the reduced rating provision (which was confined to the second half of the year). This saving of gross to net is somewhat lower than the deferred stockholder might have hoped for, particularly in relation to the certainty of higher costs for wages, coal and stores in the current year. These reflections appeared to check the market, for the deferred stock, even at 23½ offers a small yield and, so far as the preliminary figures can be relied upon, less expansive prospects than, say, L.M.S. ordinary at 30½.

L.M.S. Statement.—The L.M.S. results coincided with a good traffic, but failed to stimulate the market, despite their satisfactory nature. Railway receipts were £2,805,000 (4.6 per cent.) higher and railway working expenses £1,690,000 (3.4 per cent.) higher in 1936. Ancillaries and miscellaneous receipts showed a net fall of £94,000 so that net revenue was £1,021,000 (7.8 per cent.) higher. Each year since 1932 has thus brought an increase of more than £1,000,000 in net revenue. The 1½ per cent. ordinary payment is covered, in fact, to the extent of 1.2 per cent. Calculation of the second half-year's working (which eliminates the effect of Leap Year) shows that increased expenditure absorbed 62 per cent. of the increase in receipts against 58 per cent. for

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the first half of 1936—a result which appears reasonably satisfactory, since the extra saving in rates compared with 1935 (when the greater part of the saving was brought into the accounts) is roughly balanced by the 1½ per cent. wage cut restoration. But the further sums receivable for rates over-paid during 1931-34, amounting to £3,180,000, will be allocated to reserves for maintenance and new works—a decision which was foreshadowed by Sir Josiah Stamp's speech last February, and is obviously to be commended.

A Surprise from Paddington.—The Great Western provides the most spectacular of this week's railway statements. A 3 per cent. dividend was anticipated as a matter of course, but few expected it to be fully covered by earnings. Gross receipts, including ancillaries, increased by £974,411 (3.3 per cent.), but gross expenditure was a mere £22,217 (0.1 per cent.) higher. In consequence, net revenue is increased by £864,271 (15.8 per cent.). This truly impressive result is in part due to special features in the Great Western accounts. For 1935, no rating relief was allowed for, but in 1936 between £360,000 and £370,000 was contributed towards the reduction in expenditure. But the second half-year's working appears none the less satisfactory, irrespective of the rating saving. Despite the increased wage charges, some £535,000 out of the £565,000 gross increase appears to have been saved net. It is particularly fitting that the G.W.R. should place the whole of the £1,737,800 recoverable for excess rates during the 1931-35 quinquennium to reserve, for during the lean years the 3 per cent. ordinary dividend has been maintained at the cost of £4,210,000 from contingencies and general reserves. Investors may, perhaps, presume that further surpluses earned over the 3 per cent. dividend will find their way to a similar home, and at 62½ the stock may best be regarded as a fixed-interest security, subject to the general context of rising costs in which the railways are placed.

Progressive Store Results.—If this week's store results and dividends can be regarded as representative of the industry, the rate of recovery in retail trading is now expanding vigorously. The net profit of *Harrods, Ltd.*, for instance, at £800,320, shows an increase of £70,889, or 10 per cent., which is higher than for any post-depression year. The 16 per cent. dividend paid for the two previous years is supplemented by a 2½ per cent. bonus, comfortably covered by equity earnings of 23.8 per cent. against 20.4 per cent. One contribution to this improvement lies in the higher dividend of *Dickins and Jones*, who pay 12½ per cent. against 10 per cent., after earning £120,504 against £114,143. *Selfridge and Company* also report substantial progress. Total profits of £485,086 compare with £414,190, and are the highest for ten years. The dividend is again raised, from 10 per cent. to 15 per cent., and the preliminary statement gives the profits for the whole group at £830,000 against

£723,000. *Lewis's, Ltd.*, are maintaining their deferred ordinary dividend at the same rate of 275 per cent., though profits, after debenture interest, show a substantial advance to £806,846, against £766,709.

Yorkshire Electric Report.—Although most electric supply companies have shown relatively small increases in earnings available for ordinary capital during the last five years, Yorkshire Power has achieved a very substantial increase in its profits in the period. Five or six years ago the ordinary earnings, if allowance had been made for depreciation on our customary standard rates, would have been inadequate to cover the dividend paid. The figures for 1936, on the same basis, show that the ordinary dividend, which has been maintained throughout at the rate of 8 per cent., is now covered by a handsome margin. The following table shows the progress over the last three years:—

	1934	1935	1936
Units sold (millions)—			
To company's consumers.....	269	306	366
Increase over previous year.....	13.9%	13.7%	19.5%
To Central Electricity Board....	149	134	90
Total.....	418	440	456
Power receipts.....	922,917	1,015,418	1,137,452
Plant renewals, contingency fund and depreciation and reserve fund.....	230,000	270,000	305,000
Ordinary shares—			
Earned.....	160,472	157,821	166,376
Paid.....	155,000	155,000	152,500
Depreciation on standard scale....	178,000	195,000	215,000
Earned for ordinary on adjusted basis.....	212,472	232,821	256,376
Earned (%).....	11.0	12.0	13.4

The progressive decrease in the sales to the Central Electricity Board is probably due to the fact that the company expanded its generating plant in advance of its own requirements, and was able to find a satisfactory market for the surplus in sales to the C.E.B. The demands of the company's consumers have taken up a good part of the slack, but the report indicates that further substantial extensions are in hand. These will no doubt provide the C.E.B. with a new surplus from the company's efficient generating stations. The £1 ordinary stock units are quoted at 44s. 6d. xd to yield £3 11s. 9d. per cent.

Lancashire Electric Results.—Despite the moderate improvement in the cotton industry last year, the progress of the Lancashire Power Company is, as yet, less impressive than that of the Yorkshire Power Company. Sales to general consumers increased by 12.1 per cent., against increases of 9 per cent. and 8 per cent. for the previous two years; but the 1936 earnings do not appear to cover the ordinary dividend, after providing for depreciation at our computed "standard rate." Electrification of cotton mills has notoriously lagged behind other industries. Under present conditions more rapid progress in the installation of modern power transmission may be expected. The following table summarises the principal features of the report:—

	1934	1935	1936
Units sold to general consumers (millions).....	303	330	370
Depreciation provided.....	90,500	100,500	113,000
Ordinary shares—			
Earned after pref. participation....	92,513	105,677	136,848
Paid.....	93,000	96,881	114,375
Rate (per cent.).....	7½	7½	7½
Depreciation on Standard Scale....	148,000	160,000	175,000
Earned for ordinary on adjusted basis.....	35,013	46,177	74,848

The accounts show that the total provision for income tax last year (all interest and dividend payments being on a net basis) was under £30,000, out of total earnings of nearly £430,000 before depreciation and interest. This may suggest that the revenue authorities accept a more conservative view of the necessary replacement provision than the published accounts suggest.

Television Finance.—Television as an entertainment opens up intriguing possibilities for "viewers" under the new regime (as we show on page 353); but it is early to explore the investment prospects of the industry. The record of the radio industry provides sufficient warning that, during a period of rapid technical change, the investor cannot hope for adequate earnings stability, despite the fact that some eight million set users have been supplied in a decade. Television is, technically, in an early stage of development. No lay investor can judge whether new discoveries will challenge the present methods. The intricacies of the patents position must be a closed book to him. And profits will depend largely upon the volume of sales of television receivers, although heavy technical costs are incurred in transmission, where, incidentally, the further development of programmes may involve a large outlay for specially designed cables. Meanwhile, the struggle in the receiver market is in full swing. Both Electric and Musical Industries and General Electric have introduced price cuts of 31½ per cent. for receivers, which are now to cost 60 guineas. By this means, a considerably larger potential market will be tapped, but, with the experience of the radio industry in mind, some potential "viewers" may decide to postpone their purchases for the time being.

Electric and Musical Industries, through its association with the selected transmission system, will presumably be most favourably situated in the receiver market. And this concern already has a considerable element of industrial diversification through its radio, house equipment and Rudge-Whitworth interests. It has regularly written off television development expenditure and is well furnished with cash resources. General Electric, which is interested in television receivers only, has too many other interests to rank as a television share proper. Baird Television has not been denied a share in the future development of the industry. The selected system applies only to the London station; there may be further provincial stations, and the Baird system may be adapted to the London standard. Meanwhile, the company will produce receivers suitable for both systems. For the moment, however, Baird shares must rank as a speculative holding, for they carry a high degree of technical risk.

Investment Trust Progress Continued.—Further investment trust results show a mottled combination of occasional outstanding improvements coupled with a comparatively moderate buoyancy of profits for the group as a whole. The full effect of recovering industrial earnings is not shown in trust dividends until one and a half to two years later, and there are signs that the time lag is still operating. An analysis of the latest reports of nine large trusts shows that only two companies, *General Investors* and *Scottish American*, achieved a 10 per cent. increase in revenues, and for the rest the recovery was in no case higher than 6 per cent. But there is common improvement in capital values. The accompanying table shows that eight companies are paying increased dividends (and usually preserving their margin of undistributed earnings). *Debenture Corporation*, whose holding of ordinary shares is only 17 per cent.

Company	App'n or Dep'n of Investments		Ordinary or Defd. Stock				Price	Yield (%)
			Earned		Dividend			
			Prev. year	Latest year	Prev. year	Latest year		
British Inv.	%	%	%	%	%	%	320	3.8
Debenture Corp'n.	+ 5	+ 9	11.0	12.0	11	12	100	4.0
For. and Colonial	+ 7	+ 7	11.4	12.0	10	10	252½	4.1
Gen. Inv. & Trustees	- 2	+ 17	5.5	6.4	4	4½	109	4.1
Rly. Deb. & Gen.	- 2	+ 7	10.3	13.9	10	11	267	4.3
Rly. Share Trust...	- 5	+ 7	6.5	6.8	5	5½	129	4.4
Scott. Amer. Inv.	+ 7	+ 7	7.5	8.6	5	6	140½	4.4
Sterling	- 3	+ 7	6.0	9.9	5	6½	60½	2.1
U.S. and General	- 2	+ 7	8.0	9.8	6	6½	176½	3.7
	- 5	+ 6	6.8	7.9	6	7	162½	4.3

† Per £1 Stock.

of the total, however, resumes reserve allocations with a provision of £15,000, although the carry forward had previously been increased by £10,000. The position of the portfolios shows a further improvement. At the beginning of last year depreciation had usually been reduced to modest dimensions, but in each case an appreciation—usually of undisclosed amount—is now reported. Only a handful of these companies provide an analysis of their holdings, and firm conclusions regarding portfolio changes are difficult to reach. *General Investors* shows a slightly lower proportion of equity securities. Although continued revenue recovery may be looked for, most trusts are some way from repeating their pre-depression dividends. Present share prices discount reasonable recovery prospects for the current year.

Oldham Cotton Shares.—The improvement in the Lancashire cotton industry has brought an active demand for cotton mill shares on the Oldham Stock Exchange. During the last two months, many shares have risen substantially, as the following table shows:—

Share and Denomination	Quotations Dec. 11, 1936		Share and Denomination	Quotations Dec. 11, 1936	
	s. d.	s. d.		s. d.	s. d.
Albany (£1)	7	0	Lilac (£5).....	10	0
Bolton Textile (£5)	18	6	Lion... (£10s)	43	6
Borough (£3)	44	0	Maple (£5).....	69	0
Crozier (£1, 12s. pd.)	6	9	Newhey Kings (£1).....	33	6
Devon (£5)	45	6	Park & Sandy Lane (£1).....	25	3
Durban (£5, £2 15s. pd.)	17	6	Talbot (£1)	5	6
Fernhurst (10s.)	8	0	Union Ring (£1)	3	3
Granville (£20)	89	0	Victoria (Rochdale) (5s.)	7	3
Grape (£1)	28	0	Werneth (£2)	62	6
Irish (£4, £2 10s. pd.)	53	0			

Much of the buying has been speculative, and some operators have already taken their considerable profits. Patient shareholders have obtained good bids for many shares which, but a short time ago, were almost unsaleable. Further encouragement has followed the resumption of dividends by some companies after many years' absence from the dividend list. It is anticipated that the

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stocktaking results at the end of June will be the best since the post-war boom of 1919-20. Many concerns, of course, have large adverse balances which must be extinguished before dividends can be resumed. Some fantastic reports of quick fortunes have been put about, but the recovery is so recent that they must obviously be unreliable. Market opinion, however, holds that the upward movement in share values has not yet reached the top.

* * *

Gas Light and Coke Meeting.—In the terminology of the hustings, Sir David Milne-Watson gave the stockholders of Gas Light and Coke a fighting speech at the end of last week. The company has entered the 125th year of its existence (for which, unfortunately, the English language provides no celebratory title) with all the confidence of second youth. Progress is best measured by the striking particulars of new installations which Sir David disclosed—an increase of £900,000 in the value of appliances sold last year, when nearly 750,000 appliances were issued; and an increase of £1,000,000 in appliance revenue from all sources. Having decided that the day of the black stove is past, the company has made modern appliances available on hire-purchase or rental, and last year issued nearly £3,700,000 of new capital mainly to finance them. As we pointed out last week, sales of gas have increased by no more than 3 per cent. since 1929, but rentals from appliances are no less than 30 per cent. higher. The increase in gas sales—last year it amounted to 3.69 per cent.—is less modest than it appears, in relation to the company's total output, but under modern conditions the locking-up of substantial capital in appliances and hire-purchase contracts is essential if gas consumption is to be maintained and increased. Even for the largest companies, however, rising costs, particularly for coal, are becoming increasingly pressing. Meanwhile, the scope for adjusting gas charges is limited by the basic price system, under which dividends are controlled by selling prices. Pending the decisions of the Joint Select Committee on gas tariffs, it is at least justifiable to regard the best gas stocks as fixed-interest securities. For those less fortunately placed, slight reductions in dividends have already occurred and may well become more frequent.

* * *

Rhodesia Railways Merger.—The scheme for the Rhodesia Railways merger and debenture conversion, which was approved on Thursday, will greatly clarify the capital structure of the two systems (the separate existence of which is by now an anachronism), although it will still leave the new company with record capital gearing. Rhodesia Railways has four and Mashonaland Railway three issues of debentures, all of which are to be converted into 4½ per cent. stock. Some £23,925,000 of the stock is to be created, of which £21,750,000 will be required for the conversion. The balance of £2,175,000 will remain in reserve, and British South Africa Company has undertaken to find subscribers for the stock on demand from the railway company. At present,

Rhodesia Railways has a share capital of no more than £8,000, and this is to be augmented to £350,000 by the capitalisation of £342,000 from reserves. The Mashonaland undertaking will then be acquired for 150,000 £1 shares of the Rhodesia Company. These share transactions, however, are not of direct public consequence, for the two operating companies are controlled by Rhodesia Railways Trust, whose ordinary capital, in turn, is largely held by British South Africa Company. Between November, 1932, and May, 1935, debenture moratorium schemes were in force, but the Rhodesia company showed a substantial surplus of profits over debenture service for the year to September, 1935, while the Mashonaland company covered its requirements with a small surplus. The depression earnings record reveals the dependence of the two systems upon the Rhodesian mining industry. Their delayed earnings recovery, in fact, has placed the companies rather late in the conversion queue, and it is unfortunate for the new company that the market's present form is hardly auspicious for an issue of this size without some concession in the issue terms.

* * *

Abbey Road Building Society.—The latest Abbey Road report shows that the customary progress has been maintained. Total mortgages, standing at £42,715,954, are 6 per cent. above the previous year, when a similar rate of increase was revealed, and properties mortgaged now number 82,997, against 77,127 and 70,138 at the end of 1935 and 1934 respectively. New advances are still more progressive, for the £7,506,680 lent was 3 per cent. above the level of the previous year. During the year there has been no change in rates or rebates to borrowing members, or in the rate of dividends and interest paid. The numbers of shareholders and depositors are still rising, but a marked rise in new share subscriptions (from £2,372,652 to £3,692,942) compares with a small fall in new deposits. The Abbey Road results may still be regarded as a model for the movement.

* * *

Company Results of the Week.—The profit and loss accounts of 42 other companies, including further gas company results, some interesting investment trust reports and several good industrial recoveries, appear on page 387, and are discussed under the heading "Shorter Company Comments" on the same page.

* * *

Company Meetings of the Week.—On later pages of this issue will be found the reports of the following company meetings:—Gas Light and Coke Company, Sterling Trust, Standard Trust, and Olympia. Sir David Milne-Watson's address to Gas Light and Coke Company stockholders is discussed in a Note on this page. At the Sterling Trust meeting, Baron Emile d'Erlanger expressed agreement with Mr J. M. Keynes regarding the wisdom of putting a brake on municipal development schemes during years of activity, so as to have them in hand in the next depression. Mr Alfred Shepherd explained to Standard Trust proprietors that the lower holdings of bonds and preference shares were due largely to the ability of companies to borrow more cheaply and therefore to compel trusts to accept lower rates or to take repayment. At the Olympia Limited meeting Mr Louis Nicholas outlined the various improvements the company is undertaking. Special expenditure of £20,602 has already been incurred.

ADVICE ON AMERICAN STOCKS

Recognising the demand of both private investors and financial institutions in Europe for first-hand advice regarding American securities and the cyclical trend of the American Stock Market, Major L. L. B. Angus of 301 Park Avenue, New York City, who is now established as Investment Counsel in America, is prepared to accept enquiries regarding this service.

Accounts managed; portfolios supervised

PUBLICATIONS: *Coming Rise in Wall Street* (Apr. 1933) *Coming American Boom* (Aug. 1934). *The American Boom Begins* (May 1935). *Investment for Appreciation*, etc.

THE WEEK IN THE MARKETS THE STOCK EXCHANGE

SETTLING DAYS

TICKET: FEBRUARY 16 ACCOUNT: FEBRUARY 18

THE market's testing time has come this week. Each day, save for a small mid-week recovery, has found gilt-edged values forcibly dragged down to lower levels, until the culminating blow on Thursday. The Chancellor's statement, in which he outlined his proposal to take powers to borrow up to £400 millions for re-armament, produced the invariable response to serious and far-reaching news—wider and lower prices. The statement is discussed in a leading article on page 341, and some market implications are reviewed in an investment note on page 365.

Dealings in the last half-hour on Thursday were extremely difficult in gilt-edged and, to give only one example, jobbers called War Loan 103½, compared with the usual ½ turn. Throughout the week, except for some moderate support on Wednesday, dealers have been averse to taking comparatively small sales of gilt-edged on their books. War Loan fell ¼ on Monday, ½ on Tuesday, but recovered ¾ on Wednesday. Comparable falls were registered by the irredeemables, and the blight affected the whole gamut of redeemable stocks, Indian loans, and Dominion issues.

Among foreign bonds, Chinese bonds opened well, and some demand was evident (and was maintained on Thursday) for Brazilian Fundings. German issues were sold at the opening of the Standstill negotiation. Some mid-week buying of Greek issues was reported, and Japanese issues appreciated on quiet supporting orders.

Home rails, after showing weakness following the deadlock in the locomotive engineers' dispute, found plenty of distraction in the dividend announcements. Southern Deferred reacted on the ½ per cent. payment, though one per cent. was unlikely while the Preferred weakened in sympathy. The market generally sagged on Thursday in response to the decline in gilt-edged. The G.W.R. 3 per cent. and the L.M.S. 1½ per cent. dividends, though of the expected amount in both cases, met with different responses: G.W., Ordinary rose sharply, as the payment, though no higher, had been fully earned. L.M.S. Ordinary rallied a little on the announcement, but fell back

afterwards. Argentine rails enjoyed a good week on the whole, and though they shared in Tuesday's dullness, improved considerably on the traffics. Canadian Pacific Preference was a poor market on the disappointing dividend, and the common stock reacted slightly from its somewhat optimistic level.

The uneasy conditions in the gilt-edged market have not spared the industrial markets this week, and prices generally moved against holders, although the volume of business was small. In the iron and steel section, apart from general dullness, T. W. Ward were lower on disappointment with the interim dividend, and Chinese Engineering were about the only issue to improve steadily. Coal shares have been fairly well supported on various good dividend announcements. There were signs of a slight improvement in the motor section in mid-week, but Tilling were subjected to profit-taking, and Standard were also a little lower; conditions in the aircraft section were equally uninteresting. At the beginning of the week there was a good demand for leading electrical equipment shares, with Associated and Crompton Parkinson prominent, but interest was not maintained later. County of London showed a modest improvement among electrical supply shares.

Textile issues have been firm most of the time, on good trading reports, and in the stores section Harrods were supported on the increased dividend and bonus, although profit-taking became evident later. Breweries showed signs of life in mid-week, although Guinness were unchanged on the maintained interim dividend. One of the outstanding points of the week was the fall in Bowater ordinary; various rumours were in circulation, and the market was obviously troubled. The miscellaneous industrials section was dull, with prices moving against holders in most cases. Outstanding for their resistance were Consolidated Signals on the increased dividend, and British Aluminium on a good trading report.

After a firm opening session, the oil market shared some of the weakness in gilt-edged stocks which on Tuesday spread to other sections. Thursday's street market was active on ½d. increase in petrol prices. The demand for leading issues continued good throughout, the main features being Anglo-Iranian and Trinidad issues generally. Eagles were neglected.

Until mid-week, rubber share prices were quiet though firm, numerous but small improvements in quotations having given way to uninteresting conditions. Belief that some countries

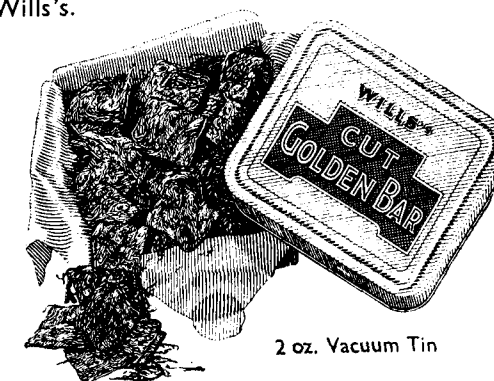
(Continued on page 376)

GOLDEN MOMENTS

Hockey

A fast run, two backs cleverly beaten, and he drives the ball home for a brilliant goal—victory for his side and a Golden Moment for him.

But even he can't buy a better tobacco at a shilling an ounce than "Cut Golden Bar." But it must be Wills's.



2 oz. Vacuum Tin

WILLS'S CUT GOLDEN BAR

READY RUBBED
in 2 oz. Pocket Vacuum Tins
and 1 oz. Airtight Tins
FLAKE FORM
in 2 oz. Vacuum Tins
and 1 oz. Packets

1½
AN OUNCE

C.B.82.B

Issued by the Imperial Tobacco Co. Ltd. Great Britain and Ireland, Ltd.

REDEMPTION OR CONVERSION OF ALL EXISTING DEBENTURES

OF

THE RHODESIA RAILWAYS, LIMITED

(formerly the Bechuanaland Railway Company, Limited)

AND

THE MASHONALAND RAILWAY COMPANY, LIMITED

THE RHODESIA RAILWAYS, LIMITED

(Incorporated under the Companies Acts, 1862 to 1890.)

REDEMPTION OF 5 PER CENT. FIRST MORTGAGE DEBENTURES.

NOTICE IS HEREBY GIVEN that pursuant to the provisions of a Trust Deed dated 18th September, 1896, and the Trust Deeds supplemental thereto, the £1,831,800 5 per cent. First Mortgage Debentures of the above-named Company now remaining outstanding will be REDEEMED by the Company at £105 per cent. plus accrued interest (less Income Tax) on the 13th August, 1937, after which date interest will cease to accrue. Holders of the said Debentures are offered the right to convert their holdings into new 4½ per cent. Debenture Stock of the Company. The principal moneys, premium and accrued interest in respect of Debentures not converted will be paid on or after the 13th August, 1937, on presentation of such Debentures (which must be left three clear days for examination prior to payment and must have attached coupon No. 78 and all subsequent coupons) at Erlangers Limited, 4, Moorgate, London, E.C.2.

By Order of the Board: R. E. FITZGERALD,
12th February, 1937.

London Manager and Secretary of The Rhodesia Railways, Limited.

THE RHODESIA RAILWAYS, LIMITED

(Incorporated under the Companies Acts, 1862 to 1890.)

REDEMPTION OF 3 PER CENT. GUARANTEED MORTGAGE DEBENTURES AND 4 PER CENT. GUARANTEED MORTGAGE DEBENTURES.

NOTICE IS HEREBY GIVEN that pursuant to the provisions of a Trust Deed dated 1st June, 1900, and the Trust Deeds supplemental thereto, the £252,870 3 per cent. Guaranteed Mortgage Debentures and the £3,996,333 4 per cent. Guaranteed Mortgage Debentures of the above-named Company now remaining outstanding will be REDEEMED by the Company at £107 per cent. plus accrued interest (less Income Tax) on the 14th August, 1937, after which date interest will cease to accrue.

Holders of the said Debentures are offered the right to convert their holdings into new 4½ per cent. Debenture Stock of the Company. The principal moneys, premium and accrued interest in respect of Debentures not converted will be paid on or after the 14th August, 1937, on presentation of such Debentures (which must be left three clear days for examination prior to payment and must have attached coupon No. 70 and all subsequent coupons) at Erlangers Limited, 4, Moorgate, London, E.C.2.

By Order of the Board: R. E. FITZGERALD,
12th February, 1937.

London Manager and Secretary of The Rhodesia Railways, Limited.

THE MASHONALAND RAILWAY COMPANY LIMITED

(Incorporated under the Companies Acts, 1862 to 1890.)

REDEMPTION OF 5 PER CENT. FIRST MORTGAGE DEBENTURES.

NOTICE IS HEREBY GIVEN that in the event of a special resolution for the voluntary winding-up of the above-named Company for the purpose of amalgamation with The Rhodesia Railways, Limited (which will be submitted to an Extraordinary General Meeting of the Company to be held on the 31st March, 1937), being duly passed, the £1,795,100 5 per cent. First Mortgage Debentures secured by a Trust Deed dated 1st March, 1896, and the Trust Deeds supplemental thereto, and now remaining outstanding, will become redeemable on the 31st March, 1937, and will be REDEEMED at £105 per cent., plus accrued interest (less Income Tax) on the 31st March, 1937, after which date interest will cease to accrue.

Holders of the said Debentures are offered the right to convert their holdings into new 4½ per cent. Debenture Stock of The Rhodesia Railways, Limited.

Subject to the above-mentioned special resolution being duly passed, the principal moneys, premium and accrued interest in respect of Debentures not converted will be paid on or after the 31st March, 1937, on presentation of such Debentures (which must be left three clear days for examination prior to payment, and must have attached coupons Nos. 79 and 80) at Erlangers Limited, 4, Moorgate, London, E.C.2.

By Order of the Board: R. E. FITZGERALD,
12th February, 1937.

Secretary of The Mashonaland Railway Company, Limited.

THE MASHONALAND RAILWAY COMPANY, LIMITED

(Incorporated under the Companies Acts, 1862 to 1890.)

REDEMPTION OF 5 PER CENT. GUARANTEED MORTGAGE DEBENTURES (1905).

NOTICE IS HEREBY GIVEN that in the event of a special resolution for the voluntary winding-up of the above-named Company for the purpose of amalgamation with The Rhodesia Railways, Limited (which will be submitted to an Extraordinary General Meeting of the Company to be held on the 31st March, 1937), being duly passed, the £2,560,000 5 per cent. Guaranteed Mortgage Debentures (1905) secured by a Trust Deed dated the 14th June, 1905, and the Trust Deeds supplemental thereto, and now remaining outstanding, will become redeemable on the 31st March, 1937, and will be REDEEMED at £105 per cent., plus accrued interest (less Income Tax) on the 31st March, 1937, after which date interest will cease to accrue.

Holders of the said Debentures are offered the right to convert their holdings into new 4½ per cent. Debenture Stock of The Rhodesia Railways, Limited.

Subject to the above-mentioned special resolution being duly passed, the principal moneys, premium and accrued interest in respect of Debentures not converted will be paid on or after the 31st March, 1937, on presentation of such Debentures (which must be left three clear days for examination prior to payment and must have attached coupon No. 64 and all subsequent coupons) at Erlangers Limited, 4, Moorgate, London, E.C.2.

By Order of the Board: R. E. FITZGERALD,
12th February, 1937.

Secretary of The Mashonaland Railway Company, Limited.

THE RHODESIA RAILWAYS, LIMITED and THE MASHONALAND RAILWAY COMPANY, LIMITED

(Incorporated under the Companies Acts, 1862 to 1890.)

REDEMPTION OF RHODESIA AND MASHONALAND RAILWAYS 6 PER CENT. CONSOLIDATED DEBENTURES.

NOTICE IS HEREBY GIVEN that in the event of a special resolution for the voluntary winding-up of The Mashonaland Railway Company, Limited, for the purpose of amalgamation of that Company with The Rhodesia Railways, Limited (which will be submitted to an Extraordinary General Meeting of that Company to be held on the 31st March, 1937), being duly passed, the £10,000,000 6 per cent. Consolidated Debentures of the two Companies which are secured by a Trust Deed dated 12th May, 1927, and the Trust Deeds supplemental thereto, and now remaining outstanding, will become redeemable on the 31st March, 1937, and will be REDEEMED at £101 per cent., plus accrued interest (less Income Tax) on the 31st March, 1937, after which date interest will cease to accrue.

Holders of the said Debentures are offered the right to convert their holdings into new 4½ per cent. Debenture Stock of The Rhodesia Railways, Limited.

Subject to the above-mentioned special resolution being duly passed, the principal moneys, premium and accrued interest in respect of Debentures not converted will be paid on or after the 31st March, 1937, on presentation of such Debentures (which must be left three clear days for examination prior to payment and must have attached coupon No. 20 and all subsequent coupons) at Erlangers Limited, 4, Moorgate, London, E.C.2.

By Order of the respective Boards of the above-named Companies:

12th February, 1937.

R. E. FITZGERALD, London Manager and Secretary of The Rhodesia Railways, Limited,
and Secretary of The Mashonaland Railway Company, Limited.

TERMS OF CONVERSION

The Rhodesia Railways, Limited, is issuing £21,750,000 4½ per cent. Debenture Stock at £98 per cent. for the purpose of providing for the conversion and/or redemption of the outstanding Debenture Capital of the Company and of The Mashonaland Railway Company, Limited, except the 3 per cent. Guaranteed Mortgage Debentures of The Rhodesia Railways, Limited, which in so far as they are not converted, will be repaid out of an unsecured advance to be made by The British South Africa Company.

Holders of the existing Debentures of The Rhodesia Railways, Limited, and The Mashonaland Railway Company, Limited, are given the right until 3.30 p.m. on Wednesday, the 24th February, 1937, to convert any of their Debentures into the said 4½ per cent. Debenture Stock of the Rhodesia Railways, Limited.

Every holder of existing Debentures who exercises the right of conversion will receive fully paid Letter(s) of Allotment for the nominal amount(s) of 4½ per cent. Debenture Stock, carrying interest from 1st April, 1937, equivalent to the nominal amount(s) of existing Debentures surrendered by him for conversion and an immediate cash capital payment representing (a) the premium payable on redemption of the Debentures so surrendered, (b) the discount of 2 per cent. being the difference between par value and the issue price of the 4½ per cent. Debenture Stock, and (c) an amount equivalent to the appropriate adjustment of interest. The cash capital payments appropriate to the several classes of existing Debentures are given below.

Prospectus giving full particulars of the £21,750,000 4½ per cent. Debenture Stock of The Rhodesia Railways, Limited, and comprising a Conversion Offer, together with Forms of Conversion Acceptances, may be obtained on and after Saturday, the 13th February, 1937, on application to:—

ERLANGERS LIMITED ... 4, Moorgate, London, E.C.2.
WESTMINSTER BANK LIMITED ... New Issue Department, 9, Old Broad Street, London, E.C.2, or Branches.
BANK OF SCOTLAND ... The Mound, Edinburgh, and principal Branches in Scotland.
ULSTER BANK LIMITED ... Waring Street, Belfast, and College Green, Dublin.
CAZENOVE, AKROYDS & GREENWOOD & CO. ... 10, Old Broad Street, London, E.C.2.
PANMURE GORDON & CO. ... 1, St. Michael's Alley, London, E.C.3.

or to the Registered Offices of The Rhodesia Railways, Limited, and The Mashonaland Railway Company, Limited, 2, London Wall Buildings, London, E.C.2.

Holders of Debentures who wish to accept the Offer of Conversion must lodge their Forms of Acceptance, duly completed, accompanied by the relative Debentures for cancellation, with ERLANGERS LIMITED, 4, MOORGATE, LONDON, E.C.2, or WESTMINSTER BANK LIMITED, NEW ISSUE DEPARTMENT, 9, OLD BROAD STREET, LONDON, E.C.2, or Branches, not later than 3.30 p.m. on Wednesday, the 24th February, 1937.

Brokerage at the rate of 5s. per £100 nominal of stock will be paid to recognised Stockbrokers, Bankers, and other approved Agents on allotments made in respect of conversion acceptances bearing their stamps.

PARTICULARS OF ALLOTMENTS AND CASH CAPITAL PAYMENTS IN RESPECT OF CONVERSION ACCEPTANCES.

£1,831,800 5 per cent. First Mortgage Debentures of The Rhodesia Railways, Limited.

For every £100 nominal of the above Debentures surrendered for conversion the holder will receive:—

(a) Fully paid Letter of Allotment in respect of 4½ per cent. Debenture Stock of The Rhodesia Railways, Limited, carrying interest from 1st April, 1937, for the nominal amount of ...	£100 0 0
(b) Cash capital payment of ...	£8 16 0
being:—	
(1) Premium payable on redemption ...	£5 0 0
(2) Discount, being the difference between par value and the price at which the 4½ per cent. Debenture Stock is issued ...	2 0 0
(3) Amount equivalent to interest on existing Debentures at the rate of 5 per cent. per annum (less Income Tax at 4s. 9d. in the £) from 1st November, 1936, to 31st March, 1937 ...	1 11 9
(4) Amount equivalent to interest at the rate of ½ of 1 per cent. per annum (less Income Tax at 4s. 9d. in the £) from 1st April, 1937, to 13th August, 1937, being the difference between the rate of 5 per cent. per annum on the Debentures converted and 4½ per cent. per annum on the new Debenture Stock issued in exchange ...	4 3
	£8 16 0

£252,870 3 per cent. Guaranteed Mortgage Debentures of The Rhodesia Railways, Limited.

For every £100 nominal of the above Debentures surrendered for conversion the holder will receive:—

(a) Fully paid Letter of Allotment in respect of 4½ per cent. Debenture Stock of The Rhodesia Railways, Limited, carrying interest from 1st April, 1937, for the nominal amount of ...	£100 0 0
(b) Cash capital payment of ...	£9 12 0
being:—	
(1) Premium payable on redemption ...	£7 0 0
(2) Discount, being the difference between par value and the price at which the 4½ per cent. Debenture Stock is issued ...	2 0 0
(3) Amount equivalent to interest on existing Debentures at the rate of 3 per cent. per annum (less Income Tax at the rate of 4s. 9d. in the £) from 1st November, 1936, to 31st March, 1937 ...	£0 19 1
Less Interest at the rate of 1½ per cent. per annum (less Income Tax at the rate of 4s. 9d. in the £) from 1st April, 1937, to 14th August, 1937, being the difference between the rate of 3 per cent. per annum on the Debentures converted and 4½ per cent. per annum on the new Debenture Stock issued in exchange ...	7 1
	12 0
	£9 12 0

£3,996,333 4 per cent. Guaranteed Mortgage Debentures of The Rhodesia Railways, Limited.

For every £100 nominal of the above Debentures surrendered for conversion the holder will receive:—

(a) Fully paid Letter of Allotment in respect of 4½ per cent. Debenture Stock of The Rhodesia Railways, Limited, carrying interest from 1st April, 1937, for the nominal amount of ...	£100 0 0
(b) Cash capital payment of ...	£10 4 0
being:—	
(1) Premium payable on redemption ...	£7 0 0
(2) Discount, being the difference between par value and the price at which the 4½ per cent. Debenture Stock is issued ...	2 0 0
(3) Amount equivalent to interest on existing Debentures at the rate of 4 per cent. per annum (less Income Tax at the rate of 4s. 9d. in the £) from 1st November, 1936, to 31st March, 1937 ...	£1 5 5
Less Interest at the rate of 1½ per cent. per annum (less Income Tax at the rate of 4s. 9d. in the £) from 1st April, 1937, to 14th August, 1937, being the difference between the rate of 4 per cent. per annum on the Debentures converted and 4½ per cent. per annum on the new Debenture Stock issued in exchange ...	1 5
	1 4 0
	£10 4 0

£1,795,100 5 per cent. First Mortgage Debentures of The Mashonaland Railway Company, Limited.

For every £100 nominal of the above Debentures surrendered for conversion the holder will receive:—

(a) Fully paid Letter of Allotment in respect of 4½ per cent. Debenture Stock of The Rhodesia Railways, Limited, carrying interest from 1st April, 1937, for the nominal amount of ...	£100 0 0
(b) Cash capital payment of ...	£8 18 2
being:—	
(1) Premium payable on redemption ...	£5 0 0
(2) Discount, being the difference between par value and the price at which the 4½ per cent. Debenture Stock is issued ...	2 0 0
(3) Amount equivalent to interest on existing Debentures at the rate of 5 per cent. per annum (less Income Tax at 4s. 9d. in the £) from 1st October, 1936, to 31st March, 1937 ...	1 18 2
	£8 18 2

£2,560,000 5 per cent. Guaranteed Mortgage Debentures (1905) of The Mashonaland Railway Company, Limited.

For every £100 nominal of the above Debentures surrendered for conversion the holder will receive:—

(a) Fully paid Letter of Allotment in respect of 4½ per cent. Debenture Stock of The Rhodesia Railways, Limited, carrying interest from 1st April, 1937, for the nominal amount of ...	£100 0 0
(b) Cash capital payment of ...	£7 19 1
being:—	
(1) Premium payable on redemption ...	£5 0 0
(2) Discount, being the difference between par value and the price at which the 4½ per cent. Debenture Stock is issued ...	2 0 0
(3) Amount equivalent to interest on existing Debentures at the rate of 5 per cent. per annum (less Income Tax at the rate of 4s. 9d. in the £) from 1st January, 1937, to 31st March, 1937 ...	19 1
	£7 19 1

£10,000,000 Rhodesia and Mashonaland Railways 6 per cent. Consolidated Debentures.

For every £100 nominal of the above Debentures surrendered for conversion the holder will receive:—

(a) Fully paid Letter of Allotment in respect of 4½ per cent. Debenture Stock of The Rhodesia Railways, Limited, carrying interest from 1st April, 1937, for the nominal amount of ...	£100 0 0
(b) Cash capital payment of ...	£3 15 3
being:—	
(1) Premium payable on redemption ...	£1 0 0
(2) Discount, being the difference between par value and the price at which the 4½ per cent. Debenture Stock is issued ...	2 0 0
(3) Amount equivalent to interest on existing Debentures at the rate of 6 per cent. per annum (less Income Tax at the rate of 4s. 9d. in the £) from 1st February, 1937, to 31st March, 1937 ...	15 3
	£3 15 3

NOTE.—Holders of existing Debentures for fractions of £100 nominal who exercise the right of conversion will receive proportionate Allotments of the new 4½ per cent. Debenture Stock and proportionate amounts of the appropriate cash capital payments mentioned above.
Dated 12th February, 1937.

LONDON ACTIVE SECURITY PRICES AND YIELDS

In calculating yields on fixed interest stocks quoted below allowance is made for interest accrued since the last date of payment, less income tax at the standard rate. Where stocks are definitely redeemable at a certain date the yield includes any profit or loss on redemption; where stocks are redeemable at or before a certain date the final date of redemption is taken when the stock stands at a discount and the earliest date when the quotation is above par. The return on ordinary stocks and shares is calculated by reference to the latest dividends, account being taken of any enhancement or reduction of interim dividends. Allowance is made for accrued dividends in calculating the yield on "cum. div." shares.

Prices, Year 1936				Prices, Year 1937 Jan. 1 to Feb. 10, inclusive				Name of Security	Price, Feb. 3, 1937	Price, Feb. 10, 1937	Rise or Fall	Yield, Feb. 10, 1937	Prices, Year 1937 Jan. 1 to Feb. 10, inclusive			Name of Security	Price, Feb. 3, 1937	Price, Feb. 10, 1937	Rise or Fall	Yield, Feb. 10, 1937
High-est	Low-est	High-est	Low-est	(a)	(b)	(c)														
British Funds																				
87 1/2	82 1/2	84 1/2	81	Consols 2 1/2%	82 1/2	81 1/2	-1	3 1/2	40 1/2	38 3/4	5(b)	5(a)	Bank of N. Zealand £1	40 1/2	40 1/2	-	3 1/2	4 0		
102 1/2	100 1/2	101 1/2	98 1/2	Do. 4% Red. at par on or after Feb. 1937 (m)	111 1/2	111	-1 1/2	3 7/8	80 10/16	76 1/2	7(a)	7(b)	Bank of England £1	36 1/2	36 1/2	-	3 12	0		
105 1/2	103 1/2	103 1/2	100	Conversion, 2 1/2% 1944-49	99 1/2	99 1/2	-	2 11/16	48 3/4	46 3/4	2(a)	3(b)	Barclay B. (£1) A £1	47 1/2	47 1/2	-6d	3 3	0		
108 1/2	104 1/2	106 1/2	104 1/2	Do. 3 1/2% 1948-53	100 1/2	101	+1	2 19/32	10 1/2	9 1/2	4(b)	2(a)	Bk. of Australasia (£5)	10 1/2	10 1/2	-	3 7	0		
111 1/2	107 1/2	108 1/2	107 1/2	Do. 3 1/2% after 1961 (s)	105 1/2	104 1/2	-1	3 6/8	44 1/2	44 1/2	8(c)	8(c)	Bk. of Montreal (\$100)	44 1/2	44 1/2	-	3 1	60		
121 1/2	116 1/2	117 1/2	115 1/2	Do. 4 1/2% 1940-44	107 1/2	107 1/2	-	2 9/16	28 1/2	27 1/2	5(c)	5(c)	Bk. of N.S. Wales (£20)	27 1/2	27 1/2	-	6 3	0		
95 1/2	92 1/2	92 1/2	89 1/2	Do. 5% 1944-64	116 1/2	116	-1/2	2 17/32	10 1/2	9 1/2	6(c)	6(c)	British Overseas A £5	9 1/2	9 1/2	-	3 1	60		
104 1/2	101 1/2	101 1/2	98 1/2	Funding 2 1/2% 1956-61	90 1/2	90	-1/2	3 3/16	16 1/2	15 1/2	7(b)	7(a)	British Overseas A £5	15 1/2	15 1/2	-	6 3	0		
119 1/2	115 1/2	116 1/2	113 1/2	Funding 3 1/2% 1959-69	99 1/2	99	-1/2	3 3/16	15 1/2	14 1/2	3(a)	3(a)	Chtd. of India (£5)...	15 1/2	15 1/2	-	3 14	0		
117 1/2	113 1/2	114 1/2	112 1/2	Victory Bonds 4 1/2%	114 1/2	113	-1	3 4/16	94 1/2	94 1/2	8(a)	8(b)	Comd. Bk. of Aus. 10/-	94 1/2	94 1/2	-	3 11	0		
108 1/2	104 1/2	105 1/2	103 1/2	War 4 1/2% after 1952 (p)	104 1/2	103 1/2	-1	3 5/16	58 1/2	58 1/2	5(a)	5(a)	Do. B £1 fully paid	58 1/2	58 1/2	+1/3	2 17	60		
98 1/2	94 1/2	96 1/2	92 1/2	Local Loans 3%	94 1/2	93 1/2	-1	3 4/16	11 1/2	11 1/2	18(c)	18(c)	Eng. Scot. & Aust. £5 3/4 pd.	11 1/2	11 1/2	+1/3	3 16	60		
103 1/2	101 1/2	101 1/2	98 1/2	Austria 3% 1933-53	101 1/2	101	-1/2	2 18/32	115 1/2	109 1/2	2(a)	3(a)	Hambros £10, £24 pd.	115 1/2	115 1/2	-	4 17	3		
76 1/2	70 1/2	72 1/2	66 1/2	India 2 1/2%	68 1/2	67 1/2	-1	3 14/16	69 1/2	61 7/8	6(a)	6(b)	Lloyds £5, with £1 pd.	61 7/8	61 7/8	+6d	3 15	9		
89 1/2	83 1/2	85 1/2	79 1/2	Do. 3%	81 1/2	80 1/2	-1	3 14/16	10 1/2	9 1/2	7(a)	7(b)	Martins £20, £24 pd.	9 1/2	9 1/2	-1/2	3 12	0		
100 1/2	96 1/2	98 1/2	93 1/2	Do. 3 1/2%	95 1/2	94 1/2	-1	3 14/16	94 1/2	87 1/2	4(b)	4(a)	Midland £1, fully pd.	87 1/2	87 1/2	-1/2	3 6	0		
120 1/2	116 1/2	119 1/2	116 1/2	Do. 4 1/2% 1958-68	117 1/2	117	-1/2	3 4/16	47 1/2	47 1/2	9(b)	9(a)	Nat. of Egypt £10	47 1/2	47 1/2	-	2 6	6		
107 1/2	104 1/2	105 1/2	103 1/2	U.K. & Arg. 4% (1947)	105 1/2	105 1/2	-	3 8/16	6 1/2	6 1/2	7(a)	7(b)	Nat. of India £5, £12 1/2 pd.	6 1/2	6 1/2	-	3 15	0		
Dom. & Col. Govts.																				
113 1/2	109 1/2	109 1/2	107 1/2	Australia 5% 1945-75	108 1/2	108	-1/2	3 16/16	496 1/2	487 1/2	7(a)	7(b)	Nat. Prov. £20, £24 pd.	487 1/2	487 1/2	-	3 9	6		
106 1/2	102 1/2	105 1/2	104 1/2	Canada 4% 1940-60	105 1/2	105	-1/2	2 13/16	16 1/2	15 1/2	7(b)	5(a)	Royal Bk. of Scot. £1	15 1/2	15 1/2	-	3 15	0		
118 1/2	114 1/2	116 1/2	115 1/2	Gold Coast 4 1/2% 1956	116 1/2	116	-1/2	3 7/8	101 1/2	97 1/2	9(a)	9(b)	St. of S. Af. £20, £5 pd.	97 1/2	97 1/2	+1/6	3 12	0		
120 1/2	117 1/2	117 1/2	116 1/2	Nigeria 5% 1950-60	117 1/2	117	-1/2	3 7/8	2 1/2	2 1/2	3(b)	3(b)	Westminster £4, £1 pd.	2 1/2	2 1/2	-	4 0	0		
114 1/2	108 1/2	109 1/2	107 1/2	N. Zealand 5% 1946	108 1/2	108	-1/2	3 18/16	6 1/2	6 1/2	9(a)	9(b)	Alexanders £2, £1 pd.	6 1/2	6 1/2	-	4 1	0		
109 1/2	106 1/2	107 1/2	106 1/2	Queensland 5% 1940-60	107 1/2	107	-1/2	3 2/2	6 1/2	6 1/2	5(a)	5(b)	National A £2 fly. pd.	6 1/2	6 1/2	-	4 4	0		
117 1/2	113 1/2	114 1/2	113 1/2	S. Africa 5% 1945-75	113 1/2	113	-1/2	3 2/10	16 1/2	15 1/2	9(a)	9(b)	B. £7 1/2 pd.	15 1/2	15 1/2	+1/3	3 18	14		
Foreign Governments																				
102 1/2	90 1/2	100 1/2	97 1/2	Argentina 4 1/2% Str. Bds	100 1/2	100 1/2	-	4 10/16	32	30 1/2	50(b)	40(a)	Alliance £1, fully pd.	31 1/2	31 1/2	-1	2 13	0		
93 1/2	82 1/2	90 1/2	84 1/2	Austria 7% 1957	100 1/2	100 1/2	-	6 18/16	10 1/2	9 1/2	4(b)	4(a)	Atlas £5, £1 pd.	9 1/2	9 1/2	-	2 15	0		
72 1/2	71 1/2	73 1/2	70 1/2	B. Aires (Prov.) 3 1/2%	72 1/2	72	-1/2	4 17/16	10 1/2	9 1/2	20(b)	20(a)	Com. Un. £1, fully pd.	10 1/2	10 1/2	-	4 2	0		
87 1/2	85 1/2	88 1/2	86 1/2	Belgian 4% red. by 1970	97 1/2	98	+1	4 3/16	6 1/2	5 1/2	3(b)	28(a)	Gen. Accident £1, 5/- pd.	5 1/2	5 1/2	-	2 17	2		
27 1/2	14 1/2	26 1/2	25 1/2	Bulgaria 7 1/2% Loan	26 1/2	25 1/2	-1	9 16/16	35 1/2	34 1/2	25(a)	25(b)	Lon. & Lanc. £5, £2 pd.	35 1/2	35 1/2	-	2 8	0		
83 1/2	65 1/2	88 1/2	84 1/2	Brazil 8% Fund. 1914	88 1/2	87 1/2	-1	5 15/16	10 1/2	9 1/2	3(a)	31(b)	Northern £10, £1 pd.	12 1/2	13 1/2	-	3 17	0		
24 1/2	16 1/2	28 1/2	23 1/2	Chili 6% (1929)	23 1/2	23 1/2	-	2 15/16	21 1/2	20 1/2	4(b)	4(b)	Pearl (£1), fully paid	21 1/2	21 1/2	-	3 16	0		
84 1/2	66 1/2	88 1/2	83 1/2	China 5% (1912)	86 1/2	87 1/2	+1	5 15/16	22 1/2	20 1/2	125(b)	125(a)	Phoenix £1, fully pd.	15 1/2	15 1/2	-	1 11	0		
95 1/2	80 1/2	96 1/2	93 1/2	Do. 5% (1913)	95 1/2	95	-1/2	5 5/16	16 1/2	15 1/2	30(a)	30(a)	Prudential £1 A	15 1/2	15 1/2	-	1 19	0		
112 1/2	95 1/2	108 1/2	106 1/2	Czechoslovakia 8%	108 1/2	108	-1/2	7 7/8	37 1/2	36 1/2	143(c)	155(a)	Do. £1, with 4s. paid	36 1/2	36 1/2	+1	2 14	0		
110 1/2	98 1/2	100 1/2	96 1/2	Danish 3%	106 1/2	106	-1/2	3 9/16	114 1/2	110 1/2	143(c)	150(b)	Do. £1, with 4s. paid	110 1/2	112 1/2	+2 1/2	1 19	6		
70 1/2	57 1/2	72 1/2	62 1/2	Danzig 6 1/2%	65 1/2	71	+5 1/2	9 3/16	14 1/2	14 1/2	19(b)	11(a)	Royal Exchange (£1)	10 1/2	10 1/2	-	3 8	0		
106 1/2	102 1/2	105 1/2	102 1/2	Egypt 7 1/2% 1922	105 1/2	105	-1/2	3 16/16	9 1/2	9 1/2	3(b)	3(b)	Royal £1, 10/- pd.	9 1/2	9 1/2	-	3 8	0		
25 1/2	17 1/2	18 1/2	17 1/2	French 4 1/2% (British)	18 1/2	18	-1/2	5 7/16	19 1/2	19 1/2	6(a)	6(b)	Sc. Un. & Nat. £20, £1 pd.	19 1/2	19 1/2	-	3 11	0		
69 1/2	53 1/2	61 1/2	53 1/2	German 7% Dawes Ln.	59 1/2	60	+1	11 13/16	93 1/2	85 1/2	1/5(b)	1/6(a)	Sun Insur. £1 with 5/- pd.	87 1/2	87 1/2	-	1 19	0		
46 1/2	34 1/2	43 1/2	35 1/2	Do. 5 1/2% (Young Ln.)	41 1/2	41	-1/2	13 8/16	8 1/2	8 1/2	8(a)	8(a)	Sun Life Assur., £1, fy pd.	8 1/2	8 1/2	-	2 5	0		
40 1/2	29 1/2	36 1/2	30 1/2	Greek 6% Stab. Ln.	35 1/2	34 1/2	-1	6 16/16	21 1/2	20 1/2	130(b)	117(a)	Yorksire £1, fully pd.	21 1/2	21 1/2	-	3 4	6		
45 1/2	35 1/2	44 1/2	38 1/2	Do. 7% Refugee	43 1/2	42 1/2	-1	6 9/16	300	311	308	6(a)	3(a)	Anglo-American, Deb.	310	310	-	3 4	6	
52 1/2	39 1/2	55 1/2	47 1/2	Hungary 7 1/2%	51 1/2	51 1/2	-	7 5/16	84 1/2	81 1/2	7(a)	2(a)	Anglo-American, Deb.	77 1/2	77 1/2	-	3 4	6		
90 1/2	79 1/2	81 1/2	77 1/2	Japanese 5 1/2% 1936-65	79 1/2	79	-1/2	7 6/16	9 1/2	8 1/2	1(c)	1(c)	Atlas Electric, etc. £1	9 1/2	9 1/2	-	2 2	0		
97 1/2	83 1/2	89 1/2	83 1/2	Do. 6% (1924) Red 1959	86 1/2	86	-1/2	7 6/16	9 1/2	8 1/2	1(c)	1(c)	Brit. Assets Trust 5/-	17 1/2	17 1/2	-	2 2	0		
144 1/2	105 1/2	118 1/2	110 1/2	Norwegian 4% 1911	112 1/2	112 1/2	-	3 10/16	18 1/2	16 1/2	3(c)	7(a)	Debtenture Corp. Stk.	252 1/2	252 1/2	-	3 10	0		
93 1/2	60 1/2	83 1/2	77 1/2	Peru 7 1/2% 1922	53 1/2	53 1/2	-	8 5/16	91 1/2	87 1/2	14(b)	14(a)	For. Amer. etc., Def.	89 1/2	89 1/2	-1	4 7	0		
154 1/2	142 1/2	154 1/2	142 1/2	Roumania 4% 1922	18 1/2	20	+2 1/2	30 Nil	154 1/2	149 1/2	24(a)	4(b)	Guardian Investment	149 1/2	149 1/2	-	3 10	0		
160 1/2	110 1/2	119 1/2	117 1/2	Sweden 3 1/2% 1908	117 1/2	117 1/2	-	2 19/32	300	300	7(b)	3(a)	Indus. and Gen. Ord.	300	300	-	3 12	9		
116 1/2	112 1/2	116 1/2	114 1/2	U.K. & Argentine 1933	115 1/2	115 1/2	-	3 19/16	336	332	3(a)	3(a)	Invest. Trust	336	336	-	3 11	6		
92 1/2	79 1/2	95 1/2	91 1/2	Do. C. Certs. (3% Max.)	94 1/2	95	+1	3 3/16	230	238	3(a)	8(b)	Lake View Investment	226 1/2	226 1/2	-	3 10	6		
Corporation Stocks																				
27 1/2	22 1/2	24 1/2	22 1/2	Berlin 6% 1932-57	23 1/2	24 1/2	+1	3 19/16	23 1/2	21 1/2	51(a)	51(a)	Merchants Trust Ord.	226 1/2	226 1/2	-	3 10	6		
119 1/2	116 1/2	116 1/2	116 1/2	Birmingham 5% 1946-56	117 1/2	117	-1/2	3 19/16	23 1/2	21 1/2	51(a)	51(a)	Metropolitan Trust	300	300	-	1 14	6		
120 1/2	117 1/2	119 1/2	118 1/2	Bristol 5% 1948-58	118 1/2	118	-1/2	3 19/16	23 1/2	21 1/2	51(a)	51(a)	Scottish Investment (5/-)	7 1/2	7 1/2	-	3 7	6		
84 1/2	64 1/2	82 1/2	78 1/2	Danzig 7 1/2%																

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£156,375. Myers and Company pay expenses and underwrite issue for 1½ per cent. and £12,500 for services. List closed 9.15 a.m., February 10th.

Roan Antelope Copper Mines.—The outstanding £1,441,800 6 per cent. debenture stock of this company will be redeemed on May 11, 1937, at £107½ per cent. To provide the funds, 420,000 5s. shares of the company have been sold to Cull and Company for £1,554,000, representing £3 15s. per share, less 1s. per share commission.

BY STOCK EXCHANGE INTRODUCTION

London Electrical and General Trust, Ltd.—Particulars of £200,000 3½ per cent. debenture stock redeemable at par 1973. Prudential Assurance Company take issue at 97.

George Mallinson and Sons, Ltd.—Charterhouse Investment Trust have acquired 150,000 5½ per cent. cumulative £1 preference and 240,000 5s. ordinary shares. Makers of woollen and worsted cloths since 1840. Net assets £158,000, acquired for £150,000, payable by £100 cash and 599,600 ordinary shares. Profits, after depreciation, April 8, 1933, to February 17, 1934, £35,007; years to February, 1935, £40,130; 1936, £61,639.

The Wright Saddle Company, Ltd.—Issued capital 500,000 2s. shares. Makers of cycle saddles, etc., since 1910. Net assets £37,620, acquired for £50,000 (goodwill £12,380), payable by £100 cash and 499,000 ordinary shares. Profits after depreciation, years to August 31: 1934, £14,839; 1935, £19,604; 1936, £8,340.

The Universal Asbestos Manufacturing Company, Ltd.—Issued capital, 100,000 6 per cent. redeemable cumulative £1 preference shares and 400,000 5s. ordinary shares. The Charterhouse Investment Trust, Ltd., take all the preference shares, at par, and 200,000 ordinary shares at 11s. 6d. Manufacturers of asbestos-cement products. Profits, after depreciation, before bank interest, years to September 30: 1934, £8,838; 1935, £17,167; 1936, £28,978. Net assets, £135,746, acquired for £185,000 (goodwill £29,254), payable by £100 cash, 65,000 preference and 399,600 ordinary shares.

PRIVATE PLACING

London County Freehold and Leasehold Properties.—The directors have placed privately £500,000 3½ per cent. first mortgage debenture stock at 98½.

RESULTS OF ISSUES

South Suburban Gas.—Lists opened 9 a.m. on February 4th, and were closed 9.30 a.m., February 5th. The issue was not fully subscribed.

Richard Thomas and Company, Ltd.—The issue of 3,750,000 ordinary shares at 13s. 4d. each which was offered to the existing shareholders has been over-subscribed.

Bekoh Consolidated Rubber Estates, Ltd.—The issue to the shareholders of £90,000 6 per cent. convertible debenture stock at 102½ per cent. and 1,500,000 shares of 2s. each at par was over-subscribed.

ISSUES TO SHAREHOLDERS ONLY

Central Commercial Properties.—Issue of 100,000 7 per cent. cumulative £1 preference shares at 26s. each.

Sunbeam Wolsey.—Issue of 35,784 £1 ordinary shares at par to shareholders registered January 20th, in proportion of one ordinary share for every two held.

Qualcast, Ltd.—Issue of 100,000 new ordinary shares to ordinary shareholders as at January 30, 1937, at 20s. each, in proportion of one new for every five shares held.

Middle Witwatersrand (Western).—Issue to existing shareholders 400,000 5s. shares at 10s. per share in the proportion of one in four.

ISSUES ABROAD

Argentine Government.—Issue in U.S.A. of \$70,000,000 Argentine Republic S.F. external 4 per cent. conversion loan. Cash issue at 91, but U.K. holders of external S.F. 6 per cent. (U.S. \$) gold bonds, series A, and State Railway issue of 1927 may exchange \$1,000 6 per cent. bonds into \$1,000 4 per cent. bonds plus \$118.17 cash. New bonds redeemable at par by 1972 by half-yearly drawings from 1938, or on notice.

LONDON NEW ISSUE PRICES

Stock or Share	Issue price	Paid	Feb. 3, 1937	Feb. 10, 1937
Associated British Properties 4½% Deb.	100	50	4½-3½ dis	5½-4½ dis
Beans Industries 5/-	20	20	20/6-21/-	21/6-22/-
Beira Railway 5% First Deb.	20/-	7/6	4½-5 pm	4½-5 pm
British Isles and Gen. Invest £1	5/-	5/-	2/6-1/6 dis	2/6-1/6 dis
British Lead 2/-	6/3	6/3	5/7½-5/10½	5/4½-5/7½
Cochran (Annan) 5/-	6/3	6/3	6/4½-6/10½	6/1½-6/7½
Gascoigne's Rdg. (2/-)	3/-	3/-	2/9-3/-	2/7½-2/10½
Hall (Ben) and Son 4/-	5/-	5/-	6/1½-6/7½	6/1½-6/7½
Heenan and Froude 5/-	3/-	3/-	10/3-10/9	10/3-10/9
Heenan Beddow Ord. 2/-	20/-	10/-	2/10½-3/1½	2/9-3/-
Hilson's Brewery 5% Cum. Pref.	100	30	3d dis-3d pm	6d dis-par
Do. 4% Ist Debs.	22/6	22/6	1 dis-1 pm	2½-3½
Hordicks Ord. 5/-	21/-	11/-	10/3-10/9	10/3-10/9
Jays and Campbells 5½% Pref. £1	21/6	11/6	9d-3d dis	10½d-4½d dis
Lamson Investments 5% Pref. £1	92½	17½	¾-¾ dis	¾-¾ dis
London Electric Transport 2½% Deb.	...	...	5/9-6/3	5/6-6/-
Mallandain (A. E.) Ord. 4/-	...	...	8/10½-9/4½	10/3-10/9
Rheostatic Ord. 4/-	...	...	3/6-3/9	3/6-3/9
Selmer (Heurly) 2/-	99½	25	3½-2½ dis	3½-2½ dis
Thomas (Richard) 4% Ist Debs.	...	...	1½-1½	1½-1½
West Rand Invest. Trust 10/-	...	...	...	...

DIVIDEND ANNOUNCEMENTS

Rate % per Annum, except where marked % or Stated in Cash

Name of Company	* Interim or Final	Date of Payment	Comparison with Last Year	Total Latest Year	Previous Year
RAILWAYS					
Bengal Doars Railway	2½%*	Mar. 24	3%*	...	...
Canadian Pacific Railway 4 per cent. Non-Cum. Pref. Stock	1%*	April 1	Nil	...	Nil
London Midland and Scottish Ord.	1½%*	Mar. 2	Same	11	5
London Transport "C" Stock	4%*	Mar. 24	Same	5	Nil
Southern Railway (Pref. Ord.)	4%*	March 2	Same	3	3
Do. Def. Stock	2½%*	Mar. 1	Same	...	...
Great Western Railway Ord.	6	...	Same	...	...
BANKS					
Industrial Bank of Japan	...	...	Same	...	...
INSURANCE					
Prudential Assurance "A"	114/10½pst	...	...	195½	193½
Do. "B"	...	...	...	150	143½
TEA AND RUBBER					
Buloh River Rubber	...	...	...	3½	Nil
Kuala Kangsar Plantations	5½%*	...	4%*	9	6½
Kuala Para Plantations	4%*	Feb. 25	3%*	30	20
Planters Stores and Agency	20%*	...	...	2½	...
Sumatra Tea	...	Feb. 22	...	...	...
MINING					
Consolidated Gold Fields of South Africa	(d) 2/6 ps	Mar. 10	...	...	...
Kuala Lumpur Tin	7½%*	Feb. 24	...	...	...
Palmu Tin	7½%*	Mar. 1	...	...	...
Renong Tin Dredging	7½%*	Feb. 24	5%*	7½	Nil
San Francisco Mines	...	...	...	...	...
Ulu Klang Tin	8%*	Mar. 27	Same	...	...
Wankie Colliery	6%*	Mar. 1	...	...	...
OTHER COMPANIES					
Anglo-French Exploration	...	...	...	10	10
Barnsley Brewery	5%*	...	3%*	22	19
Bent's Brewery	17%*	...	14%*	6	6
Crosley Building Products	5%*	...	4%*	5	4
Bovril (Deferred)	...	...	...	...	...
Brooks (J. B.) and Company	5%*	...	2½%*	8	6
Patani Para Plantations	8%*	...	3%*	7½	3
British Assets Trust	...	...	...	15	10
Burnell and Company	5%*	...	Same	...	...
Charrington Gardner Locket	10%*	Feb. 16	...	30	7
Collins, Ltd.	...	Feb. 25	...	10	10
Consolidated Signal	...	...	First	8½	5
English China Clay	5%*	...	...	127½	25½
Davies and Metcalfe	...	...	...	...	...
Dennison Street Trust	...	...	...	...	...
Delta Metal	...	...	...	...	...
Derby and Midland Mills	7½%*	...	First	12½	10
Dickens and Jones	7½%*	...	6%*	10	Nil
Dunlop (General) Greyhounds	5%*	Feb. 18	Same	25	9
Eburite Corrugated Containers	20%*	...	Same	9	...
Electrical Distribution of Yorkshire	4½%*	...	...	...	...
Electrolux Corporation (Com.)	50cts. ps.	...	...	...	...
English China Clay	...	...	...	...	...
General Hydraulic Power	4½%*	...	6%*	11	10
General Investors and Trustees	7%*	...	...	...	...
Globe Shipping	3d. ps.	March 1	4½%*	(c) 8	7½
Gold and General Investment	(c) 8%*	...	Same	...	...
Guinness (Arthur), Son and Co.	12%*	...	Same	...	...
John Greenwood Millers	5%*	...	4½%*	...	...
Hallamshire Coal Supplies	5%*	...	11%*	18½	16
Harrods, Ltd.	12½%*	Mar. 16	...	7½	5½
Henderson (J. & W.)	12½%*	...	3½%*	15	10
International Investment	12½%*	...	...	...	...
Jackson Brothers (Knottingley)	12½%*	...	Same	...	...
Kelsall and Kemp	2½%*	March 1	Same	7½	7½
Lancashire Electric Light	5%*	...	Same	15	15
Langham Hotel	11%*	Feb. 27	Same	6	6
Liverpool Gas	3%*	...	Same	...	7½
Makin (J. and J.)	5%*	...	Same	8	10
Margate Estates	4%*	Feb. 18	Same	13	8
Mather and Platt	9%*	...	...	9	...
McCrae and Drew	...	...	Same	...	...
Metropolitan Gas (Melbourne)	6/6 p.s.	Feb. 15	...	...	...
Maroc	12½%*	March 5	5%*	8	7
New Hocknell Colliery	5½%*	...	Same	10	10
Northampton Electric	6%*	...	Same	10	Nil
Perry and Company	7½%*	...	...	2	...
Philips (J. and N.)	...	...	...	...	...
Railway Debenture and General Trust	3½%*	...	3%*	5½	5
Railway Share Trust and Agency	4%*	...	3%*	6	5
Riding's Stores	10%*	Mar. 31	...	2½	2
Rochdale Canal	1½%*	...	...	8	6
Rushden and District Electric	4%*	...	4%*	8	10
Scottish Breweries	7%*	...	7½%*	15	10
Scottish Northern Investment	7%*	...	...	...	...
Selfridge and Company	...	...	Same	18d. p.s.	18d. p.s.
Sears (J.) and Company	5d. ps.	...	3%*	...	6
Sheffield Gas	3½%*	...	...	...	...
Singapore Traction	...	...	...	8½	6½
Stevenson (Hugh) (pref. ord.)	7½%*	...	...	12½	12
Steward and Patterson	7½%*	...	...	12½	10
Taylor (C. F.) and Company	4%*	March 1	First div.	6	5
Wake and Dean	...	...	...	...	...
Walker (Peter) and R. Cain	5%*	Feb. 13	First	...	...
Wallis Tin Stamping	2½%*	...	Same	7	7
Ward (Thos. W.)	3½%*	...	Same	40	35
Watford and St. Albans Gas	27½%*	...	22½%*	...	...
Waygood-Otis	2%*	Feb. 20	Same	...	...
Whitworth and Mitchell	...	...	...	...	...

(c) Also scrip bonus of one share for each five held.

* Free of income tax.

Rate % per Annum, except where marked % or Stated in Cash.

(d) Special Jubilee bonus.

ARGENTINE GREAT WESTERN RAILWAY.—A half-year's payment is announced on Argentine Great Western 5 per cent. Debentures.

BAIRNS-WEAR.—Dividend on ordinary shares of 15 per cent. actual, less tax, on account of the year ended December 14, 1936. Also a bonus of one ordinary share for every twenty held.

BUENOS AYRES AND PACIFIC RAILWAY.—Buenos Ayres and Pacific Railway is paying a half-year's arrears of interest to January 1, 1933, on the 4 per cent. consolidated debenture stock.

BOLSOVER COLLIERY.—Final dividend, 6 per cent. and bonus of 2 per cent., making 11 per cent. For 1935, dividend was 9 per cent.

BRITISH INDUSTRIES FIXED TRUSTS—FOURTH PORTFOLIO.—Distribution 4d. per sub-unit the half-year January 10, 1937. Credit balance carried forward 0-00858d. per sub-unit.

COMPANY MEETINGS

GAS LIGHT AND COKE COMPANY

SATISFACTORY INCREASE IN SALES

SIR DAVID MILNE-WATSON'S ADDRESS

The two hundred and thirtieth ordinary general meeting of the Gas Light and Coke Company was held, on the 5th instant, at the Chief Office, Horseferry Road, Westminster, London.

Sir David Milne-Watson, LL.D., D.L. (the governor), in the course of his speech, said: During the year we have raised a considerable amount of capital on very advantageous terms. In April we issued £700,000 3½ per cent. redeemable debenture stock at par. In November we issued £2,000,000 3½ per cent. redeemable preference stock, 1970, at par, and just before the end of the year we issued £993,000 of the same stock at 100½ per cent. net.

The policy of sale by hire-purchase has met with the greatest success, and during 1936 we have sent out various gas appliances on hire-purchase to the number of over 270,000. This includes 93,000 cookers, 101,000 fires, 13,000 refrigerators and 61,000 water heaters.

Last year I told you of the very remarkable totals reached by the appliances issued and installed on the company's area during the year. The figure was over 600,000, but 1936 has seen it increased by nearly 25 per cent., to 749,936. This total included 397,450 cookers, against 364,289 last year; 184,114 fires, not including coke fires, against 151,137 last year; and 99,447 water heaters, compared with 66,078 last year.

Our total sales for cash and upon hire-purchase reached the figure of approximately £2,800,000—an increase of £900,000 over the 1935 figure of £1,900,000, which was itself an increase of three-quarters of a million over the previous year. Our appliance revenue from all sources—sale, hire-purchase and hire—rose from £2,600,000 in 1935 to £3,600,000 in 1936.

Sales of gas have gone up by 3.69 per cent. Both the ordinary and the automatic consumption shows an increase. Making all allowances for adventitious factors, it may interest the shareholders to know that there was a genuine increase in the extent to which the public was using our gas.

The increase in the quantity of coke sold by the company to the public reached the large figure of 211,000 tons.

YEAR'S RESULTS

The result of the working of the year is as follows:—The balance transferred from the revenue account to the profit and loss account is £2,093,000, as against £2,071,000 for the previous year. This balance, after adding the sum of £3,700 received from H.M. Treasury under the Development Act, 1929, and after allowing for interest on borrowed money for the year and dividends distributed in respect of the June half-year, leaves a sum of £907,000 out of which to pay dividends for the December half-year. This sum enables the directors to recommend the usual dividends on the 4 per cent. consolidated preference stock, the 3½ per cent. maximum stock, and a dividend (unchanged) at the rate of £5 12s. per cent. per annum on the ordinary stock.

We had two Bills before Parliament. No. 1—a money Bill to enable us to raise preference or ordinary stock to the extent of £3,000,000—met with practically no opposition. A very different fate awaited No. 2 Bill. This was opposed by no less than 28 local authorities. The Bill was subjected to 16 days' hearing and cost the company some £7,000—all in order that we might obtain what would seem to be the most reasonable right, namely, to put gas pipes at our own expense in council houses.

The growth of the company's work in public lighting continues, and the total of street lamps which we have installed and maintained has grown to over 52,000. The new long-term contracts obtained during the year include those from the boroughs of Chelsea and Hendon, each for 15 years, the latter covering 10 miles of main and arterial roads, and 10-year contracts from five other local authorities.

Whatever can be achieved by any other method can be achieved by gas lighting, which is sufficiently adaptable to yield any type and degree of illumination that is planned for it—without the need of introducing any graveyard effects or blue limelight.

GROWTH OF INDUSTRIAL BUSINESS

The very substantial increase in this part of our business which took place in 1936 is attributed not merely to the virtue of gas for these purposes, but to the effectiveness of the block rates and special tariffs which have been worked out to enable us to secure this large-scale business in the strenuous conditions of a hotly contested market.

The increased use of gas in industry represents a very substantial contribution by the gas industry to the national well-being.

The replacement of older methods of industrial heat provision by gas accelerates and improves output, reduces the amount of waste and spoiling through exact control of temperature, and provides improved working conditions. Moreover, it serves very effectively the nationally desirable cause of smoke abatement. This industrial business is of the greatest benefit to the company's general position by stabilising and spreading demand, by helping materially to bear the general burden of overheads, and thus benefiting every other aspect of our business and every grade of consumer.

THE COAL POSITION

The coal position in the country is causing us considerable concern. Ever since the Coal Mines Act of 1930 came into operation all coal consumers, and particularly large consumers like gas undertakings, have had reason to fear that it might be used in a manner detrimental to their interests, and those fears are, unfortunately, now being realised. A revised set of selling schemes has now been put in operation. Each of these schemes enacts that the control of coal buying and selling in the district shall be vested in the District Coal Board, and all the boards are composed exclusively of coalowners.

A complete monopoly has thus been created, and the competition upon which we and others formerly relied to enable us to get the coal we required at a reasonable price has ceased to exist.

The price of coal is being raised considerably, and the absence of any proper control is naturally causing dissatisfaction and anxiety in the minds of the coal-consuming public. Coalowners throughout the country would be well advised to realise that, long-suffering as we are as a nation, abuse of a monopoly in a commodity of vital national importance will not be endured for any length of time, and that, unless they exercise in a reasonable manner the powers which have been conferred on them, there is bound to be trouble.

COMPANY'S 125TH BIRTHDAY

This year the company celebrates its 125th birthday. It is difficult to find a proper title for such an occasion—a centenary plus a silver jubilee—as all the precious metals and jewels have been appropriated for other long-term anniversaries, and there is nothing left to stand for five silver jubilees rolled into one. And when one thinks of the small beginnings 125 years ago the story I have told to-day is a most striking instance of growth.

Speaking of progress, may I add one final point? I am not sure whether the review which I have given you of our year's working, and the increases in sales, will convey to you the true extent of the progress which the company has made. An increase in gas sales of 3.69 per cent. may not, on the face of it, seem a very spectacular figure. From time to time we have to congratulate our electrical friends on increases of the order of 10 per cent. or 15 per cent., and possibly some people think that the older industry, while it manages to hold its own, and perhaps a little more, is not really keeping pace with its new friend and competitor.

But let us look a little closer. We have taken note of the total output and increased sales of electricity on our area, and have been able to make an extremely close estimate based on official sources of what the figures amount to. We find that your company's sales of gas in 1936, expressed in terms of heat values, were about eight times the sales of electricity for heating, lighting and cooking. This excludes the electrical sales for power purposes, which, incidentally, our total sales were over three times the electrical sales for all purposes, including power. From this you will see that our additional gas sale of 3.69 per cent. means a good deal more than might appear. Actually it represents an increase over three times as great as the increased electrical sales for lighting, heating and cooking in the last year for which figures are available.

If we include the coke sold on our area for purposes other than power production, we find that the increase in gas and coke sold, in terms of heat value, was over eight times the electrical increase for all purposes, and some 20 times the increase in electricity sold for lighting, heating and cooking.

CONFIDENCE IN THE FUTURE

On several occasions in recent years the gas industry has had the entertainment of reading its own obituary notice in the columns of

STERLING TRUST, LIMITED

SATISFACTORY INCREASE IN INCOME

The twentieth ordinary general meeting of the Sterling Trust, Limited, was held, on the 9th instant, in London.

Baron Emile B. d'Erlanger (the chairman) said that the reserve account, standing at £560,000, showed an increase of £20,000, and the balance of revenue account, at £180,205, showed an increase of approximately £4,000. The income for the year was £203,882, as against £194,042, an increase of £9,840. In the face of the reduction of interest which they had suffered by the process of conversions, that increase of £9,840 was gratifying and reflected an improvement in the general economic conditions of the world. The directors proposed to pay an additional 4½ per cent. on the ordinary stock, making, with the interim payment on that stock, 6½ per cent. for the year. The final dividends proposed would require £46,703, and leave £83,479 to be carried forward, which was a slightly higher amount than that brought into the accounts.

As to general topics, it appeared to him that the most notable world feature was the gradual improvement of internal economic conditions in a great many countries. It had made itself felt in England and the Dominions earlier than elsewhere, but, whether they looked across the Atlantic to the United States, to the Republics of South America or to the Far East, Japan and China, or restricted their horizon to Europe, there were unmistakable signs that the economic storm had abated. It was regrettable that that improvement should be partly due to the enormous expenditure upon armaments, which was to a great extent responsible for the very substantial rise in most raw materials, for the reduction in unemployment and consequently for the increase in the purchasing power of the masses.

FINANCE AND INTERNATIONAL TRADE

Within a few years, assuming that a conflagration was avoided—and he verily believed that it was the desire of all civilised people to avoid it—every nation would be armed to the teeth, and the yearly amount spent would be greatly reduced. It was high time that statesmen should be prepared to face the situation which would then arise. He agreed with Professor Keynes that it would be wise to put a brake during years of activity upon schemes of municipal development, damming them up so as to be able to use them when the next industrial drought occurred. He was not the only one to believe that if they were to avoid a setback they must turn all their energies towards reviving international trade, which could only be done by lowering the barriers that at present restrained its flow—prohibitive Customs duties, compensation agreements, and antediluvian barter transactions.

Poor and undeveloped countries would have to be given financial assistance, but, with all due safeguards that the moneys should not be misused, and that the lending country should reap all the direct and indirect benefits to which it was legitimately entitled. Notwithstanding the existing restrictions on foreign loans, vast sums of money were being invested abroad; that capital went to countries which were considered the safest for the investor, but which did not require it, and were not benefited by its influx; nor was the trade and industry of the country from which that capital originated benefited by the outflow beyond the direct revenue derived therefrom.

That flow of capital could only be diverted to needy countries with the intervention of the lending powers strong and wise enough to see that, in the consolidation of the economic fabric of the world lay the soundest foundations of peace, the possibilities of permanent improvement in their own economic position, and, consequently, the surest prospects of raising the standard of life of the people within their own boundaries.

The report was adopted.

Orders for the publication in these columns of the reports of Company Meetings should be addressed to:—

The Reporting Manager,

THE ECONOMIST,

8 Bouverie Street,

Fleet Street,

London, E.C.4.

OLYMPIA LIMITED

EXTENSIVE IMPROVEMENTS

The eighth ordinary general meeting of Olympia, Limited, was held, on the 11th instant, at Olympia, London, W.

Mr Louis Nicholas, who presided, said that the net revenue for the year under review was £159,241, as compared with £167,572 for the previous year. The trading profits were approximately the same, the reduction of £8,300 in revenue being partly due to a reduction in the dividends received from investments, owing to their sale, and partly to a smaller profit having been made on such investments as had been sold. They had incurred certain special expenditure on decorations and repairs of the building amounting to £20,602. That expenditure was exceptional, the cost of the normal maintenance having already been deducted when arriving at the net revenue figure. During the year under review they had carried out an extensive scheme of improvements, including the provision of a new entrance hall, new booking halls with a covered way from Hammersmith Road to the main entrance hall, an entirely new block of offices for the tenants, further refreshment rooms with exhibitors' club rooms, together with a new suite of private offices, baths, dressing rooms and hairdresser's saloon, and a modern garage at the back of Olympia capable of holding 1,000 cars, connected with the main entrance by a covered way. Extensive alterations had been carried out in the Empire Hall by opening up the centre and installing a series of escalators from the ground floor to the top of the building.

The directors considered that they had done everything possible to preserve for the company's buildings that predominant position they had held for so many years in the exhibition world. The *Daily Mail* Ideal Home Exhibition was being held this year in Olympia. In addition, they were, as usual housing such old favourites as the British Industries Fair, the Military Tournament, the Horse Show, the Radio Exhibition and Mr Bertram Mills' World-Famed Circus, as well as many other smaller exhibitions. Negotiations were also on hand which they hoped would lead to further substantial business.

The report was unanimously adopted, and the proceedings terminated with a hearty vote of thanks to the chairman and directors.

STANDARD TRUST, LIMITED

SUBSTANTIALLY IMPROVED POSITION

The thirty-fourth annual general meeting of the Standard Trust, Limited, was held, on the 5th instant, at the offices of the company, 25-31 Moorgate, London.

Mr Alfred Shepherd, W.S. (the chairman of the company), who presided, said that the net revenue, after paying interest on debenture stock, income tax and expenses, was £43,276, against £39,488. It was proposed, after deduction of the dividend on the preference stock, to pay an ordinary dividend of 4 per cent., as against 3 per cent. last year, leaving, with the amount brought forward and arrears of revenue, a balance of £34,762, against £30,288. From that balance the directors had transferred £5,000 to the general reserve, against £3,000 last year, and £646 to the staff superannuation fund, and there would remain to be carried forward £29,116. It must be gratifying to the stockholders to see that, whereas the value of the investments at the end of December, 1935, showed a depreciation of £275,000, that year the valuation showed that the capital of the trust and the general reserve were more than intact.

In the report the percentages of bonds, preference and ordinary shares were, as usual, given, as also the geographical distribution. The only point to which he need refer was that the bonds and preference shares were about 2 per cent. and 1 per cent. lower respectively than last year, while the ordinary and deferred stocks were higher by about 3 per cent. That was due to a large extent to many of the companies whose debentures they held taking advantage of being able to borrow on terms more advantageous to themselves, thereby forcing the trust to accept lower rates of interest, or to take repayment and find other investments.

To sum up, the figures in the year's accounts showed (a) a very satisfactory increase in the revenue, enabling the board to put a larger sum to general reserve and to increase the dividend by 1 per cent., and (b) an increase in the valuation of the investments sufficient to wipe out the depreciation shown last year, and enable the board to state that the value of the present investments was in excess of the figure at which they stood in the balance sheet. Those were two most important and satisfactory points, and he trusted the stockholders would be satisfied with the progress made. The report and accounts were unanimously adopted.

GOVERNMENT RETURNS, &c.

NATIONAL ACCOUNTS

The total ordinary revenue for the week ended February 6, 1937, amounted to £41,021,000, against ordinary expenditure of £22,825,000. After allowing for a decrease in Exchequer Balances of £99,147, the operations for the week, as shown below, decreased the gross National Debt by £18,295,000, to approximately £7,968 millions.†

(000's omitted)		£
Treasury Bills	+ 5,552	26,998
Public Department Advances	+ 4,550	2,138
Land Sett. repayments	+ 11	82
Treasury Bonds	—	26,998
Other debt (War L'n. Acts)	—	2,138
National Savings Certificates	—	50
Brit. Shipping Assistance	—	82
Tithe Act, 1926	—	40
		28,408
	+ 10,113	

† Including £375 millions on Account of Exchange Equalisation Fund and Borrowing for Statutory Sinking Fund.

A complete analysis of the approximate position of the National Debt at December 31, 1936, appeared in *The Economist* for January 2, 1937.

REVENUE	Estimate for the year 1936-37	Total Receipts into the Exchequer			
		April 1, 1935, to Feb. 8, 1936	April 1, 1936, to Feb. 6, 1937	Week ended Feb. 8, 1936	Week ended Feb. 6, 1937
ORDINARY REVENUE	£	£	£	£	£
Inland Revenue—					
Income Tax	259,000,000	164,388,000	167,022,000	20,902,000	27,473,000
Sur-tax	56,500,000	30,350,000	30,730,000	4,610,000	4,620,000
Estate, etc., Duties	89,000,000	73,960,000	72,760,000	1,820,000	2,700,000
Stamps	27,000,000	17,740,000	21,440,000	320,000	710,000
Excess Profits Duty and Corporation Profits Tax	750,000	...	...	...	...
Land Tax and Mineral Rights Duty	750,000	420,000	350,000	70,000	60,000
Total Inland Revenue	433,000,000	286,868,000	282,302,000	27,722,000	35,563,000
Customs and Excise—					
Customs	207,525,000	168,712,000	179,060,000	3,864,000	3,818,000
Excise	110,000,000	92,600,000	94,400,000	1,100,000	1,100,000
Total Customs and Excise	317,525,000	261,312,000	273,460,000	4,964,000	4,918,000
Motor Vehicle Duties (Exchequer Share)	5,000,000	4,695,000	5,135,000	54,000	Dr 479,000
Post Office (Net Receipts)	11,256,000	14,650,000	13,250,000	1,200,000	950,000
Crown Lands	1,350,000	1,230,000	1,240,000	...	67,249
Receipts from Sundry Loans	5,000,000	4,845,521	4,480,768	67,916	1,607
Miscellaneous Receipts	25,250,000	17,081,331	16,327,829	107,998	...
Total Ordinary Revenue	798,381,000	590,681,852	606,185,597	34,115,314	41,020,856
SELF-BALANCING REVENUE					
Post Office	69,344,000	54,000,000	58,800,000	260,000	1,400,000
Motor Vehicle Duties apportioned to Road Fund	26,500,000	24,979,000	26,706,000	1,160,000	938,000
Total Self-balancing Revenue	95,844,000	78,979,000	85,506,000	1,420,000	2,338,000
Total	...	669,660,852	691,701,597	35,535,314	43,358,856

EXPENDITURE	Estimate for the year 1936-37	Total Issues out of the Exchequer to meet Payments			
		April 1, 1935, to Feb. 8, 1936	April 1, 1936, to Feb. 6, 1937	Week ended Feb. 8, 1936	Week ended Feb. 6, 1937
ORDINARY EXPENDITURE	£	£	£	£	£
Interest and Management of National Debt	224,000,000	198,934,448	198,982,548	1,759,361	8,746,333
Payments to Northern Ireland	7,500,000	4,915,047	5,827,924	383,988	414,107
Other Consolidated Fund Services	3,200,000	2,892,669	2,538,824	513	1,319
Post Office Fund	600,000	1,126,817	420,529	...	...
Total	235,300,000	207,868,981	207,769,825	2,143,862	9,161,759
Total Supply Services (excluding Post Office)	576,263,000	420,373,399	457,841,929	9,273,000	13,663,000
Total Ordinary Expenditure	811,563,000	628,242,380	665,611,754	11,416,862	22,824,759
New Sinking Fund (1928 Finance Acts, 1928 and 1936)	...	7,121,935	17,146,236	215,001	...
Total (excluding Self-Balancing Expenditure)	811,563,000	635,364,315	672,757,990	11,631,863	22,824,759
SELF-BALANCING EXPENDITURE					
Post Office	69,344,000	54,000,000	58,800,000	900,000	1,400,000
Road Fund	26,500,000	24,979,000	26,706,000	1,160,000	938,000
Total Self-Balancing Expenditure	95,844,000	78,979,000	85,506,000	1,160,000	2,338,000
Total	...	714,343,315	758,263,990	12,791,863	25,162,759

† Now transferred as a charge against Revenue

Estimated Expenditure as per Financial Statement (H.C. 77)...	797,897,000
Add:—	
Supplementary Estimates	39,266,000
Less:—Provision made in the Budget	25,600,000
	811,563,000

The aggregate revenue from April 1, 1936, to February 6, 1937, is shown below:—

(000's omitted)		£
Expenditure	665,612	606,196
Revenue	...	12
Decrease in balances	...	...
Gross borrowing	...	£66,550
Less		
New Sinking Fund*	7,146	59,404
Net borrowing	...	665,612

* Authority will be sought in the Finance Bill to meet the Statutory Sinking Funds in 1936 by borrowing.

POSITION OF THE FLOATING DEBT

Ways and Means Advances Outstanding	Feb. 8, '36		Mar. 31, '36		Feb. 6, '37		Feb. 6, '37	
	£	£	£	£	£	£	£	£
Advances by Bank of England	...	...	16,625,000	19,055,000	36,060,000	+	4,550,000	...
Advances by Public Department	...	...	819,325,000	763,115,000	720,035,000*	+	5,555,000	...
Treasury Bills outstanding	...	...	...	...	...	...	...	...
Total Floating Debt	...	...	835,950,000	782,170,000	756,095,000	+	10,105,000	...

* Includes £7,000, the proceeds of which were not carried to the Exchequer within the period of the Account.

TREASURY BILLS BY PUBLIC TENDER

Tenders for £35,000,000 Treasury bills were opened on February 5, 1937. The amount applied for was £78,620,000. Tenders were accepted for Treasury bills at three months dated Monday to Thursday at £99 17s. 6d., and above in full; Friday at £99 17s. 5d., about 34 per cent. and above in full; Saturday at £99 17s. 6d., and above in full. The average rate per cent. was 10s. 4.31d. The amount allotted was £35,000,000.

Date	Amount Offered	Total Applications	Amount Allotted	Average Rate %
January 4, 1935	30,000,000	49,560,000	27,500,000	0 6 1.64
July 5, 1935	40,000,000	60,905,000	40,000,000	0 12 4.32
January 3, 1936	35,000,000	68,075,000	35,000,000	0 10 10.72
January 3, 1936	50,000,000	72,750,000	50,000,000	0 12 1.27
January 1, 1937	40,000,000	75,450,000	40,000,000	0 12 5.68
January 29, 1937	35,000,000	73,355,000	35,000,000	0 10 4.31
February 5, 1937	35,000,000	78,620,000	35,000,000	...

NATIONAL SAVINGS CERTIFICATES

Total Sales of Savings Certificates	No. of Certificates	Value
Week ended January 23, 1937	700,651	£525,488
Week ended January 30, 1937	705,995	529,497
February, 1936, to January 30, 1937	1,283,641,313	1,009,168,823

At the end of December, 1936, the amount remaining to the credit of investors in Savings Certificates, excluding interest, was £390,101,507.

THE BANKERS' GAZETTE

BANK OF ENGLAND
RETURN FOR WEEK ENDED WEDNESDAY,
FEBRUARY 10, 1937
ISSUE DEPARTMENT

£		£	
Notes Issued:—		Government Debt	11,015,100
In Circulation	454,993,929	Other Government Securities	187,935,898
In Banking Department	58,666,732	Other Securities	1,039,058
		Silver Coin	9,944
		Amount of Fiduciary Issue	200,000,000
		Gold Coin and Bullion	313,660,661
	513,660,661		513,660,661

KANSALLIS - OSAKE - PANKKI

(NATIONAL JOINT STOCK BANK)
ESTABLISHED 1889

PAID-UP CAPITAL AND FMK
RESERVES - - - 432,300,000
DEPOSITS AND CREDIT
BALANCES December, 1936 3,425,500,000

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BANKING DEPARTMENT

Proprietors' Capital	14,553,000	Government Securities	81,230,231
Reserve	3,624,636	Other Securities	—
Public Deposits*	11,695,579	Discounts and Advances	£6,509,174
Other Deposits	—	Securities	£19,517,279
Bankers'	£99,157,140	Notes	26,026,453
Other Accounts	£37,344,628	Gold and Silver Coin	58,966,732
	136,501,768		451,567
	166,374,983		166,374,983

* Including Exchequer, Savings Banks, Commissioners of National Debt, and Dividend Accounts.

Both Departments	Amount, Feb. 10, 1937	Inc. or Dec. on Last Week	Inc. or Dec. on Last Year
Note circulation	454,963,929	— 2,317,252	+ 55,713,249
Public deposits	11,695,579	— 518,524	+ 715,021
Bankers' deposits	99,157,140	+ 3,051,487	+ 4,469,935
Other deposits	37,344,628	— 928,973	+ 1,042,877
Total outside liabilities	603,191,276	— 713,262	+ 53,001,212
Capital and rest	18,177,636	+ 17,317	— 14,841
Government debt and securities	280,181,229	+ 837,384	— 54,929,140
Discounts and advances	6,509,174	— 2,011,535	+ 6,898,470
Other securities	20,556,337	+ 537,321	+ 3,017,180
Silver coin in issue department	9,944	— 4,106	+ 1,004,173
Coin and bullion (bank's reserves)	314,112,228	— 55,009	+ 112,890,974
Reserves of notes and coin in banking department	59,118,299	+ 2,262,243	— 2,822,275
Proportion of reserve to outside liabilities			
(a) Banking Department only ("proportion")	39.9%	+ 1.1%	— 1.1%
(b) Gold stocks to deposits and notes ("reserve ratio")	52.1%	No change	+ 15.5%

(000's omitted)

Date	Issue Department		Banking Department			Gold in or out of Bank	Bank Rate
	Notes Issued	Circulation	Public Deposits	Bankers' Deposits	Other Deposits		
1937	£	£	£	£	£	£	%
Jan. 20	513,661	450,464	13,555	100,287	37,568	Nil	2
27	513,661	452,297	12,133	98,423	38,442	Nil	2
Feb. 3	513,661	457,311	12,214	96,106	38,274	Nil	2
10	513,661	454,994	11,696	99,157	37,345	Nil	2

(000's omitted)

Date	Issue Department		Both Depts.		Banking Department				
	Govt. Debt and Securities	Other Securities	Gold Coin and Bullion and Reserve Ratio		Govt. Securities	Dis- counts & Advances	Other Securities	Reserve and the " Pro- portion "	
	£	£	£	%	£	£	£	£	%
1937									
Jan. 20	199,616	373	314,092	52 ½	74,935	8,906	22,079	63,617	42 ½
27	198,960	1,026	314,060	52 ½	78,636	8,018	18,724	61,763	41 ½
Feb. 3	198,895	1,091	314,167	52 ½	80,449	8,521	18,928	56,856	38 ½
10	198,951	1,039	314,112	51 ½	81,230	6,509	19,517	59,118	39 ½

BANKERS' CLEARING RETURNS

LONDON

(000's omitted)

	Town	Metropolitan	Country	Total
1937	£	£	£	£
January 1 to January 27	2,876,087	178,263	307,823	3,362,173
Week ended February 3	812,056	48,655	78,241	938,952
Week ended February 10	810,807	45,452	87,937	944,196
Total to date, 1937	4,498,950	272,370	474,001	5,245,321
Total to date, 1936	3,813,992	249,543	422,413	4,485,948
Increase or decrease in 1937	+ 684,958	+ 22,827	+ 51,588	+ 759,373
Percentage	= 18.0%	= 9.2%	= 12.2%	= 16.9%
Total for year 1936	35,039,358	2,039,620	3,537,598	40,616,574
Total for year 1935	32,443,575	1,887,112	3,229,064	37,559,751
Increase or decrease in 1936	+ 2,595,783	+ 152,508	+ 308,534	+ 3,056,825
Percentage	= 8.0%	= 8.1%	= 9.6%	= 8.2%

PROVINCIAL

(000's omitted)

	Week ended February 6		Month of January			Aggregate Totals January 1 to February 6	
	1936	1937	1936	1937	Inc. or Dec.	1936	1937
No. of working days :			27	26			
	£	£	£	£	%	£	£
BIRMINGHAM	3,046	3,890	12,884	13,977	+ 8.4	16,638	17,867
BRADFORD	1,155	1,204	4,537	5,208	+ 14.7	5,954	6,412
BRISTOL	1,506	1,493	5,827	5,481	- 5.9	7,525	6,974
DUBLIN	5,456	5,973	...	...	...	34,229	34,994
HULL	908	1,133	3,932	4,333	+ 10.1	4,678	5,461
LEEDS	1,009	1,416	4,967	5,395	+ 8.6	6,250	6,811
LIVERPOOL	819	943	3,758	3,556	- 5.3	4,749	4,499
MANCHESTER	7,000	8,681	27,746	32,803	+ 18.2	36,879	41,484
NEWCASTLE	11,990	14,635	46,659	48,406	+ 3.7	60,654	63,040
NOTTINGHAM	1,472	1,716	5,609	6,161	+ 9.8	7,484	7,877
SHEFFIELD	743	696	2,510	2,502	- 0.3	3,404	3,198
	1,450	1,749	4,548	4,834	+ 6.2	6,179	6,584
	36,554	43,529	122,977	132,656	+ 7.8	194,623	205,207

OVERSEAS BANK RETURNS

NOTE.—The latest return of the Bank of Spain appeared in *The Economist* for August 15. Argentina, Danzig in January 23. Estonia, Lithuania, Bulgaria in January 30. Denmark, Greece, Java, Latvia, Norway, Portugal, Sweden, Turkey, Finland, Hungary, New Zealand, Canada, Yugoslavia, Austria and Czechoslovakia in February 6.

BANK FOR INTERNATIONAL SETTLEMENTS

(In Millions of Swiss gold francs of 0.29 grammes)

	Jan. 31, 1936	Oct. 31, 1936	Nov. 30, 1936	Dec. 31, 1936	Jan. 31, 1937
ASSETS					
Gold in bars	32.8	38.5	40.7	33.1	39.0
Cash	17.2	16.3	19.3	23.3	30.7
Sight funds	27.6	6.2	5.0	5.3	49.4
Commercial bills	145.0	119.6	129.7	134.0	102.0
Treasury bills	206.7	165.2	161.0	147.7	144.9
Time funds	32.4	34.3	27.7	25.6	25.4
Sundry bills and investments	230.7	222.2	220.1	245.7	253.3
Other assets	12.0	1.1	1.5	1.5	1.5
LIABILITIES					
Capital paid up	125.0	125.0	125.0	125.0	125.0
Reserves	20.9	22.1	22.1	22.1	22.1
Special deposits	154.7	153.3	153.3	153.3	153.3
German Government deposit fund	77.3	76.6	76.6	76.6	76.6
French Government guarantee fund	61.9	43.3	43.4	43.5	43.4
French Government deposit	2.0	1.4	1.4	1.4	1.4
Time deposits of Central Banks	108.4	97.2	98.5	98.7	112.0
Not exceeding 3 months	3.0	...	...	...	...
For their own account	39.7	11.2	11.9	20.6	37.7
For account of others	10.2	5.4	4.2	6.2	4.7
Other deposits	32.5	0.4	0.5	0.9	0.3
Sight deposits—gold	21.0	27.5	27.5	27.3	27.1
Miscellaneous items	48.0	39.5	40.5	41.5	42.6

U.S. FEDERAL RESERVE BANKS.—In \$'s (000's omitted)

	Feb. 13, 1936	Jan. 21, 1937	Jan. 28, 1937	Feb. 4, 1937	Feb. 11, 1937
U.S.F.R. BANKS					
Gold Certificates on hand and due from the Treasury	7,661,220	8,849,890	8,849,910	8,848,390	8,848,390
Total reserves	8,014,480	9,177,200	9,170,410	9,150,180	9,138,210
Total cash reserves	337,340	314,570	307,770	289,040	277,080
Total bills discounted	8,020	2,380	2,860	2,860	3,080
Bills bought in open market	4,670	3,080	3,080	3,080	5,660
Total bills on hand	12,690	5,460	5,940	5,890	8,740
Industrial advances	31,800	24,130	24,080	23,650	23,580
Total U.S. Govt. securities	2,430,240	2,430,230	2,430,230	2,430,230	2,430,230
Total bills and securities	2,474,910	2,459,820	2,460,250	2,459,760	2,459,470
Total resources	11,159,570	12,419,190	12,318,180	12,305,890	12,270,680
LIABILITIES					
Federal Reserve notes in actual circulation	3,656,140	4,159,040	4,140,490	4,158,070	4,165,840
Aggregate of excess member-bank reserves over requirements	3,000,000	2,130,000	2,150,000	2,150,000	2,180,000
Deposits—Member-bank—reserve account	5,783,810	6,754,890	6,772,600	6,757,710	6,770,850
Government deposits	491,920	188,260	180,250	175,740	173,130
Total deposits	6,275,730	7,255,550	7,267,550	7,219,240	7,213,130
Capital paid in and surplus	302,610	305,020	305,150	305,360	305,260
Total liabilities	11,159,570	12,419,190	12,318,180	12,305,890	12,270,680
Ratio of total reserves to deposit and F.R. note liabilities combined	77.9%	80.4%	80.4%	80.4%	80.3%
U.S.F.R. BANKS AND TREASURY COMBINED					
Monetary Gold Stock	10,155,000	11,317,000	11,345,000	11,364,000	11,387,000
Treasury and National Bank Currency	2,496,000	2,533,000	2,531,000	2,531,000	2,531,000
LIABILITIES					
Money in Circulation	5,763,000	6,339,000	6,318,000	6,348,000	6,360,000
Treasury Cash and Deposits with Federal Reserve Banks	2,993,000	2,651,000	2,683,000	2,705,000	2,695,000

NEW YORK FEDERAL RESERVE BANK.—In \$'s

(000's omitted)

	Feb. 13, 1936	Jan. 21, 1937	Jan. 28, 1937	Feb. 4, 1937	Feb. 11, 1937
Total gold reserves	3,537,040	3,600,820	3,666,550	3,638,350	3,650,150
Total bills discounted	6,270	1,350	1,140	1,670	1,970
Bills bought in open market	1,740	1,100	1,090	1,090	1,090
Total U.S. Govt. securities	750,080	652,260	652,260	652,260	652,260
Total bills and securities	750,080	660,620	660,420	660,910	660,800
Deposits—Member-bank—reserve account	2,796,290	3,042,910	3,106,220	3,116,510	3,132,760
Ratio of total res. to dep. and Federal Res. note liabilities combined	83.9%	86.2%	86.6%	86.6%	86.5%

FEDERAL RESERVE REPORTING MEMBER BANKS.

In \$'s (000,000's omitted)

	Jan. 29, 1936	Dec. 27, 1936	Jan. 6, 1937	Jan. 13, 1937	Jan. 20, 1937	Jan. 27, 1937
Loans	7,999	9,189	9,085	9,039	8,923	8,943
Investments	12,996	13,742	13,768	13,758	13,734	13,684
Reserve with Federal Reserve Bank	4,843	5,163	5,184	5,303	5,325	5,355
Due from banks	2,366	2,345	2,313	2,354	2,308	2,285
Demand deposits	14,017	15,571	15,425	15,562	15,547	15,530
Time deposits	4,888	5,067	5,052	5,053	5,025	5,022
Government deposits	604	702	702	655	560	526
Due to banks	6,048	6,436	6,546	6,534	6,480	6,443

AUSTRALIAN COMMONWEALTH BANK.

In £'s (000's omitted)

	Feb. 10, 1936	Jan. 11, 1937	Jan. 18, 1937	Jan. 25, 1937	Feb. 1, 1937	Feb. 8, 1937
ASSETS						
Gold and English sterling	15,993	16,011	16,011	16,011	16,011	16,011
Other coin, bullion and cash	6,029	6,194	6,129	6,053	5,782	6,082
Money at short call—London	11,538	17,525	18,351	18,838	18,990	19,211
Short-term loans	7,881	10,002	11,892	11,353	10,874	9,403
Securities	71,127	77,268	77,048	76,550	76,550	76,548
Discounts and advances	7,725	9,235	9,158	9,072	9,230	9,116
LIABILITIES						
Notes issued	47,044	49,039	47,538	47,038	47,038	47,038
Reserve premium on gold	4,125	7,753	7,753	7,753	7,753	7,753
Deposits	67,150	70,945	75,542	75,817	75,206	74,079

MONTHLY STATEMENT OF LONDON CLEARING BANKS

(000's omitted)

Average Weekly Balance January, 1937	Barclays Bank Limited	Coutts and Co.	District Bank Limited	Glyn, Mills and Co.	Lloyds Bank Limited	Martins Bank Limited	Midland Bank Limited	National Bank Limited	National Provin- cial Bank Limited	West- minster Bank Limited	Williams Deacon's Bank Limited	Aggre- gate
ASSETS	£	£	£	£	£	£	£	£	£	£	£	£
Coin, bank notes and balances with the Bank of England.....	43,354	2,037	7,883	3,640	43,113	8,965	52,221	3,321	31,908	37,518	3,740	237,700
Balances with and cheques in course of collection on other Banks in Great Britain and Ireland ...	11,734	781	1,905	1,145	10,460	2,792	12,584	235	6,854	9,574	1,649	59,713
Items in transit.....	...	...	...	...	3,761	708	...	...	...	...	...	4,469
Money at call and short notice	24,618	2,639	9,313	8,882	31,457	3,343	29,485	5,350	28,395	30,410	5,535	179,427
Bills discounted	73,021	1,231	5,457	634	56,194	3,264	88,912	1,523	44,564	68,304	2,044	345,148
Investments	109,400	9,162	29,617	13,580	115,786	32,530	129,846	15,379	88,556	112,047	13,369	669,272
Advances to customers and other accounts ...	176,391	10,947	26,827	9,965	150,501	42,829	189,346	15,389	122,787	122,902	12,137	880,021
Liabilities of customers for acceptances, en- dorsements, etc.	9,733	475	7,899	2,790	32,117	8,069	19,099	185	8,708	20,021	1,479	110,575
Bank premises account...	7,457	412	1,554	740	7,600	2,599	9,897	715	7,334	5,243	1,083	44,634
Investments in affiliated banks and subsidiary companies	6,969	...	...	...	3,325	...	7,745	...	2,514	2,993	...	23,546
	462,677	27,684	90,455	41,376	454,314	105,099	539,135	42,097	341,620	409,012	41,036	2,554,505
Ratio of cash to current, deposit and other ac- counts.....	10·16	8·08	10·29	9·91	10·85	10·01	10·56	8·75	10·12	10·13	10·14	10·30
LIABILITIES												
Capital paid up.....	15,858	1,000	2,976	1,060	15,810	4,160	14,248	1,500	9,479	9,320	1,875	77,286
Reserve fund	10,250	1,000	2,976	530	9,000	3,300	11,500	1,110	8,000	9,320	800	57,786
Current, deposit and other accounts	426,836	25,209	76,604	36,716	397,381	89,550	494,288	37,973	315,433	370,338	36,882	2,307,210
Acceptances, endorse- ments, etc.	9,733	475	7,899	2,790	32,117	8,069	19,099	185	8,708	20,021	1,479	110,575
Notes in circulation	...	...	...	...	6	20	...	1,329	...	13	...	1,368
Reduction of bank premises account	...	...	...	280	...	...	...	...	...	...	...	280
	462,677	27,684	90,455	41,376	454,314	105,099	539,135	42,097	341,620	409,012	41,036	2,554,505

SWISS NATIONAL BANK.—In francs (000's omitted)†

Assets	Feb. 7, 1936	Jan. 7, 1937	Jan. 15, 1937	Jan. 23, 1937	Jan. 30, 1937	Feb. 6, 1937
Gold	1,388,870	2,713,504	2,716,613	2,716,942	2,717,115	2,717,260
Of which held abroad	218,197	629,733	629,733	629,732	629,732	629,732
Discounts	129,007	18,586	18,367	19,794	20,253	20,755
Confederation Bills	79,431	23,500	21,950	21,000	20,400	18,800
Advances	77,725	41,212	39,214	40,197	40,590	41,398
Securities	44,900	15,897	15,911	15,888	17,308	17,679
LIABILITIES						
Notes in circulation	1,242,962	1,406,206	1,358,761	1,344,176	1,385,008	1,349,834
Deposits	416,871	1,421,527	1,469,429	1,483,142	1,429,605	1,446,594

† Gold revalued from Oct. 7, 1936. N.B. Exchange Equalisation Fund and assets included in returns Dec. 31, 1936, onwards at 538,583,653 fcs.

BANK OF FINLAND.—In F. Marks (000's omitted)

Assets	Jan. 31, 1936	Jan. 8, 1937	Jan. 15, 1937	Jan. 23, 1937	Jan. 30, 1937
Gold reserve	485,238	603,210	603,205	603,199	603,190
Gold abroad not included in the gold reserve		211,432	211,432	211,432	211,432
Foreign correspondents	1,286,914	1,531,769	1,557,412	1,618,987	1,655,253
Foreign bills, bank notes and coupons	78,551	82,743	82,407	83,147	86,228
Inland bills and other home loans	842,900	954,751	948,393	963,295	976,039
Finland and foreign bonds	427,129	442,461	421,748	419,274	418,333
LIABILITIES					
Notes in circulation	1,341,540	1,549,914	1,543,424	1,516,255	1,600,023
Government deposits at sight	297,253	324,210	345,400	358,040	390,589
Other deposits at sight	387,353	765,543	733,496	809,505	713,859
Ratio of ordinary cover to liabilities at sight	81.25	75.87	76.63	76.84	75.04

NATIONAL BANK OF ROUMANIA.—In lei (000's omitted)†

Assets	Dec. 31, 1936	Dec. 12, 1936	Dec. 19, 1936	Dec. 23, 1936	Dec. 31, 1936
Gold and gold exchange	10,893,775	15,657,931	15,550,429	15,567,201	15,568,160
Commercial bills	5,219,631	6,107,401	6,163,117	6,154,973	6,261,607
Agric. and urban advances	2,727,042	2,439,396	2,435,616	2,431,122	2,429,615
Treasury bills issued against losses on credit	5,135,836	5,828,232	5,830,213	5,834,409	5,817,440
State debt and advances to Treasury	5,638,745	3,633,095	3,633,095	3,633,095	3,624,386
LIABILITIES					
Notes in circulation	23,127,216	24,897,420	25,714,980	26,004,340	26,662,513
Other sight liabilities	7,664,790	10,699,869	9,666,598	9,569,135	10,299,569
Long-term liabilities	4,525,298	4,500,814	4,481,359	4,363,854	4,408,505

† First return after decree of November 7, 1936, was November 14th.

BANK OF POLAND.—In zloty (000's omitted)

Assets	Jan. 31, 1936	Dec. 31, 1936	Jan. 10, 1937	Jan. 20, 1937	Jan. 31, 1937
Gold	444,676	392,950	394,621	396,157	397,278
Foreign exch. and balances	21,018	29,686	31,303	31,370	31,899
Bills discounted	626,213	681,339	649,193	610,155	626,824
Loans against securities	87,873	107,366	64,131	59,702	60,179
Treasury bonds discounted	40,398	66,926	43,258	37,194	35,402
Securities	91,380	136,376	134,679	134,813	134,866
LIABILITIES					
Notes in circulation	958,659	1,033,841	986,398	957,356	999,251
Sight liabilities	197,798	291,567	273,686	264,313	232,279

BANK OF JAPAN.—In yen (000's omitted)

Assets	Jan. 11, 1936	Dec. 19, 1936	Dec. 26, 1936	Jan. 2, 1937	Jan. 9, 1937
Gold coin and bullion	504,982	547,339	548,191	548,343	548,558
Other coin and bullion	21,018	36,639	30,102	28,822	29,753
Discounts	543,923	535,187	601,873	585,628	524,826
Advances	154,014	216,676	227,780	218,141	218,546
Advances on foreign bills	62,241	124,655	164,900	159,125	36,300
Government bonds	539,018	480,216	764,942	829,073	610,457
LIABILITIES					
Notes	1,347,850	1,528,966	1,789,644	1,865,703	1,458,694
Government deposits	338,400	189,611	302,289	217,757	260,330
Other deposits	53,403	64,192	87,378	128,994	26,175

MONEY AND EXCHANGE RATES

LONDON MONEY RATES

	Feb. 4, 1937	Feb. 5, 1937	Feb. 6, 1937	Feb. 8, 1937	Feb. 9, 1937	Feb. 10, 1937	Feb. 11, 1937
Bank rate (changed from 2½ June 30, 1932).....	2	2	2	2	2	2	2
Market rates of discount—							
60 days' bankers' drafts	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½
3 months' do.	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½
4 months' do.	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½
6 months' do.	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½
Discount Treasury Bills—							
2 months'	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½
3 months'	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½
Loans—Day-to-day	1-1	1-1	1-1	1-1	1-1	1-1	1-1
Short	1-1	1-1	1-1	1-1	1-1	1-1	1-1
Deposit allowances: Bank							
Discount houses at call	1-1	1-1	1-1	1-1	1-1	1-1	1-1
At notice	1-1	1-1	1-1	1-1	1-1	1-1	1-1

Comparison with previous weeks

	Short Loans	Bank Bills			Trade Bills		
		3 Months	4 Months	6 Months	3 Months	4 Months	6 Months
1937							
Jan. 14	1-1	1-1	1-1	1-1	1-1	1-1	1-1
" 21	1-1	1-1	1-1	1-1	1-1	1-1	1-1
" 28	1-1	1-1	1-1	1-1	1-1	1-1	1-1
Feb. 4	1-1	1-1	1-1	1-1	1-1	1-1	1-1
" 11	1-1	1-1	1-1	1-1	1-1	1-1	1-1

LONDON RATES OF EXCHANGE

I.—Spot Rates (Range of the day's business)

London on	Par of Exch. per £	Feb. 5, 1937	Feb. 6, 1937	Feb. 8, 1937	Feb. 9, 1937	Feb. 10, 1937	Feb. 11, 1937
New York, \$.	4.868	4.881-891	4.889-891	4.891-891	4.891-891	4.891-891	4.891-891
Montreal, \$.	4.868	4.881-891	4.889-891	4.891-891	4.891-891	4.891-891	4.891-891
Paris, Fr.	124.21	105.1051	105.1051	105.1051	105.1051	105.1051	105.1051
Brussels, Bel.	35.00(a)	28.97	29.01	29.01	29.01	29.01	29.01
Milan, L.	92.46	92.46	92.46	92.46	92.46	92.46	92.46
Zurich, Fr.	25.22	21.38-42	21.41-43	21.41-43	21.41-43	21.41-43	21.41-43
Athens, Dr.	375	540-555	540-555	540-555	540-555	540-555	540-555
He's fors, M.	193.23	226-227	226-227	226-227	226-227	226-227	226-227
Madrid, Pt.	25.224	68-74(d)	68-74(d)	68-74(d)	68-74(d)	68-74(d)	68-74(d)
Lisbon, Esc.	110	110-110	110-110	110-110	110-110	110-110	110-110
Amst'dm, Fl.	12.107	8.92-94	8.93-94	8.93-94	8.93-94	8.93-94	8.93-94
Berlin, Mk.	20.43	12.13-17	12.14-17	12.14-17	12.14-17	12.14-17	12.14-17
Vienna, Sch.	(c)	50-55	50-55	50-55	50-55	50-55	50-55
Bu'pest, Pen.	27.82	161-16	161-16	161-16	161-16	161-16	161-16
Prague, Kr.	161-16	140-140	140-140	140-140	140-140	140-140	140-140
Danzig, Gul.	25.00	251-261	251-261	251-261	251-261	251-261	251-261
Warsaw, Zl.	43.38	251-261	251-261	251-261	251-261	251-261	251-261
Riga, Lat.	25.224	241-251	241-251	241-251	241-251	241-251	241-251
Bucharest, Lei	813.8	660-680	660-680	660-680	660-680	660-680	660-680
Const'ple, Pst	110	615	615	615	615	615	615
Belgrade, Din.	276.32	208-218	208-218	208-218	208-218	208-218	208-218
Kovno, Lit.	48.66	281-291	281-291	281-291	281-291	281-291	281-291
Sofia, Lev.	673.66	390-420	390-420	390-420	390-420	390-420	390-420
Tallinn, E. Kr.	18.159	171-181	171-181	171-181	171-181	171-181	171-181
Oso, Kr.	18.159	19-85-95	19-85-95	19-85-95	19-85-95	19-85-95	19-85-95
St'holm, Kr.	18.159	19-35-45	19-35-45	19-35-45	19-35-45	19-35-45	19-35-45
Cop'n'gen, Kr.	18.159	22-35-45	22-35-45	22-35-45	22-35-45	22-35-45	22-35-45
Alex'ria, Pst.	971	971	971	971	971	971	971
Br. India Rup	181	181	181	181	181	181	181
Hong Kong, \$	141-15	141-15	141-15	141-15	141-15	141-15	141-15
Kobe, Yen	24.581	131-14	131-14	131-14	131-14	131-14	131-14
Shanghai, \$	141-15	141-15	141-15	141-15	141-15	141-15	141-15
Singapore, \$	281	281	281	281	281	281	281
Batavia, F.	181-19	181-19	181-19	181-19	181-19	181-19	181-19
Rio, Mil.	15.899	16-15-25	16-15-25	16-15-25	16-15-25	16-15-25	16-15-25
B. Aires, \$	11.45	16-12	16-12	16-12	16-12	16-12	16-12
Valparaiso, \$	40	128	128	128	128	128	128
M'video, \$	261-27	261-27	261-27	261-27	261-27	261-27	261-27
Lima, Sol.	17.38	181-191	181-191	181-191	181-191	181-191	181-191
Mexico, Pes.	9.76	171-181	171-181	171-181	171-181	171-181	171-181
Manila, Pes.	24.66	241-2	241-2	241-2	241-2	241-2	241-2
Moscow, Rbls.	241-2	241-2	241-2	241-2	241-2	241-2	241-2
B'ngkok, Baht	21.82d.	22-22	22-22	22-22	22-22	22-22	22-22

Usance: T.T., except Alexandria (Sight); Rio de Janeiro, Lima, Valparaiso (90 days).
 * Sellers. † Pence per unit of local currency. ‡ Par 8-23½ since local devaluation on February 1, 1934.
 § Par 197.10½ since koruna devaluation on February 17, 1934.
 (a) Prior to devaluation on April 2, 1935. (b) Official Rate. (c) Per cent. discount.
 (d) Latest "export" rate. (e) Official rate is 4½d. sellers. (f) Official rate is \$15 sellers.
 (g) Average remittance rate for importers. Rate for payments to the Bank of England:—(i) For account Controller of Anglo-Italian debts; (j) under Anglo-Spanish Agreement; (k) under Anglo-Turkish Agreement. (l) Nominal.
 (m) Approximate. Dealings in Roubles at 4½ French francs to 1 Rouble.

II.—Forward Rates (Closing quotations)

London on	Feb. 5, 1937	Feb. 6, 1937	Feb. 8, 1937	Feb. 9, 1937	Feb. 10, 1937	Feb. 11, 1937
New York, cent.	1 Month (p) 1½-1½	2 " (p) 1½-1½	3 " (p) 1½-1½	4 " (p) 1½-1½	5 " (p) 1½-1½	6 " (p) 1½-1½
Paris, frs.	1 Month (d) 1½-1½	2 " (d) 1½-1½	3 " (d) 1½-1½	4 " (d) 1½-1½	5 " (d) 1½-1½	6 " (d) 1½-1½
Amsterdam, c'nt	1 Month (p) 1½-1½	2 " (p) 1½-1½	3 " (p) 1½-1½	4 " (p) 1½-1½	5 " (p) 1½-1½	6 " (p) 1½-1½
Brussels, cent.	1 Month (p) 1½-1½	2 " (p) 1½-1½	3 " (p) 1½-1½	4 " (p) 1½-1½	5 " (p) 1½-1½	6 " (p) 1½-1½
Geneva, cent.	1 Month (p) 1½-1½	2 " (p) 1½-1½	3 " (p) 1½-1½	4 " (p) 1½-1½	5 " (p) 1½-1½	6 " (p) 1½-1½

(p) Premium, i.e. "under spot."

(d) Discount, i.e. "over spot."

NEW YORK MONEY AND EXCHANGE RATES

The Irving Trust Company cables the following money and exchange rates in New York:—

	Feb. 11, 1936	Jan. 13, 1937	Jan. 20, 1937	Jan. 27, 1937	Feb. 3, 1937	Feb. 10, 1937
Call money.....	1	%	%	%	%	1
Time money (90 days' mixed coll.)	1	1½	1½	1½	1½	1½
Bank acceptances:—						
Members—eligible, 90 days.....	1	1	1	1	1	1
Non-mem.—eligible, 90 days	1	1	1	1	1	1
Commercial accept., 90 days.....	1	1	1	1	1	1

OVERSEAS RAILWAY RECEIPTS

Name	Weeks	Ending	Present Mileage	Gross Receipts for Week		Gross Aggregate Receipts	
				1936	+ or -	1936	+ or -
INDIAN							
Assam Bengal	43	1937 Jan. 20	1,330	Rs. 1,330	Rs. 70,246	Rs. 1,42,09,628	Rs. 7,80,503
Barsi Lt. Ry.	41	10	292	11,26,164	13,386	12,01,100	2,76,300
Bengal & N. Western	17	20	2,107	11,26,164	13,386	12,01,100	2,76,300
Bengal-Nagpur	43	20	3,268	11,26,164	13,386	12,01,100	2,76,300
Bombay, Bar. & C.I.	44	31	3,072	14,95,000	8,81,000	9,60,44,000	57,90,000
Madras & S. Mahr.	43	20	3,229	12,23,000	4,20,891	5,97,48,908	24,04,699
Rohilk'd & Kumaon	17	20	3,572	12,52,089	18,068	21,12,245	98,692
South Indian	43	20	2,532	14,59,544	91,001	4,30,98,351	7,64,570
† 10 days.				† 11 days.			

† 10 days. †† 11 days.

CANADIAN

Canadian National ..	5	Feb. 7	23564	3,374,104	369,021	17,417,456	1,669,819
Canadian Pacific	5	Feb. 7	17223	2,407,000	226,000	12,601,000	1,096,000

SOUTH AMERICAN

Antofagasta (Chili and Bolivia)	6	Feb. 7	834	£14,810	940	81,150	5,060
Argentine N.E.	32	6	753	£128,300	2,300	4,821,200	545,100
B.A. and Pacific	32	6	2,860	£7,959	290	286,618	35,417
B.A. Central	30	Jan. 23	5,084	£1,870,000	210,000	44,849,300	2,239,300
B.A. Gt. Southern	32	6	1,930	£153,800	88,800	4,330,000	780,200
B.A. Western	32	6	1,930	£249,376	80,234	4,291,147	288,819
Central Argentine	32	6	3,700	£991,000	154,000	24,879,000	1,519,000
Central Uruguay	31	Jan. 27	311	£61,476	12,327	1,488,353	116,023
C. Ur. (East Ext.)	31	30	185	£13,003,450	759,250	78,579,430	12,925,130
C. Ur. (W. Ext.)	31	30	211	£14,364	832	4,891,355	334,363
Cordoba Central	32	6	1,218	£1,403	189	30,623	4,182
Entre Rios	32	6	810	£504,000	80,000	17,400,000	1,446,000
G. Westn. of Brazil	6	6	1,082	£31,270	6,370	1,036,100	98,850
Leopoldina	6	6	1,918	£246,300	63,000	7,094,700	887,000
Leopoldina Term.	6	6	1,918	£15,279	4,518	423,193	64,394
Nitrate	4	Jan. 31	397	£10,000	600	52,500	6,500
Paraguay Central	32	6	100	£250,480	426,000	9,643,000	433,000
Salvador	5	Jan. 31	153	£25,600	6,677	119,720	14,299
San Paulo	32	6	1,353	Ms. 392,000	46,000	1,867,000	40,000
United of Havana	32	6	1,353	£2,807,000	403,000	84,444,000	12,281,000
				£2,807,000	403,000	598,758	54,362
				£2,807,000	403,000	11,540,000	237,000
				£2,807,000	403,000	136,653	3,542
				£2,807,000	403,000	565,313	25,929

* Converted at average official rate during week ended Feb. 6, 16-12 pesos to the £.
† Free market rate. †† Receipts in Argentine pesos. ††† Fortnight.
a Converted at official rate. e Converted at "controlled free" rate.
f Converted at the "free" rate as a result of a decision of the High Court.

OTHER OVERSEAS

Egyptian Delta Light Railways	43	Jan. 20	621	£7,537	£215	206,078	£865
Egyptian Markets	5	Feb. 4	...	2,184	188	11,521	170
Gr. Southn. of Spain	34	Aug. 29	104	Ps. 14,208	62,843	840,732	724,859
Mexican Railway	6	Feb. 7	483	£311,600	64,900	1,591,300	267,600

SUEZ CANAL RECEIPTS

Suez Canal	4	Jan. 31	...	Fr. 137,540,000	Fr. 10,650,000	Fr. 108,990,000	Fr. 31,200,000
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† 10 days.

TRAMWAYS WEEKLY GROSS RECEIPTS

Anglo-Argentine	5	Feb. 4	325	£645,686	28,112	3,121,466	64,681
B. Aires Lacroze	30	Jan. 24	...	£68,120	6,364	2,019,757	87,861
Burnley, Colne and Nelson Jt. Trsp.	5	Feb. 6	76	£5,206	41	25,018	199
Calcutta Tramways	5	Feb. 6	...	Rs. 1,21,354	1,260	5,93,360	9,983
Isle of Thanet Elec.	4	Jan. 27	...	£3,090	86	12,695	718
Liverpool Corp.	44	Feb. 3	...	£27,928	831	1,306,181	16,194
Madras Electric	4	Jan. 31	...	Rs. 31,400	3,970	1,10,314	3,786

† Fortnight.

MONTHLY TRAFFICS

Company	Months	Ending	Description	Receipts for Month		Receipts to Date	
				1937	+ or -	1937	+ or -
Bolivar	1	Jan. 31	Gross	£5,400	100	...	...
La Guaira & Caracas	1	Jan. 31	Gross	£6,270	1,845	...	...
La Guaira Harbour	1	Jan. 31	Gross	£13,511	3,574	...	...
La Plata Elec. Trams	1	Jan. 31	Gross	£9,622	...	...	...
Peruvian Corp.	7	Jan. 31	Gross	£79,801	3,318	570,586	33,170
Samana & Santiago	1	Jan. 31	Gross	£1,550	397	...	...
Shanghai Electric	1	Jan. 31	Gross	£397,261	6,207	...	...
Singapore Traction	1	Jan. 31	Gross	£187,000	13,000	730,000	30,000
Suez Canal	1	Jan. 31	Gross	Fr. 108,390,000	31,200,000	...	...

AMERICAN RAILROADS

Company	Month of Dec., 1936	Compared with Dec., 1935	12 Months 1936	Compared with 12 Months 1935
Baltimore and Ohio	Gross 14,686,000	+ 2,804,000	168,992,000	+ 27,149,000
Erie	Net 2,613,000	+ 630,000	30,185,000	+ 6,000,000
New York Central	Gross 7,694,000	+ 1,490,000	85,005,000	+ 9,910,000
Pennsylvania Railroad	Net 1,271,000	+ 168,000	16,339,000	+ 3,378,000
Southern Pacific	Gross 34,607,000	+ 6,380,000	361,063,000	+ 51,033,000
Union Pacific	Net 1,779,000	+ 1,685,000	45,278,000	+ 9,313,000
	Gross 40,401,000	+ 8,360,000	441,425,000	+ 73,748,000
	Net 8,797,000	+ 2,591,000	84,557,000	+ 14,163,000
	Gross 22,459,000	+ 8,479,000	204,338,000	+ 40,979,000
	Net 6,969,000	+ 4,915,000	34,087,000	+ 14,254,000
	Gross 14,881,000	+ 3,824,000	155,214,000	+ 22,910,000
	Net 3,893,000	+ 1,795,000	25,070,000	+ 5,775,000

† Net operating income.

* Includes £1,900,000 charges against Pacific Fruit Express.

ARE INTEREST RATES RISING?

(See Leading Article on page 345)

Note.—All figures are based on "public prospectus" issues, unless otherwise stated. Figures which (as indicated by footnotes) are on our "new basis" include, in addition, all capital made available by Stock Exchange placing and permission to deal.

Year	Average Yield on New Issues of			Year	Average Yield on New Issues of		
	British Government Loans	Industrial Debentures	Industrial Preference Shares		British Government Loans	Industrial Debentures	Industrial Preference Shares
1920	6.98	7.92	8.09	1930	4.67	5.96	6.00
1921	5.70	8.09	8.39	1931	3.50	6.33	6.50
1922	5.59	6.72	7.17	1932	3.50	5.44	6.32
1923	5.30	6.40	6.59	1933	2.99	4.58	5.28
1924	4.72	6.61	6.27	1934	3.09	4.48	5.00
1925	4.74	6.43	6.10	1935	2.19	3.83	5.08
1926	5.03	6.48	6.70	1936	2.85	4.17	4.94
1927	4.71	6.21	6.67	1937	2.19	3.95	4.78
1928	4.82	6.10	7.37	1938	2.85	3.95	4.78
1929	5.00	6.10	6.58				

* No issue.

† Compiled on New Basis figures.

CONVERSION LOANS

TOTAL STOCK CONVERTED (£'000)	British Government		Colonial Governments		Foreign Governments		British Corporations		Industrial
	1932	1933	1934	1935	1936	1937	1938	1939	
1932	2,362,500*	18,052	Nil	3,336	10,536				
1933	50,757	110,850	Nil	Nil	61,334				
1934	105,000	60,543	24,220	20,029	26,592				
1935	204,000	69,003	Nil	14,968	28,236				
1936	37,196	42,208	12,924	19,615	29,062				

* Excludes 4½ per cent. Treasury Bonds, converted in March, 1932, since holders had an option to go into either of two Loans.

JANUARY CLEARING BANKS

(See note on page 363)
(In £ millions)

	Jan., 1936	Oct., 1936	Nov., 1936	Dec., 1936	Jan., 1937
Capital and reserves ...	131.8	131.8	131.8	131.9	132.5
Acceptances, etc.	105.6	102.9	106.6	108.8	110.4
Deposits (including undivided profits, etc.)	2,127.1	2,243.3	2,249.0	2,276.9	2,269.5
Total liabilities ...	2,364.5	2,478.0	2,487.4	2,517.6	2,512.4
Cash	224.5	223.6	229.6	240.6	234.4
Cheques, balances and items in transit	53.9	60.4	64.2	75.2	64.0
Money at call	154.8	158.9	174.3	189.3	174.1
Discounts	344.4	349.2	327.1	320.7	343.6
Investments	614.3	640.0	640.2	644.4	653.9
Loans and advances	796.8	872.9	875.3	869.0	864.6
Investments in affiliated banks	25.1	25.2	25.2	24.9	23.5
Cover for acceptances, premises, etc.	150.4	147.8	151.5	153.5	154.3
Total assets	2,364.5	2,478.0	2,487.4	2,517.6	2,512.4

SUMMARY OF COMPANY PROFIT AND LOSS ACCOUNTS

Company	Year Ending	Balance from Last Account	Net Profit After Payment of Debenture Interest	Amount Available for Distribution	Appropriation					Balance Forward	Corresponding Period Last Year	
					Dividend			Carried to Reserve, Depreciation, etc.			Net Profit	Dividend
					Prefce.	Ordinary	Rate					
		£	£	£	£	£	%	£	£	£	%	
Banks												
London Merchant Bank ...	Dec. 31	Dr 175,129	15,549	Dr 159,580	...	...	...	15,549	Dr 175,129	15,659	...	
Electric Lighting, etc.												
Lancashire Electric	Dec. 31	21,168	239,501	260,669	91,692	114,375	7½	48,961	5,641	210,504	7½	
Yorkshire Electric Power...	Dec. 31	70,094	535,628	605,722	64,752	162,000	8	295,000	83,970	463,033	8	
Gas												
Cardiff Gas-Light	Dec. 31	20,627	42,654	63,281	8,159	33,791	6	500	20,831	42,761	6	
Commercial Gas	Dec. 31	6,768	86,512	93,280	...	88,750	5	...	4,530	84,444	5	
Croydon Gas	Dec. 31	49,494	122,189	171,683	6,000	88,527	5(m) 7(n)	25,000	52,156	116,256	5(m) 7(n)	
Malton Gas	Dec. 31*	6,207	1,526	7,733	...	1,530	6½†	...	6,203	1,661	6½†	
South Suburban Gas	Dec. 31	14,960	141,752	156,712	45,641	92,628	6	...	18,443	149,186	6	
Tottenham and District Gas	Dec. 31	54,179	99,220	153,399	19,969	78,887	6½	...	54,543	99,644	6½	
Wakefield Gas Light	Dec. 31	1,961	9,649	12,610	1,125	9,386	6½	...	2,099	10,598	6½	
Woking District Gas.....	Dec. 31	6,012	7,547	13,559	3,007	4,123	A11 B7½	...	6,429	10,074	A11 B7½	
Financial, Land, etc.												
Canadian City and Town Properties	Oct. 31	Dr. 4,128	Dr. 6,108	Dr. 10,236	...	...	...	...	Dr 10,236	Dr. 6,514	Nil	
Denman Street Trust	Dec. 31	16,476	33,452	49,928	7,070	18,856	6	...	24,002	22,221	4	
Electrical & Industrial Inv.	Dec. 31	26,143	24,157	50,300	13,000	8,000	8	...	29,300	21,995	8	
Mortgage Co. of River Plate	Dec. 31	82,271	44,066	126,337	15,000	25,500	8½	25,000	85,837	37,366	7	
Wemyss Collieries Trust ...	Nov. 11	6,723	46,853	53,576	19,310	9,912	10	...	14,354	42,775	8	
Iron, Coal and Steel												
Bolsover Colliery	Dec. 31	65,420	454,554	519,974	62,500	223,896	11	149,246	84,332	386,244	9	
Rubber												
Ampat (Sumatra)	Sept. 30	1,366	1,970	3,336	...	4,710	2½	2,000	3,336	247	Nil	
Sungei Buaya (Sumatra) ...	Sept. 30	6,846	9,481	16,327	...	3,357	5	1,400	9,617	2,902	Nil	
Val d'Or	Oct. 31	8,201	4,762	12,963	...	...	...	...	8,206	2,695	5	
Shipping												
Wm. France, Fenwick & Co.	Dec. 31	7,849	87,224	95,073	6,291	28,594	5	52,975	7,213	51,746	3	
Textile												
Ashton Brothers and Co. ...	Jan. 2	Dr. 27,422	47,660	20,238	...	...	...	13,867	6,371	21,338	Nil	
Linen Thread Co.....	Sept. 30	192,242	325,438	517,680	121,000	140,250	8½	50,000	206,430	261,654	6	
Lister and Co.....	Nov. 30	Dr. 50,442	68,179	17,737	15,000d	...	...	...	2,737	1,590	Nil	
Trusts												
Equatorial Trust	Dec. 31	29,983	15,857	45,840	...	11,438	3	5,000	29,402	10,470	2½	
Foreign and Colonial Inv. ...	Jan. 10	61,577	88,892	150,469	37,500	33,750	4½	17,000	62,219	77,642	4	
General Funds Investment	Jan. 15	1,663	14,874	16,537	5,445	5,445	5	2,500	3,147	7,789	5	
General Investors & Trustees	Jan. 31	5,172	57,068	62,240	13,588	33,215	11	10,000	5,437	51,551	10	
Glasgow Stockholders Trust	Jan. 2	9,199	21,847	31,046	16,188	2,158	1	5,000	7,700	22,031	Nil	
Railway Deb. and General...	Jan. 15	32,098	73,616	105,714	29,250	35,750	5½	7,000	33,714	69,470	5	
Railway Share Trust & Co.	Jan. 15	40,363	101,824	142,187	49,500	36,000	6	14,500	42,187	91,038	5	
Waterworks												
Wrexham and East Denbighshire.....	Dec. 31	6,633	10,277	16,910	2,815	3,623 1,200	5½(y) 7½(z)	2,680	6,592	10,820	5½(y) 7½(z)	
Other Companies												
Angus (George) and Co.	Dec. 31	6,365	24,631	30,996	4,800	15,028	£5/14/7	...	11,168	15,135	3½	
Barrow, Hepburn and Gale	Jan. 2	26,316	58,985	85,301	41,176	...	...	14,500	29,625	43,435	Nil	
Birmingham Rly. Carriage	Dec. 31	13,089	46,650	59,739	4,575	37,781	5	...	17,383	Dr. 1,507	5	
Bluestone & Elvin	Dec. 31	...	42,580	42,580	6,862	20,588	18	10,500	4,630	(a)	(a)	
Cook Son and Co. (St. Pauls)	Dec. 31	29,860	61,366	91,226	56,875	...	...	...	34,531	60,888	Nil	
Fore Street Warehouse	Dec. 31	4,621	11,269	15,890	...	10,800	3	...	5,090	10,124	2½	
Gray (William) C., and Sons	Dec. 31	32,203	56,454	88,657	16,269	21,000	7½	15,388	36,000	50,293	7½	
Hampshire (F. W.) and Co.	Dec. 5	7,671	71,778	79,449	5,625	24,000	30	42,000	7,824	62,307	30	
Hartley (Wm.) P., Ltd.....	Oct. 31	...	32,037	9,531	13,832	8	...	...	8,674	(a)	(a)	
Imperial Tobacco Co. (Great Britain and Ireland)	Oct. 31	1,040,422	10,636,315	11,676,737	852,209	9,390,762	25†	250,000	1,183,766	102,682	24†	
Industrial Plant	Nov. 30	335	439	774	...	429	4	...	345	547	5	
Jackson Bros. (Knottingley)	Dec. 31	16,755	20,764	37,519	2,974	8,950	15	7,600	17,995	15,037	10	
John White (Impreg. Boots)	Dec. 31	1,727	42,914	44,641	7,386	12,500	10	19,882	4,873	37,433	7	
Read Brothers	Dec. 31	3,925	9,656	13,581	5,000	6,700	3	...	4,381	8,528	3	
Redfern's Rubber Works....	Dec. 31	11,658	26,142	37,800	9,000	14,000	17½	1,403	13,397	24,945	12½	
Squirrel Confectionery	Dec. 31	...	11,886	11,886	2,383(e)	5,500	10†	1,468	2,535	Dr. 5,330	Nil	

COMMERCE AND TRADE

SURVEY OF COMMODITY MARKETS

AFTER the hesitancy of the previous three weeks, commodity prices in general showed a firmer tendency in the period under review. The improvement took place before the settlement of the strikes in the American automobile industry and was strengthened by Thursday's news.

Copper was again in the limelight on the London Metal Exchange. In consequence of falling stocks, improved buying and the anticipation of a further rise in the United States quotation, the price of the metal advanced to almost £56 a ton in the week ended Wednesday. The copper position is now becoming highly artificial and a serious set-back in prices appears likely when increasing supplies reach the market. Spelter also rose sharply in an active market and on Wednesday reached the highest level since 1929. The improvement in the statistical position, greater activity in the consuming industries and the operations of speculators were responsible for this week's advance. Lead, on the other hand, was easier in consequence of increased supplies, while tin lost ground in a dull market. Meanwhile, quotations for iron and steel remain very firm, and coal prices show a hardening tendency.

Demand has been active at the London fur auctions and prices are higher. Rubber scored a further advance, despite the absence of any improvement in the American strike situation, mainly in consequence of the supply position. Cotton prices, however, showed a sagging tendency and raw wool and tops were barely steady. The news that the Indian Jute Mills will remove all restrictions on production after March 1st, caused a general decline in jute prices; other textile fibres showed little change. The market in oilseeds and their products was rather quiet generally, but linseed and coconut oil registered an advance.

(Continued from page 387)

RAILWAYS

SOUTHERN RAILWAY.—Increases of £751,042 in gross receipts for 1936 and £153,863 in net revenue. Final dividend, 4 per cent. on preferred ordinary stock, making 5 per cent. as before. On deferred ordinary stock a $\frac{1}{2}$ per cent. dividend is to be paid (first since 1 per cent. for 1930). Carry-forward increased from £220,809 to £225,875. Dividends to be paid March 2nd.

GREAT WESTERN RAILWAY.—Final dividend, 2½ per cent. on ordinary stock, making 3 per cent. for 1936, same as for 1935. Net revenue for 1936, £864,271 higher. Carry forward, £76,794. The amount recoverable for rates of £1,737,800 is placed to contingency fund.

LONDON MIDLAND AND SCOTTISH RAILWAY.—Dividends resumed on ordinary stock at rate of 1½ per cent. for 1936. Previous payment $\frac{1}{2}$ per cent. for 1931. Receipts from all sources have risen by £3,136,000 and net revenue is higher by £1,021,000. Carry forward, £79,000, against £134,491. A sum of £3,180,000 recoverable for rates and rate relief is to be placed to reserves for maintenance and new works.

BUILDING SOCIETIES

NORTHAMPTON TOWN AND COUNTY BENEFIT BUILDING SOCIETY.—Report for 1936 shows due to shareholders, £4,466,961. To depositors, £1,432,308. Mortgage advances, £1,278,262. Total assets, £6,312,750. Net working profit, £27,639, and £10,818 on sale of investments. To general reserve, £25,000. To mortgage contingent reserve fund, £5,000. Written off office premises, £7,225. Carry forward, £8,064.

BANKS

DANSKE LANDMANDSBANK.—After paying expenses there is a balance of kr. 8,417,854 for 1936 (including undivided profits from 1935, kr. 1,109,702). Kr. 251,666 written off for bad debts; kr. 500,000 for buildings depreciation; kr. 950,000 for taxes; kr. 250,000 transferred to securities depreciation reserve, and kr. 1,428,242 to the reserve fund; kr. 500,000 for staff bonus. Dividend of 6½ per cent. absorbs kr. 3,250,000, leaving kr. 1,287,945 forward.

INSURANCE

REFUGE ASSURANCE COMPANY.—The directors have declared a reversionary bonus of £1 16s. per cent. on with-profit policies in the ordinary branch as at December 31, 1936.

APPOINTMENTS AND PERSONAL

Sir William Firth has been appointed a director of the Alliance Assurance Company.

Mr D. C. Coleman and Mr J. W. McConnell, of Montreal, have been elected to the Canadian Committee of the Hudson's Bay Company.

The Frederick Hotels, Ltd., have elected the Rt. Hon. Lord Bethell chairman of the company in succession to the late Mr Ronald Peake.

Mr W. C. E. Gibson has been elected chairman of Duff Development Company, Ltd., in place of the late Mr R. W. Duff.

The following have been appointed directors of Anglo-Continental Guano Works, Ltd.: Mr E. Hessenberg, Captain Alexander Barclay, Mr J. R. Ray, and Mr K. A. J. S. Mitchell.

Mr E. Hessenberg, Captain Alexander Barclay and Mr A. G. Barthel have been appointed directors of Genatosan, Ltd.

Mr J. Ernest P. Drew has been appointed a director of McCrae and Drew, Ltd.

Following the recent set-back, wheat prices scored a sharp recovery under the influence of substantial demands from Germany and Spain while maize was also marked up for a similar reason. At this week's tea auctions a firmer tone was evident, but cocoa again registered a decline. Eggs were seasonably cheaper, while prices of meat and provisions were generally unaltered.

In the United States, prices appear to be "marking time." Thus, Moody's daily index of staple commodity prices (December 31, 1931 = 100), stood at 205.8 on Wednesday, against 206.1 a week earlier, 208.7 a month ago and 169.7 on the corresponding day last year.

COAL

SHEFFIELD.—On the increased quota for February collieries are making better time, and larger outputs appear assured. On home account there is no slackening of demand, and all grades of industrial fuel are in good request. Furnace and foundry coke are in strong demand, and contracts are taking all available supplies. Gas coke is a good feature. There is some improvement on the export market, more coal being available, with a fair call for prompt shipment. There are also more inquiries for forward. Shippers, however, state that they cannot be certain of supplies of specific sorts, and the fixing up of contracts is consequently being retarded to some extent.

NEWCASTLE-ON-TYNE.—Quotations in the North-East coalfield are unaltered; but there still exists a very firm undertone, with indications that higher prices would be paid for prompt delivery if supplies were available. Screened steam coals are very firm, under a good inquiry from Scandinavia and steady shipments to the home market. Durham coking and gas coals are scarce, due to good home trade, the relaxation of import quotas by Belgium and France and renewal of trade to Italy. A further 300,000 tons of coking and gas coals have been sold to Italy over April-May-June at full current prices. Patent oven coke is more difficult to obtain, there being every indication that another increase in prices will take place due to increased costs and demand from Sweden.

MISCELLANEOUS

UNITED KINGDOM GAS CORPORATION, LTD.—The corporation has acquired four further gas undertakings: 87.8 per cent. ordinary stock of Normanton Gas; 91.32 per cent. ordinary capital of Kippax and District Gas; 100 per cent. of ordinary capital of Sherburn and South Milford Gas; 88.83 per cent. of ordinary capital of Farnworth and Kearsley Gas.

LINEN THREAD COMPANY, LTD.—Profit for year to September 30, 1936, £325,438, compared with £261,653. Ordinary dividend 6 per cent. and bonus 2½ per cent., against 6 per cent. for previous year. Dividend reserve account, £50,000, against nil. Carry forward £206,430, against £192,242.

WM. FRANCE FENWICK AND COMPANY.—Net earnings for 1936 are £62,787, compared with £30,178. Ordinary dividend 5 per cent., compared with 3 per cent. Carry forward £7,213, against £7,849.

ASHTON BROTHERS AND COMPANY.—Trading profit year to January 2, 1937, £50,967, compared with £7,464. To depreciation, £13,867. Net trading profit, £33,793, compared with loss of £9,757. Debit balance of £27,422 replaced by credit balance of £6,371.

SUMATRA TEA ESTATES, LTD.—The offer of Rubber Plantations Investment to acquire shares of this company has been largely accepted and the amalgamation has now become effective.

WOLVERHAMPTON CORPORATION. 3 per cent. stock 1924-54.—Williams Deacon's Bank, Ltd., state that the books will be closed from February 15th to February 28th, to prepare interest warrants due March 1, 1937.

E. I. DU PONT DE NEMOURS AND COMPANY.—Net profit for 1936, \$89,884,000 (\$7.56 per share), compared with \$62,085,000 (\$5.04 per share) for 1935.

SOUTH SUBURBAN GAS.—Net revenue for 1936, £202,971. Ordinary dividend maintained at 6 per cent. Carry forward increased from £14,960 to £18,443. Sales increased 5½ per cent., and additional consumers number 8,326.

WANDSWORTH AND DISTRICT GAS.—Net revenue for 1936, £103,772, compared with £84,626, including £12,500 against £15,000 transferred from tax account. Final dividend of 3½ per cent. on consolidated stock, making 7 per cent. (as before) and £26,963, against £26,810, to employees co-partners.

BRITISH CELLULYND, LTD.—The Board state that while it is not concerned with fluctuations in the company's shares, these may be attributable to difficulties which have arisen in the completion of negotiations for the sale of foreign rights.

D. SMITH & SONS, LTD.—The Board state that it is not concerned with fluctuations in the company's shares. The business, it is stated, continues to make good progress and since the commencement of the financial year sales exceed those for the corresponding period of last year.

THE SHAREHOLDERS PROTECTION ASSOCIATION.—The annual meeting will be held at 11.30 a.m. on February 18th, at the Holborn Restaurant, London. The chairman will be Mr Charles Latham. The balance sheet shows that there was a debit balance for the year 1936 of £171 which, deducted from the surplus of £222 at end of 1935, leaves a credit of £51 to carry forward.

BOLSOVER COLLIERY COMPANY, LTD.—Net profit for 1936, £454,554, compared with £386,244 for 1935. Transfers to reserves, £149,246, compared with £128,503. Ordinary dividend, 9 per cent. plus bonus of 2 per cent., making 11 per cent., compared with 9 per cent. for 1935. Carry-forward increased from £65,420 to £84,332. Total assets, £6,900,206, compared with £6,548,596 at end of 1935.

GLASGOW.—If anything, the recent shortage of supplies to meet new business is more pronounced, and prices all round remain firm. During the stormy weather home market needs have been partially satisfied through the diversion of fuel not taken up at the ports; but with vessels arriving more regularly this is no longer possible. In general, the collieries are fully booked for some time ahead and, in view of difficulty in covering contracts and previous sales, are not at present inclined to commit themselves further. The problem is a difficult one, involving, as it does, maintenance of export connections at the present time—when foreign importers are quite ready to buy—and also an adjustment of capacity to future demand. If this is considered likely to be maintained, the only solution appears to be new development, especially the dewatering of old pits in Lanarkshire, which block the way to the deeper seams.

CARDIFF.—A scarcity of supply for prompt positions persists on the Cardiff coal market. There is still a large percentage of absenteeism at the collieries owing to illness, and in spite of the large number of insured unemployed there is a lack of both boy and skilled adult labour. The pits are producing practically as much coal as in the corresponding period last year, but outputs are readily absorbed under enhanced levels. Among and prices continue very firm at their recently enhanced levels. The contracts arranged during the past few days is one for the supply of 38,000 tons of sized coals for the Rosario electricity works for shipment over 1938, while there are inquiries in the market from the Algerian electricity works, the Jamaica railways, and for the supply of 50,000 tons of coking coal for Belgium. Coke and patent fuel are firm markets and there is a comparative scarcity of pitwood. Last week shipments in the foreign and coastwise trades totalled 413,100 tons compared with 363,500 tons the previous week, and 259,233 tons in the corresponding period last year. At 2,297,300 tons, loadings for the first six weeks of the year are about 215,000 tons greater than in the same period of 1936.

IRON AND STEEL

LONDON.—The iron and steel industry is concerned more with fulfilling contracts already on the books than with obtaining new business, says the official report of the London Iron and Steel Exchange. Notwithstanding all efforts, however, delays in deliveries are general and whilst the present insistent demand continues the producing works have little opportunity of overtaking their arrears. In the pig iron market the shortage of material is unrelieved and makers in practically all districts are rationing their customers. Most of the producing works have sold their production for the first half of this year, and it is difficult to place new business, but expiring contracts are usually renewed. Business in the semi-finished steel department has been on a small scale; most of the British works are reluctant to accept fresh commitments, as their output is earmarked for two or three months. Owing to the situation in other producing countries it is difficult to relieve the position by increasing imports, and consumers are alarmed at the prospect of the scarcity becoming accentuated. There has been no relaxation in home demand for finished steel materials, whilst the requirements of overseas customers appear to be expanding. It is not easy, however, to place orders for export for reasonable delivery owing to the necessity of providing for home needs. The position has been made more difficult by the delay in delivery of Continental steel.

SHEFFIELD.—The volume of business is on a comparatively small scale, not by reason of any lack of demand, but of inability of suppliers to accept more than a proportion of the orders on offer. So far as pig iron is concerned there is a definite shortage of foundry and basic, makers being fully committed under contract over at least the next three months, and having virtually nothing in the way of odd lots for disposal in the open market. The position with regard to forge is not so difficult, but at the same time producers are not seeking business. Deliveries of pig under contract are fairly regular, but consumption is at a level which precludes any accumulation of reserves either at furnaces or works. Hematite requirements are fully maintained, but supplies of both East and West Coast mixed numbers are short, and makers are very hesitant about adding to their commitments at present. There is but little variation in finished iron. Good business is being done in common and best bars, and a steady improvement in Crown iron is reported. New high records in output and demand for basic steel billets are being set up, but even so it is impossible to keep pace with users' requirements. Acid billets are also in active request. Wire rods, steel bars and strip are important features, and the call for structural steel is at a very satisfactory level. There is a further speeding up of production of stainless steel in sheet and other forms, but demand still outpaces supply. Iron and steel scrap demand shows further expansion, and in some sections supplies are on the short side. Prices throughout the market are firm, but without change.

MIDDLESBROUGH.—Demand for all classes shows no sign of abating and requirements are much larger than actual output. Cleveland foundry iron continues to be rationed to home consumers, although small quantities are occasionally shipped abroad. The position of East Coast Hematite pig iron is equally stringent, although, here again, small parcels are from time to time released for shipment. It is not possible to do new business for early delivery as producers are fully contracted; buyers would

be prepared to increase their purchases for delivery further ahead. More enquiries are coming to hand from abroad, but here again business is similarly limited.

In the steel trade the difficulty of securing foreign semi-manufactured material is accentuating the shortage of this class of material from home producers. Re-rollers could deal with much larger deliveries. In the finished steel departments deliveries in some cases are in arrears, and, although output is being fully maintained, the supply is insufficient to satisfy demand. Good Durham blast furnace coke is firm at 25s. 6d. per ton, delivered at furnaces. Foreign ore which was due to arrive in the Tees during January, and has been delayed owing to the weather, is now coming to hand. The scrap situation is not easing and demand continues unabated. The price of heavy melting steel scrap is 65s. per ton, but supplies are scarce and merchants are anticipating higher figures.

GLASGOW.—It is becoming increasingly difficult to conduct business in the iron and steel trades here. While makers are working to capacity and, even so, unable to meet the demands of the various users, difficulties are increased by inability to obtain supplies of raw material. Every branch of the industry is now being handicapped by delays in deliveries of material already contracted for and also by the impossibility of placing orders for supplies sufficient to meet future requirements. There is no falling off in demand either from home or overseas buyers. Much new work has been placed in Glasgow and other districts in the West of Scotland within the past week and all branches of the engineering industry are exceedingly busy.

CARDIFF.—The recent improvement in the volume of the tinplate export trade has been maintained and shipments at Swansea last week totalled 8,224 tons, as against 7,938 tons the previous week, and 4,889 tons in the corresponding week last year. There is a good inland demand as well, and stocks have fallen to the exceptionally low quantity of 1,646 tons as against 4,023 tons a year ago. There is an active demand also for blacksheets for the home market. Prices of steel bars, galvanised sheets and tinplates are firm but unaltered.

OTHER METALS

COPPER.—After a steady rise, the cash price reached the new high level of £55 16s. 3d. on Wednesday, an increase of £1 11s. 3d. on the week. Several factors were responsible for the renewed improvement. The considerable reduction of 1,707 tons to 41,139 tons in home warehouse stocks impressed the market earlier this week; improved political sentiment on the Continent stimulated consumers' buying; and the belief that the United States domestic price will be raised above its present level of 13 cents per lb. within the next few days resulted in increased speculative activity. The price of standard cash is now being "talked" to £60 or even higher, and in view of the bullish mood of the market it is quite possible that this limit will actually be reached. With the new rises in price, however, the position is becoming highly artificial, and there is little reason to doubt that the present boom will have very unfavourable effects from the long-term point of view. Reports from all producing centres speak of increasing outputs and the re-opening of mines which have been idle for a number of years. Sooner or later this advance in production will check speculation, and will at the same time lead to new disturbances on the market.

Sales on the London Metal Exchange: 3,600 tons on Monday, against 1,500 tons last week; 3,300 tons on Tuesday, against 2,200 tons last week; 5,000 tons on Wednesday, against 6,300 tons last week. Domestic spot was quoted at 13.17½ cents per lb. in New York on Wednesday, against 12.72½ cents a week ago and 12.80 cents a month ago. Wednesday's official closing price for standard cash in London was £55 16s. 3d. to £55 17s. 6d., compared with £54 5s. to £54 6s. 3d. a week ago. Stocks of refined copper in British official warehouses at the end of last week, at 40,332 tons, showed a decrease of 1,507 tons, while stocks of rough copper, at 807 tons, were 200 tons smaller.

LEAD AND SPELTER.—Lead closed on Wednesday 7s. 6d. lower on the week at £27, while spelter closed £1 8s. 9d. up at £23 5s. The latter level represents the highest price since 1929. Although speculative buying helped to lift the price, consumers' demand showed signs of expansion. Brass-makers on the one hand and galvanisers on the other have larger orders in hand than for many months, and are, therefore, more anxious to buy. At the same time, the London market is greatly impressed by the sharp improvement in the United States spelter position. During January U.S.A. stocks declined from 44,756 short tons to 34,143 short tons. A year ago the figure stood at 79,207 tons. American stocks are now down below the safety level and replenishment is necessary. Lead, on the other hand, suffers from the fact that high prices of recent weeks and months have stimulated production in high-cost countries, and have at the same time increased supplies of old lead. The basic position of this market, however, remains sound, and it seems quite likely that lead prices will recover in the immediate future.

Sales of lead on the London Metal Exchange: 1,450 tons on Monday, against 1,050 last week; 2,700 tons on Tuesday, against 1,450 tons

PAŃSTWOWY BANK ROLNY

(STATE LAND BANK)

General Manager: WACŁAW STANISZEWSKI

Chairman: SEWERYN LUDKIEWICZ

Head Office: Warsaw, POLAND

BRANCHES THROUGHOUT POLAND

Capital - - - - - Zlotys 100,000,000

Reserve Funds as at 1st January, 1937 - - - - - Zlotys 37,485,646

Balance-Sheet total as at 1st January, 1937 - - - - - Zlotys 1,781,800,037

Telegraphic Address: "CENTROPEBROL" for Head Office.
"PEBROL" for Branches.

The State Land Bank transacts every description of Banking business. The Bank grants long term loans to small and medium-sized rural holdings and short term advances through the intermediary of local credit institutions. The Bank's Mortgage Bonds and Land Improvement Debentures are guaranteed by the Polish Treasury.

last week; 1,500 tons on Wednesday, against 2,700 tons last week. The New York quotation on Wednesday was 6.00 cents per lb., against 6.00 cents a week ago and 6.00 cents a month ago. The official closing quotation in London for soft foreign for shipment during the current month was £27 per ton, compared with £27 7s. 6d. a week ago.

Sales of spelter on the London Metal Exchange: 5,250 tons on Monday, against 1,275 tons last week; 4,500 tons on Tuesday, against 650 tons last week; 6,500 tons on Wednesday, against 2,650 tons last week. Wednesday's quotation in East St. Louis was 6.40 cents per lb., against 6.00 cents the week before and 6.00 cents a month earlier. Wednesday's official closing quotation in London for "good ordinary brands" for shipment during the current month was £23 5s. per ton, against £21 16s. 3d. last week.

TIN.—Tin prices, which were firm at the beginning of the period under review, turned easier again and closed on Wednesday at £226 5s. for cash and £227 5s. for forward, a loss of £2 10s. and £2 5s., respectively, on the week. American buying was again on a small scale, and European consumers were by no means keen buyers. As offerings were fairly large, the decline in prices cannot be regarded as surprising. The future of tin price movements depends mainly on the revival of United States buying—especially in view of the fact that increasing supplies will intensify selling pressure unless there is a larger demand.

Sales of tin on the London Metal Exchange: 325 tons on Monday, against 350 tons last week; 225 tons on Tuesday, against 300 tons last week; 175 tons on Wednesday, against 370 tons last week. The New York quotation on Wednesday was 50.65 cents per lb., against 51.00 cents a week ago and 50.95 cents a month ago. Wednesday's official closing quotation in London for standard cash was £226 5s. to £226 10s. per ton, compared with £228 15s. to £229 a week ago. Stocks of tin in London and Liverpool at the end of last week totalled 1,987 tons, an increase of 285 tons on the week.

OTHER NON-FERROUS METALS.—Among other non-ferrous metals, aluminium ingots and bars for home delivery were again quoted on Wednesday at £100 per ton, and rolling billets at £102 per ton. Nickel, for home and export, was maintained at £180 to £185 per ton. Quicksilver, on the spot, was quoted at £14 6s. per flask of 76 lbs., against £14 6s. a week ago. Chinese antimony was quoted at £67 per ton ex warehouse, the same as last week. Chinese wolfram for "February-March" shipment was quoted at 35s. 6d. to 36s. per unit, c.i.f., compared with 34s. 3d. to 34s. 9d. last week. Refined platinum was firmly held at £14 per ounce.

TEXTILES

COTTON.—**Manchester.**—The improved position has been well maintained, although some sellers have not booked so many orders as a week or two ago. More contracts could be arranged, but for the difficulty of obtaining early delivery. There has not been much change in raw cotton prices. For the most part sentiment remains bullish, but there is rather more uncertainty as to future supplies. Good staple American cotton is now scarce. Deliveries of all kinds of cotton to spinners in Lancashire continue heavy and consumption in the United States remains on a large scale. Business in actual material has centred on outside growths, such as South American and East Indian descriptions. In the yarn market an event of importance has been the success of the price maintenance scheme in the Egyptian section; it was announced at the end of last week that the owners of more than 80 per cent. of the spindles concerned had signed the legal document. This report has stimulated demand for fine counts. In American yarns, the last advance in prices has checked the turnover somewhat, but spinners continue to sell their production.

COTTON PRICES

	1937				Corresponding Date	
	Jan. 20	Jan. 27	Feb. 3	Feb. 10	1935	1936
Raw Cotton—Mid. American	d. 7-16	d. 7-23	d. 7-27	d. 7-23	d. 7-01	d. 6-11
" Sakellaridis Fully Good Fair	10-29	10-27	10-10	9-95	8-73	9-12
Yarns—32's twist	12	12 1/2	12 1/2	12 1/2	10 1/2	10 1/2
" 40's twist	12 1/2	12 1/2	12 1/2	12 1/2	10 1/2	10 1/2
" 60's twist (Egyptian)	17 1/2	17 1/2	17 1/2	17 1/2	16 1/2	15 1/2
32-in. Printers, 116 yds., 16 by 16, 32's and 50's	s. d. 19 8	s. d. 19 10	s. d. 20 3	s. d. 20 3	s. d. 18 0	s. d. 17 0
36-in. Shirtings, 75 yds., 16 by 16, 32's and 40's	27 6	27 9	28 2	28 2	24 3	24 0
38-in. ditto, 38 yds., 18 by 16, 10 lb.	10 10	11 0	11 2	11 2	10 8	9 11
39-in. ditto, 37 1/2 yds., 16 by 15, 8 1/2 lb.	9 10	10 0	10 2	10 2	9 6	8 11

A considerable cloth industry has again been experienced and an encouraging business has been done, but buying has not been so spectacular as during the early weeks of the year. Numerous offers have been met with for India and, although many of them have been too low, a useful business has been put through in light bleaching descriptions, white shirtings and printed and dyed goods. The most active outlet has been Karachi. Further buying has been reported in bleached shirtings and dyed fabrics for Java and specialities for Singapore. Egypt has bought light bleachers, South America printing and finishing styles and the Dominions heavy materials. A persistent demand has been met with in home trade goods. Makers with wide looms are very well engaged.

JUTE.—**Dundee.**—The Indian Jute Mills Association members have agreed to their Committee's recommendation to remove all restrictions regarding working hours and extensions of looms as from March 1st. This will no doubt lead to a decline in prices for goods and the market in Calcutta might already have been adversely affected had it not been for the fact that the Fort Gloster, Ganges and Howrah mills are idle owing to strikes. There are 15,000 employees in these mills striking for the restoration of the 1932 cuts on their wages, for a provident fund and for old-age pensions. Though these three mills have been idle for over a week, the trouble has not yet spread to other establishments. Production in India is, however, being curtailed and the demand for jute goods is sufficient to keep prices steady at around recent levels. Whether any of the Associated mills in India will take advantage of the fact that they can work any number of hours and extend their number of looms remains to be seen but it is quite on the cards that there will be a considerable increase in production after March 1st, at least on account of longer hours; but it may take some months before additional new machinery can be installed. The "outside" mills may eventually be forced to join up with the Association and work harmoniously for the regulation of supply of goods with demand. The consumption of jute goods has increased enormously during the past eight or nine months and the total production of the Indian Mills has been well absorbed.

Raw jute prices have weakened a trifle and Daisee 2/3 full group is offered at £18 12s. 6d., with PR at £19 5s. and fours at £17 5s., while Tossa 2/3 is down to £19 10s. for full group and fours to £18 10s., February-March. Spinners here have shown no interest at these limits. Good First Marks are offered at £22 5s., Lightnings at £20 5s. and Hearts at £19 5s., February-March. Jute yarns are very quiet and purchases of common 8 lb. cops have been made at the lower rate of 2s. 1 1/2d. and of 8 lb. spools at 2s. 2 1/2d. Other yarns are quite steady, however, at 3 1/2d. to 4d. for 3 ply 8 lb. twist, 2 1/2d. for 24 lb. sacking web and 3 1/2d. to 3 1/2d. for 8 lb. chains. Rove is being sold steadily at £21 for 48 lb. and £16 15s. for 200 lb., while the Rio yarns have come in for attention at 2s. 4 1/2d. for fourth grade 8 lb. warp, and 2s. 6 1/2d. for third. Business in jute cloth is dull and buyers are unwilling to operate in view of the unsatisfactory position in Calcutta and the probability of increased output. Prices are rather easier at from 2 1/2d. for 10 oz. 40 in. and 2 1/2d. can be done for 8 oz. Linoleum hessians are quiet and heavy goods in moderate demand at steady rates.

GRAIN MARKETS

WHEAT.—Substantial purchases by Germany and Spain have imparted a much better tone to the market during the past week. Heavy shipments have been insufficient to hold the rise of prices in check.

On Wednesday last, "May" futures were quoted in Chicago at 135 1/4 cents per bushel, against 131 1/4 cents the week before and 135 cents a month ago. Quotations in London, Wednesday: No. 1 Northern Manitoba, ex ship, 52s. 3d. per 496 lbs., against 49s. 9d. a week ago; No. 2 Northern Manitoba, ex ship, 51s., against 48s. 6d. a week ago. According to *The Corn Trade News*, total shipments of wheat and flour last week totalled 1,866,000 quarters, against 1,853,000 quarters in the previous week and 1,503,000 quarters in the corresponding week a year ago.

FLOUR.—After the recent quiet spell, demand improved this week and prices were advanced. Wednesday's London quotations (excluding quota payments) were: Straight run, delivered Home Counties, 40s. per 280 lbs., against 38s. 6d. a week ago; delivered inner London, 39s. 6d., as compared with 38s. a week ago. Manitoba patents, ex store, 39s. to 40s. 6d., against 37s. 6d. to 39s. a week ago. Australian, ex store, 32s. 6d. to 33s., against 32s. last week.

BARLEY.—Imported feeding descriptions have been a firm market, but business has been limited. Home grown malting barley is sparingly offered. "May" futures were quoted at 81 1/2 cents per bushel in Winnipeg on Wednesday, against 81 1/2 cents a week ago. Quotations per 448 lbs. in London on Wednesday were: "English feed," at farm, 34s. to 36s., as against 34s. to 36s. a week ago; "English malting," at farm, 36s. to 45s., against 36s. to 45s. last week. Californian (new), ex ship, 54s. 6d., against 51s. to 60s. last week; Chilean, brewing (new), ex ship, 44s. 9d. to 50s., against 44s. 9d. to 50s. a week ago.

OATS.—On Wednesday, "May" futures were quoted at 51 1/2 cents a bushel in Chicago, against 50 1/2 cents a week ago and 54 1/2 cents last month. Quotations in London, Wednesday: "English Black," at farm 24s. to 25s. per 336 lbs., against 24s. to 26s. a week ago; "English White," at farm, 24s. to 25s., against 24s. to 26s. a week earlier; mixed Canadian feed (Vancouver), landed, 23s. 3d. per 320 lbs., compared with 23s. last week.

MAIZE.—A much firmer tone developed during the past week and prices have risen sharply. Demand from Germany has been an important factor in the recovery. "May" futures were quoted on Wednesday at 107 1/2 cents per bushel in Chicago, against 105 1/2 cents a week ago and 108 1/2 cents last month. Quotations in London, Wednesday: "Plate," landed, 25s. 6d., per 480 lbs., compared with 24s. a week ago; "Plate," ex ship, 24s. 6d., as against 23s. a week ago; "Plate," "February," 25s., as against 23s. 9d. a week ago; yellow maize meal, ex wharf, was quoted at £6 12s. 6d. to £6 17s. 6d. per ton, as against £6 7s. 6d. to £6 12s. 6d. last week.

AMERICAN WHEAT MARKETS.—The following table shows wheat quotations for selected weeks in 1935-37:—

NEAREST FUTURE	Jan. 2, 1935	Dec. 31, 1935	Feb. 11, 1936	Dec. 30, 1936	Feb. 3, 1937	Feb. 10, 1937
Winnipeg (No. 1, Manitoba)	82 1/2	84 1/2	83 1/2	129	124 1/2	128 1/2
—Cents per 60 lb.						
Chicago (No. 2, Winter)	98 1/2	101 1/2	97 1/2	135 1/2	131 1/2	135 1/2
—Cents per 60 lb.						

The visible supply of wheat in Canada amounts to 97,520,000 bushels, against 54,212,000 bushels last week, and 126,242,000 bushels in the corresponding week last year.

SALES AND PRICES OF BRITISH CEREALS.—The following table gives the estimated sale of home-grown wheat during the harvest years 1933-34 to 1936-37:—

	1933-1934	1934-1935	1935-1936	1936-1937
Estimated sales of home-grown wheat—	Cwts.	Cwts.	Cwts.	Cwts.
1 week to February 6	324,273	334,025	328,424	6,678,290
23 weeks to February 6	7,149,905	8,842,132	8,903,178	
Average price of English wheat per cwt.	s. d. 4 5	s. d. 4 9	s. d. 6 5	s. d. 9 3

The following is a statement showing the quantities sold and the average price of British cereals in the past two weeks, and for the corresponding weeks in each of the years from 1933 to 1936:—

Week ended	QUANTITIES SOLD			AVERAGE PRICE PER CWT.		
	Wheat	Barley	Oats	Wheat	Barley	Oats
February 4, 1933	Cwts. 248,512	Cwts. 211,189	Cwts. 50,561	s. d. 5 5	s. d. 6 11	s. d. 6 0
February 3, 1934	324,273	178,214	81,703	4 5	9 4	6 4
February 9, 1935	334,025	205,179	51,785	4 9	8 2	7 0
February 8, 1936	326,424	215,793	54,003	6 5	8 1	6 1
January 30, 1937	274,403	273,392	66,271	9 8	10 2	8 5
February 6, 1937	168,810	216,708	56,494	9 3	10 3	8 4

OTHER FOODS

BACON.—Prices were unchanged last week-end and the tone of the market has been steady this week. The official quotations (per cwt. for No. 1 Sizable) which formed the basis for dealings on the London Provision Exchange this week were: English, 86s. to 90s.; Canadian, 77s.; Danish, 86s.; against 86s. to 90s., 77s. and 86s. last week. Arrivals in London last week included: Danish, 13,272 bales; Canadian, 7,484; Dutch, 2,296; Lithuanian, 1,334; and Polish, 2,388; as against 14,771, 7,530, 2,197, 1,268 and 2,840 bales, respectively, in the previous week.

BUTTER.—The position shows little change. The market in Colonial grades has been rather slow, with Danish showing a firm tendency. Quotations (per cwt.) on the London Provision Exchange on Wednesday were: New Zealand, finest salted, 86s.; Australian, choicest salted, 86s.; Danish, 122s.; compared with 86s., 86s., and 120s., respectively, a week ago.

CHEESE.—The market has ruled steady, with prices a little above last week's level. Quotations (per cwt.) on the London Provision Exchange on Wednesday were as follows: English, finest farmers, 86s. to 88s.; Canadian, finest coloured, 72s.; and New Zealand, finest coloured, 51s. to 51s. 6d.; against 86s. to 88s., 71s. to 72s., and 50s. 6d., respectively, a week ago.

COCOA.—The markets were again a little easier this week. The spot quotation in New York on Wednesday was 10 1/2 cents per lb., as against 10 1/2 cents per lb. last week. In London, on Wednesday last, good fermented new crop, Accra, February-April, was quoted at 47s. 6d. per 50 kilos, c.i.f. Continent, against 48s. to 48s. 6d. a week ago. Last week's movements of cocoa in London were as follows: Landed, 14,969 bags; delivered, for home consumption, 7,247 bags; exported, 113 bags; stocks, 139,930 bags, against 132,031 bags a year ago.

COFFEE.—The spot markets in London and New York have been steady. On Wednesday, Rio No. 7 (cash) was quoted at 9 1/2 cents per lb. in New York, as compared with 9 1/2 cents per lb. last week and 8 1/2 cents per lb. a month ago. Movements of coffee in London last week were as follows: Brazilian, landed, 127 cwt.; delivered, for home consumption, 218 cwt.; exports, 523 cwt.; stocks, 7,839 cwt., against 12,124 a year ago. Central and other South American: landed, 8,791 cwt.; delivered, for home consumption, 7,225 cwt.; exported, 1,744 cwt.; stocks, 62,659 cwt., against 66,708 last year. Other kinds: landed, 10,060 cwt.; delivered, for home consumption, 4,665 cwt.; exported, 1,620 cwt.; stocks, 111,793 cwt., against 138,188 last year.

EGGS.—In response to a rather slow demand, prices are generally a little easier this week. At Smithfield, on Wednesday, English (ordinary packing, Grade 1, about 15-15 1/2 lb.) realised 13s. to 13s. 6d. per 120, as against 12s. 9d. to 13s. 6d. last week; while Danish (15 1/2 lb.) made 9s. 3d. to 9s. 6d., as against 9s. 6d. to 10s. last week.

FRUIT.—With some improvement in weather conditions, business at Covent Garden has been rather more brisk this week. According to *The Fruitgrower* there is a moderate but steady demand for apples. Pears encounter a good market, supplies being rather limited. Hothouse grapes are short, English making good prices; some excellent South African grapes are to hand and meet a ready sale. South African peaches and nectarines are in moderate demand, while plums from the same source are going out well. Oranges are generally easier, the bulk of the arrivals being in good condition. Lemons show a firm tendency on shorter supplies, but grapefruit are a slow item, supplies being abundant this week.

MEAT.—Business at Smithfield was moderate this week, prices showing little alteration. On Wednesday last, Argentine chilled hind-quarters were quoted at 4s. to 4s. 4d. per 8 lbs., as compared with 4s. to 4s. 4d. a week ago. New Zealand frozen mutton was 3s. 4d. to 4s. per 8 lbs., against 3s. 4d. to 4s. a week ago. According to the Smithfield Market official report, supplies during last week amounted to 9,466 tons, an increase of 2,784 tons on the corresponding week last year. Beef and veal accounted for 5,035 tons, mutton and lamb 2,674 tons, and pork and bacon 1,052 tons, as compared with 4,217, 1,839 and 313 tons, respectively, in the same week of 1935.

PEPPER.—On Wednesday, Singapore white Muntok, spot, was quoted at 6d. per lb. in bond, against 6d. per lb. a week earlier. Black Lampung, spot, in bond, was quoted at 3 1/2d. per lb., sellers, compared with 3 1/2d. per lb. last week. Movements of pepper in London last week were as follows: Black, landed, 2 tons; delivered, 26 tons; stocks, 1,768 against 1,585 last year. White, landed, 126 tons; delivered, 77; stocks, 11,802 compared with 13,129 a year ago.

RICE.—The spot price of Burma No. 2, cleaned, was 10s. 3d. per cwt., ex warehouse, on Wednesday, as compared with 10s. 3d. per cwt. a week ago. February-March in singles to Continent and U.K., was quoted at 9s. 4 1/2d. per cwt., against 9s. 6d. last week. Movements in London last week were as follows: Landed, 157 tons; delivered, 100; stocks, 1,240 tons, against 3,801 a year ago.

SUGAR.—The London market has been steady, but New York has displayed an easier tone. The spot price in New York on Wednesday was 3.55

cents per lb., as compared with 3.65 cents per lb. last week and 3.95 cents per lb. a month ago. Wednesday's sales of raw sugar in London included "March" delivery at 6s. 0 1/2d. to 6s. 0 1/2d., against 6s. 0 1/2d. to 6s. 0 1/2d. a week ago. Movements of raw sugar in public warehouses in London and Liverpool last week were as follows: Imports, 3,526 tons, against 3,481 in the previous week and 16,396 in the same week of 1936; deliveries, 14,618 tons, against 16,326 and 16,228 tons respectively; stocks, 239,619 tons, against 250,711 and 267,738 tons, respectively.

TEA.—The following table shows the average prices (compiled by the Tea Brokers' Association) of tea sold in Mincing Lane on Garden Account in recent weeks:—

Week ended	Northern India	Southern India	Ceylon	Java	Sumatra	Africa	Total
Feb. 6, 1936	d. 13-09	d. 12-71	d. 13-71	d. 10-55	d. 10-86	d. 12-04	d. 12-86
Dec. 17, "	12-54	12-58	14-67	11-21	10-35	12-14	12-97
Jan. 7, 1937	12-82	12-66	15-14	11-87	10-64	12-12	13-31
Jan. 14, "	13-12	12-95	15-42	11-75	10-71	12-21	13-53
Jan. 21, "	13-47	13-26	15-38	12-41	11-08	12-31	13-83
Jan. 28, "	13-77	12-49	15-92	12-60	11-42	12-69	14-18
Feb. 4, "	13-63	13-38	15-78	13-22	11-23	12-68	14-06

The quantities catalogued for this week's public auctions comprised 51,076 packages of Indian and 18,365 packages of Ceylon tea. Demand was strong at the Indian auctions, common and medium sorts being dearer. At the Ceylon sales on Tuesday, a similar tendency was exhibited.

VEGETABLES.—Canary Island tomatoes are doing better, states *The Fruitgrower's* Covent Garden report, and prices are firmer. House-grown beans are dearer, the best ranging up to 5s. a lb. Madeira beans are also firmer, while mushrooms are steady. Celery enjoys a consistent sale, good samples being in short supply. Cucumbers are a little more prominent and lettuce sells at a moderate price. Both English and French asparagus are a point easier, while forced rhubarb has also declined on increasing supplies. Kitchen vegetables remain at a low figure, greenstuff being plentiful and cheap. Meanwhile, plentiful supplies of potatoes encounter only a moderate demand at London markets, with prices occasionally easier. At the Borough on Tuesday, however, best si. land King Edward again made from 9s. to 9s. 6d. a cwt., ex market.

MISCELLANEOUS COMMODITIES

VEGETABLE OILS AND OILSEEDS.—Generally, oilseeds and their products have a quiet tone. After a fair business done in Plate linseed on U.K. and Continental account, demand has fallen off except for seed in near positions. Forward shipment is neglected and prices have an easier tendency. The new Argentine crop is arriving at the River Plate ports in considerable volume and shipments continue on a high level, a feature being the large proportion destined for the United States. Thus far this year 272,000 tons have been exported, as against 199,500 tons at the same date last year. Notwithstanding large arrivals recently, the quantity afloat for Europe remains substantial, viz., 179,300 tons—or 13,000 tons less than a week ago. Very little is now being shipped from India, whose old crop available for export is now put at 18,000 tons. The new crop in India appears to be progressing satisfactorily, but will not be ready for shipment before the end of April. The shortage of domestic has induced growers in the United States to place a greater area under linseed for next season. Trade in linseed oil is only moderate and a recent gain in value has not been sustained. Egyptian cottonseed is very slow and is attracting little or no interest from consumers. Refined cotton oil is in some demand and quoted £32 per ton ex Hull, prompt. The demand for oilcakes continues good and prices are steady.

RUBBER.—Despite the continuance of the strikes in the American automobile industry, prices were higher, both in London and New York. This week's advance may be attributed to the supply position. Shipments from Malaya and from Ceylon during January were below the permissible quota and doubts are entertained concerning Malaya's ability to produce her full quota during the first half of 1937. Labour supply is a serious problem in this and other growing areas. The spot price in New York on Wednesday was 21 1/2 cents per lb., compared with 20 1/2 cents per lb. a week ago and 21 1/2 cents a month ago. Wednesday's official buyers' price for standard ribbed smoked sheet on the spot in London was 10 1/2d. per lb., as against 10 1/2d. on the corresponding day last week. In forward positions, business has been done at 10 1/2d. for March shipment, as against 10 1/2d. to 10 3/4d. a week ago. Stocks in London and Liverpool at the end of last week totalled 68,555 tons, against 71,931 tons a week earlier. A year ago stocks amounted to 161,116 tons.

FURS.—As had been anticipated, a firm tone was again displayed at this week's winter auctions in London. Demand was keen and prices advanced sharply, despite the fact that some London merchants regarded the present boom as dangerous and are predicting a setback. The proportion of sales to offerings was larger than for some years, and withdrawals were small. Although the bulk of the supplies was taken by London and Parisian merchants, practically all countries participated. The main price increases compared with the October sales were as follows: red foxes, 7 1/2 to 12 1/2 per cent.; blue foxes, 25 per cent.; white foxes, 35 per cent.; ermine, 20 per cent.; marten, 20 per cent.; mink, 15 to 30 per cent., and Persian lambs, 33 per cent. No reductions below October levels were recorded, but prices for lynx were about unchanged.

CANADIAN PACIFIC RAILWAY COMPANY

(INCORPORATED IN CANADA WITH LIMITED LIABILITY)

DIVIDEND NOTICE. PREFERENCE STOCK

Upon consideration of the results of the Company's operations in 1936 and having in view its obligations as guarantor of the interest on certain securities of the Minneapolis, St. Paul and Sault Ste. Marie Railway Company the Directors have declared a dividend from the earnings of 1936 of One per cent. on the Preference Stock, payable April 1st, 1937, to shareholders of record on March 1st, 1937.

The year's earnings and therefore the rate of dividend on the Preference Stock have been affected by the very unfavourable drought conditions in the territory served by the Company and also by the "Soo" line which resulted in substantial curtailment of the earnings for the last quarter of the year.

By order of the Board, F. BRAMLEY, Secretary.

Montreal, February 8th, 1937.

CIVIL SERVICE COMMISSION

The National Savings Committee invite applications for a vacancy for an Assistant Commissioner. Candidates must have attained the age of 21 and must not have attained the age of 35 on the 1st April 1937.

University training and knowledge of economic subjects are desirable.

Service in any part of England or Wales may be required.

Salary £277 16s., rising by annual increments of £18 to maxima of £634 19s. (men) and £515 18s. (women). Salaries are liable to review.

Copies of the regulations may be obtained from the Establishment Officer, The National Savings Committee, Sanctuary Buildings, Westminster, S.W.1, together with forms of application, to be returned not later than the 15th March, 1937.

Our New Information Service

The Intelligence Branch of the *Economist* has now been enlarged to meet the growing demand for economic and statistical information. The Department has been able to secure the services of a number of experts, and is prepared to supply information and reports on any branch of industry and finance as well as on international relations at a fee proportionate to the work involved.

Enquiries should be addressed to the Intelligence Branch THE ECONOMIST 8 B

WHOLESALE COMMODITY PRICES

UNITED KINGDOM: LONDON, February 10th

The prices in the following are revised with the assistance of an eminent firm in each department

CEREALS AND MEAT			
GRAIN, Etc.—			
Wheat—	s. d. s. d.		
No. 2, N. Man. 496 lb.	51 0		
Eng. Gaz. av., per cwt.	9 3		
Barley, Eng. Gaz. av. ...	10 3		
Oats, ...	8 4		
Maize, 1a Plata, landed	25 6		
480 lb. ...			
Flour, Lon. stan. ex mill,	38 3		
280 lb. ...			
Rice, No. 2 Burma, per cwt.	9 4½		
MEAT—			
Beef, per 8 lbs.—			
English long sides ...	3 10 4 6		
Argentine chilled hinds	4 0 4 4		
Mutton, per 8 lbs.—			
English wethers ...	5 4 6 4		
N.Z. frozen ...	3 4 4 0		
Lamb, per 8 lbs.—			
N.Z. frozen ...	4 4 5 0		
Pork, English, per 8 lbs.	5 10 6 4		
OTHER FOODS			
BACON—			
English ... per cwt.	86 0 90 0		
Irish ...	82 0 86 0		
Danish ...	86 0		
Dutch ...	82 0		
HAMS—			
Canadian ...	90 0 94 0		
United States ...	94 0 96 0		
BUTTER—			
Australian ...	86 0		
New Zealand ...	86 0		
Danish ...	122 0		
CHEESE—			
Canadian ... per cwt.	72 0		
New Zealand ...	51 0		
English Cheddars ...	86 0 88 0		
Dutch ...	50 0 57 0		
COCOA—			
(Duty, British grown,			
11/8; foreign, 14/- cwt.)			
Accra, f.f. ... per cwt.	48 0 49 0		
Trinidad ...	75 0 84 0		
Grenada ...	70 0 76 0		
COFFEE—			
(Duty, British grown,			
4/8; foreign, 14/- cwt.)			
Santos supr. c. & f. cwt.	55 0		
Colombian, good ...	56 0 65 0		
Costa Rica, med. to good	62 0 85 0		
East Indian ...	62 0 80 0		
Kenya, medium ...	65 0 80 0		
EGGS—			
English ... per 120	13 0 13 6		
Danish ...	9 3 9 6		
FRUIT—Oranges—			
Valencia ... cases	8 0 12 0		
Jaffa ... boxes	8 6 11 3		
Lemons, Malaga ... cases			
Sicilian ... boxes	17 0 20 0		
Apples: Amer. (var.) brls.	22 0 28 0		
(var.) boxes	9 6 12 0		
Onions—			
Valencia, case ...	7 0 11 0		
Egyptian, bags ...			
Grapes, Almeria, barrels			
Grapefruit, Jaffa ...	10 0 14 0		
LARD—			
Irish finest bladders ...	72 0 80 0		
U.S. ... per cwt.	68 6 70 6		

POTATOES—			
English King Edward			
per cwt.	9 0	9 6	
SPICES—			
Pepper, per lb.—			
Black Lampong ...	0 3½		
White Muntok ...	0 6		
Cinnamon—1st sort, per lb.	0 8½		
Cloves—Zanzibar, per lb.	0 9½		
Ginger—per cwt.—			
African ...	60 0		
Jamaica, ord. to good	60 0 85 0		
Mace ... per lb.	2 0 2 8		
Nutmegs, 65's ...	0 1½		
SUGAR—			
(Duty, 11/8 per cwt.)			
Centrifugals, 96's, prpt.			
shipm. c.i.f. U.K./Cont.	6 1½		
B.W.I., crystallised ...	17 6 19 0		
Java, white, c. & f. India			
(Oct-Dec.) ...	Nominal.		
REFINED—London—			
Yellow Crystals ...	19 4½		
Cubes ...	23 7½ 24 1½		
Crushed ...	21 10½		
Granulated ...	19 9 20 7½		
Home Grown ...	19 6 19 10½		
TEA—			
Indian—per lb.—			
Pekoe ...	1 0½ 1 4		
Broken Pekoe ...	1 0½ 1 9		
Orange Pekoe ...	1 0½ 1 8		
Broken Orange Pekoe	1 0½ 2 4½		
Ceylon—per lb.—			
Pekoe ...	1 1 2 3½		
Broken Pekoe ...	1 1 1 6		
Orange Pekoe ...	1 2 2 0½		
Broken Orange ...	1 1½ 2 3		
TOBACCO—			
(Duty, 9/6-10/6 per lb.)			
Empire growth, 7/5½-			
8/3½ per lb.)			
Virginia leaf—			
Common to fine ...	0 8 2 6		
Rhodesian leaf ...	0 8 1 10		
Nyasaland leaf ...	0 7 1 4		
Ammonia, carb. ...	0 9 1 6		
East Indian leaf ...	0 5 1 4		
" strips ...	0 6 1 6		

TEXTILES			
COTTON—			
Mid-American ... per lb.	7-23		
Sakellaridis, f.g.f. ...	9-95		
Yarns, 32's twist ...	12½		
60's twist ...	17½		
FLAX—			
Livonian ZK ... per ton	79 0 81 0		
Pernau HD ...	80 0 81 0		
Slavet Medium 1st sort	93 0 95 0		
HEMP—			
Italian P.C. ... per ton	69 0		
Manilla, Jan.-Mar. "J2"	34 0		
Sisal, African ...	25 0 28 0		
JUTE—			
Native 1st mks ... per ton			
c.i.f. H.A.R.B.	£18/15/0		
Feb.-Mar. ...			
Daisee 2/3 c.i.f. Dundee	£18/12/6		
Feb.-Mar. ...			
SILK—			
Canton ... per lb.	6 0 8 6		
Tussah ...	3 6 4 6		
Japan ...	8 6 9 6		
Italian—raw, fr. Milan	8 0 9 6		

WOOL—			
English Southdown, greasy, per lb.			
" Lincoln hog, washed	18		
Queensland, scd. super combg.	30		
N.S.W. greasy, super combg.	20		
N.Z., grey, half-bred 50-56	17		
Crossbred 40-44	14½		
Tops—			
Merinos 70's	38		
" 84's	36		
Crossbred 48's	22½		
" 46's	22		
MINERALS			
COAL—			
Welsh, best Ad'ty...ton	19 6 22 6		
Durham, best gas, f.o.b.	18 6		
Sheffield, best house, at			
pits	23 0 25 0		
IRON AND STEEL—			
Pig, Cleveland No. 3, d/d.			
ton	81 0		
Bars, M'brough	210 0		
Steel rails, heavy	170 0		
Tin plates ... per box	19 9		
METALS—			
Copper, Electrolytic, ton	60/10/0 61/10/0		
Sheets (strong)	57/0/0		
Standard	55/16/3 55/17/6		
Lead, Eng. pig... per ton	29/0/0		
Soft foreign	27/0 0 27/2/6		
Spelter G.O.B.	23 5 0 23/10/0		
Tin—English ingots	227 0/0		
Standard cash	226 5/0 226/10/0		

MISCELLANEOUS			
CHEMICALS—			
Acid, citric, per lb., less 5%	0 11½ 1 0		
Nitric	0 2½ 0 3½		
Oxalic, net	0 5 0 6		
Tartaric, English, less 5%	0 11½ 1 0		
Alcohol, Plain Ethyl	12 0		
Alum, lump ... per ton			
ton	8 10 8 15		
Ammonia, carb. ... ton			
ton	27 0 28 0		
Sulphate ...			
ton	7 3		
Arsenic, lump ... per ton			
ton	35 0		
Bleaching powder, per ton			
ton	8 15 9 0		
Borax, gran. ... per cwt.			
Do, powder	13 0		
Nitrate of soda ... per cwt.	7 9		
Potash—Chlorate, net ...	0 4 0 4½		
Sulphate ... per cwt.	9 9 10 0		
Soda Bicarb. ... per cwt.	10 0 11 0		
Crystals ... per cwt.	5 0 5 3		
Sulphate of Copper, per ton	19 0 20 0		
CEMENT, best Eng. Portland, d/d. site,			
London area, jute sacks, 11 to ton			
(charged and credited at 1/6d. each) or			
paper bags 20 to ton (free, non-return-			
able)—			
4-ton loads and upwards 39/- per ton			
1 and up to 4-ton loads 41/- per ton			
COPRA—			
S.D. Straits c.i.f., per ton 20/17/6			
DRUGS—			
Camphor—	s. d. s. d.		
Japan, refined ... per lb.	2 4		
Ipecacuanha ... per lb.	7 0		
HIDES—			
Wet salted—Australian			
per lb.	0 6½ 0 6½		
West Indian	0 4½ 0 4½		

CAPE—			
Dry and Drysalted Cape			
Market Hides, Manch'tr—	0 5½ 0 7		
Best heavy ox and heifer	0 5½ 0 6½		
Best cow	0 5½ 0 11½		
Best calf	0 6½ 0 11½		
INDIGO—			
Bengal, gd. red. vio. to			
fine ... per lb.	5 6 6 0		
LEATHER—			
Sole Bends 8/14 lb.—			
per lb.	1 3 2 6		
Bark Tanned Sole	2 6 3 6		
Shoulders fm DS Hides	0 7 0 9		
Do, Eng. or WS do.	0 10 1 6		
Bellies from DS do.	0 5 0 9		
Do Eng. or WS do.	0 6 1 9		
Dressing Hides	1 4 1 9		
Ro. Eng. Calif, 20/30 lb.	3 9 4 9		
Aust. Bends	1 2 1 6		
VEGETABLE OILS—			
Linseed, naked, p. ton net	27/7/6		
Rape, refined	36/10/0		
Cotton-seed, crude	30/10/0		
Coconut, crude	31 5 0		
Palm	26/7/6		
Oil Cakes, Linseed, Eng.			
per ton	9/2/6		
Oil Seeds—Linseed—			
La Plata, p. ton, Feb.	11/15/0		
Calcutta—per ton	14/6/3		
Turpentine, per cwt.			
cwt.	41 3		
PETROLEUM PRODUCTS—			
Motor Spirit, No. 1,			
London	1 5½		
Petroleum, Amer. rifd.			
brl. London, per gall.	0 9½		
Fuel oil, in bulk, for			
contracts, ex instal.			
Thames—			
Furnace...per gall.	0 3½		
Diesel...per gall.	0 4½		
ROSIN—			
American ... per ton 23/10/0 28/10/0			
RUBBER—			
St. ribbed smoked sheet	s. d. s. d.		
per lb.	0 10½		
Fine hard para. per lb.	1 2		
SHELLAC—			
TN Orange ... per cwt.	52 0 57 0		
SHELLS—			
W. Aust. M.-o.-P. "	£ s. d.		
per cwt.	2 10 6 10		
TALLOW—			
London town...per cwt.	29 0		
TIMBER—			
Swedish u/s 3 x 8 ... per std.	£ s. d.		
" 2½ x 7 ... "	21 0 0		
" 2 x 4 ... "	18 10 0		
Can'dn Spruce, Dis...	22 10 0		
Pitchpine ... per load	9 10 0		
Rio Uals ... per std.	32 0 0		
Teak ... per load	28 0 0		
Honduras Mahg logs ... c. ft.	0 12 0		
African ... "	0 6 0		
Amer. Oak Boards ... "	0 6 0		
" Ash ... "	0 6 0		
English Oak Planks ... "	0 7 0		

† These prices are for fuel oil for inland consumption—other than for use in Diesel-engined road vehicles—and do not include the Government tax.

UNITED STATES

New York quotations unless otherwise stated

	Feb. 11, 1936 Cents	Jan. 13, 1937 Cents	Feb. 3, 1937 Cents	Feb. 10, 1937 Cents		Feb. 11, 1936 Cents	Jan. 13, 1937 Cents	Feb. 3, 1937 Cents	Feb. 10, 1937 Cents
Wheat, No. 2, Winter, nearest future, Chicago, per bushel	97½	135	131½	135½	Sugar, Cuban Centrifugals, 96 deg., spot, per lb.	3-30	3-95		3-55
Maize, nearest future, Chicago, per bushel	60½	108½	105½	107½	Cotton, middling, spot, per lb.	11-80	13-06	13-30	13-11
Oats, nearest future, Chicago, per bushel	28½	54½	50½	51½	Rubber, smoked sheet, spot, per lb.	15½	21½	20½	21½
Rye, nearest future, Chicago, per bushel	58½	113½	111½	111½	Petroleum, Mid-continent crude 33 deg., to 33-90, at well, per barrel	104	104	116	116
Barley, nearest future, Chicago, per bushel	(a)	87½	86	85	Copper, "Electrolytic," Domestic, spot, per lb.	8-62½	12-80	12-72½	13-17½
Coffee, Rio No. 7, cash, per lb. ...	6½	8½	9½	9½	Copper, "Electrolytic," Export prompt, per lb.	8-85	13-02½	12-95	13-40
" Santos No. 4, cash, per lb.	9½	11½	11½	12½	Spelter, East St. Louis, spot, per lb.	4-85	6-00	6-00	6-40
Cocoa, Accra, nearest future, per lb.	5-14	12-64	10-50	9-62	Lead, spot, per lb.	4-50	6-00	6-00	6-00
					Tin, " Straits," spot, per lb.	48-12½	50-95	51-00	50-65

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POINT	COLOMBO	NUWARA ELIYA	NAIROBI	KAMPALA	Tanganyika Territory.
AMRITSAR	DELHI	RANGOON	NAIROBI	DAR-ES-SALAAM	
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CALCUTTA	KARACHI	ZANZIBAR		TANGA	
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Recovery Becomes World Wide

SINCE 1933 the chief trading countries have become used to thinking of their economic progress as merely a painful recovery from a long depression. The economic tale of 1936, told by our seventy-fourth annual Commercial History, is very different from that. Last year the world as a whole, and not a favoured few countries, can be said to have passed out of the depression epoch and entered a period of rapid economic development. But the world has emerged from the depression of 1930-35 by different means than on earlier occasions. Two outstanding features distinguish the world in 1937. First, its relative prosperity is more than ever before a sum of so many separate national prosperities, while world trade remains 20 per cent. less in volume than in 1929. Secondly, Budgets and national finances are being jeopardised, or severely strained, in one great nation after another by a disturbing factor—the great and growing proportions of the various countries' national incomes now being devoted to the unproductive fashioning of armaments.

Recovery began in Great Britain, the Dominions, Scandinavia and the countries of the sterling area after they had devalued their currencies. It proceeded after 1933 to Japan and the United States and to some of the primary producing countries which had first been hit by the fall in world prices. Throughout 1934 and 1935 the stocks were worked off, droughts occurred, and restriction schemes were applied to current production. The outcome, in 1936, has been a universal and rapid jump in world commodity prices. The purchasing power of primary producers revived, and was accompanied by an extensive rise in freight rates, recovery in shipping, and a revival of shipbuilding in many countries.

To these commercial influences was added the tonic effect of the abandonment, last September, by the erstwhile gold bloc countries of their attachment to the gold

parities of the pre-depression era. This re-alignment of the world's leading currencies made possible the conclusion of a tripartite currency agreement between London, Paris and Washington.

Thus the year saw the conjuncture of many factors, all favourable to economic recovery. But their influence served only to reinforce the purely domestic stimuli which Governments continued to apply, by devious protective stratagems, to their home markets. The results can be read in one after another of our Correspondents' reports: rapid rises in prices, shortages of skilled labour, falls in unemployment to an obstinate minimum well above pre-depression levels, restoration of profitability in agriculture, expansion of constructional activity, operation of iron and steel plant to full capacity, hectic armaments manufacture, large increases in Budget totals, rising taxation, lagging foreign trade, and the maintenance of currency and exchange controls. All these suggest the danger that separate national levels of business activity will be pushed ahead at widely differing rates by State action, and that new disequilibria may later emerge.

The reader of the pages that follow can scarcely fail to be impressed by the accumulated evidence of a real world-wide recovery from depression. In our own country, the signs are striking. One commodity market after another, one industry after another, has achieved new records in 1936. Money is still cheap; and bank advances show signs of expansion. In the former gold bloc countries the outlook was brighter at the end of 1936 than for years past. The task before the world's chief trading countries in 1937 is to broaden the bases of domestic recovery by freeing world commerce from the shackles which depression, economic nationalism, and political fears have fastened upon it.

INDUSTRY AND TRADE

DURING the past year business activity in the United Kingdom continued to expand vigorously, surpassing all previous records of aggregate production and employment. *The Economist* Index of Business Activity rose almost without interruption, from 102 (1935 = 100) in January to 109 in December. Moreover, the index for 1936 shows an increase of 6 per cent. over 1935 and of 7½ per cent. over 1929. Industrial relations were satisfactory, strikes in the coal and cotton industries having been averted by increases in wages. Despite the more marked rise in the cost of production, due to higher wages and rising raw material prices, industrial profits, the springboard of enterprise, continued to advance. The past year drew to its close without any loss of momentum in the expansion of industrial activity. The trend of business activity since 1929 is summarised in the following table:—

PRODUCTION AND BUSINESS				
Indices of production—	1929	1932	1935	1936
London and Cambridge Economic Service (1924 = 100)	110.6	84.9	108.3	118.0
Board of Trade (1930 = 100)	108.5	90.5	113.5	†
Output of—				
Coal (Mn. tons)	258	209	223	229
Pig iron (Mn. tons)	7.6	3.6	6.4	7.7
Steel (Mn. tons)	9.6	5.3	9.8	11.7
Rayon yarn and waste (Mn. lbs.)	56.9	72.5	123.8	145.3
Electricity by Authorised Undertakings (Mn. k.w. hrs.)	10,294	12,241	17,568	20,220
Shipbuilding: tonnage commenced	1,650	72	683	1,081
Private motor cars (number) (a)	182,352	171,243	311,544	353,743
Index of wage rates (Ministry of Labour) (1924 = 100)	98.8	95.9	95.5	98.5†
<i>The Economist</i> Index of Business Activity (1935 = 100)				
Employment, all trades	98.5	90	100	105
Coal consumption	103	90	100	103*
Electricity consumption	68	71.5	100	112.5
Merchandise on railways	127	86	100	106*
Commercial motors in use	76	86	100	106*
Postal receipts	95	94.5	100	104.5
Building activity	60	57	100	107
Iron and steel consumption	97	59.5	100	124
Cotton consumption	111	94	100	109
Imports of raw materials	98.5	84	100	115*
Exports of manufactures	137.5	82	100	102*
Movement of shipping	108.5	94.5	100	102
Provincial bank clearings	91	86.5	100	103.5*
London bank clearings	109	86.5	100	106*
Complete Index	98.5	84	100	106*

* Provisional. † For the first nine months of 1936 the figure was 122.5, as compared with 111.8 in the corresponding period of 1935. ‡ Third quarter of 1936.

There were a number of significant changes in the incidence of industrial progress during the past year. First, the increase in the requirements of the domestic market was responsible for a further decline in the share of total production sold abroad. But while exports made little headway, imports, mainly of raw materials and semi-manufactured goods, showed an appreciable increase. Secondly, as far as activity for the domestic market is concerned, progress in the capital equipment industries was again more marked than the increase in the output of consumers' goods. Throughout the past year the United Kingdom has been passing through a process of large-scale re-equipment and extension of productive capacity. Thus, while the expansion of dwelling-house construction tended to slow down, the volume of industrial and commercial construction was pushed forward with increasing speed. Moreover, the curve of activity in the capital equipment industries was given an upward twist by the re-armament programme, which was responsible for part of the increased demand for plant and machinery. Demand for iron and steel and machinery rose to such an extent that British manufacturers were unable to meet all requirements. Hence, home production had to be supplemented by increased imports. Shipbuilding is another industry which made rapid progress during the past year as a result of the improvement in international trade. Output of coal showed an increase despite a further decline in exports and shipments for the use of steamers.

As was to be expected, the increase in employment, wages and profits during the past year was accompanied by an expansion of the demand for consumers' goods. The textile, clothing, food, drink and tobacco industries benefited from the increase in the purchasing power of the public—reflected in an expansion of retail turnover. A feature was the sharp recovery of the cotton trade towards the end of the year. The automobile industry, too, experienced a further increase in the demand for private cars. A description of developments in various branches of British industry during 1936 will be found in Section III, Commerce and Trade.

AGRICULTURE

In some directions, British agriculture failed to hold its own last year. The total arable area, after increasing in 1935 for the first time since the war, last year resumed its long-term decline. The area under cereals fell by about the same amount as in 1935; but, whereas in that year a sharp drop in the area under barley was partly offset by increases in wheat and oats, 1936 witnessed a 4 per cent. contraction in the wheat acreage and a partial recovery in barley, with oats showing little change.

The weather did not deal kindly with the arable farmer, and yields were generally lower than in the previous season. Among cereals barley made the best showing, the total crop being officially estimated at 663,000 tons, against 656,000 in the previous year. The total outturns of wheat and oats were, however, smaller on the year, falling from 1,623,000 and 1,138,000 tons, respectively, in 1935, to 1,378,000 and 1,080,000 tons, respectively, last year. Wet weather wrought havoc with the hay crop in many localities; and production of root crops, except mangolds, was lower last year. Orchard fruit generally yielded well, but production under glass suffered from lack of sunshine and disease was common.

There was no lack of grass during the summer, and milk yields were accordingly good. The dairy herd was again larger last year, but other cattle declined in number. An increase in the flock of lambs and breeding ewes was insufficient to offset a fall in the number of other sheep. The pig population was larger than in 1935, but a drop in the number of breeding sows appears to reflect dissatisfaction with the future of the pigs marketing scheme.

Indeed, there is evidence that marketing schemes in general became less popular among the farming community last year. Thus, the contract system, which has formed an integral part of the machinery of the Pigs and Bacon Marketing schemes since their inception, broke down in December. The farmers failed to offer sufficient pigs on contract to meet the curers' minimum requirements and the latter have consequently received permission to buy their pigs on the open market. A draft marketing scheme for Scottish raspberries was again rejected by the growers, and it was decided not to proceed with the proposed scheme for tomatoes.

The report of the committee of investigation into milk prices is referred to in the article on Dairy Produce in the Commerce and Trade Section. The Milk Reorganisation Commission for Great Britain reported in the year under review (see *The Economist*, December 5, 1936) and proposed that a permanent Milk Commission should take over from the Milk Board the fixing of prices. Meanwhile, the Milk Act of 1934, which grants a subsidy to maintain manufactured milk prices, has been extended until September, 1937. The Government's policy for the beef industry was formulated last year, and is discussed in the article on Livestock and Meat. The existing fat cattle subsidy will continue to be paid until July 31, 1937.

OVERSEAS TRADE

THE expansion in overseas trade which began in 1933 gathered momentum last year. Imports increased faster than exports, and the passive balance on merchandise account reached the highest level since 1931.

FOREIGN TRADE VALUES

(£000,000)					
	1929	1933	1934	1935	1936
Imports	1,220.8	675.0	731.4	756.0	848.9
British Exports	729.3	367.9	396.0	425.8	440.7
Re-exports	109.7	49.1	51.2	55.3	60.4
Total Exports	839.0	417.0	447.2	481.1	501.1
Excess of Imports over Exports	381.8	258.0	284.2	275.9	347.8

Imports were higher in value each month last year compared with a year ago; British exports made a poor showing in the first six months, but subsequently improved. Totals in the different categories are shown below:—

(£000,000)								
	1929		1934		1935		1936	
	Retained Imports	British Ex. ports	Retained Imports	British Ex-ports	Retained Imports	British Ex-ports	Retained imports	British Ex-ports
Food, drink and tobacco	509.5	55.7	334.0	30.4	343.4	31.6	371.0	35.6
Raw materials and articles mainly unmanufactured	285.3	78.9	181.8	48.2	182.9	52.8	215.2	51.3
Articles wholly or mainly manufactured	305.5	573.8	160.7	304.8	171.6	328.8	197.5	340.9

As compared with 1935, the largest increase in imports was in raw materials. Undressed hides and skins rose by 33 per cent., wool by 24 per cent., and cotton and wood and timber by 23 per cent. In the manufactures group, machinery imports increased by 36 per cent. and non-ferrous metals by 18 per cent. The most noticeable increases in the food group were grain and flour (23 per cent.), dairy produce (15 per cent.).

In considering value figures, however, price movements must not be overlooked. According to the Board of Trade index, the volume of retained imports rose from 97.9 (1930 = 100) in 1935 to 105.3, and average values from 74.8 to 78.3. Only in the food and drink category did the rise in average values counteract the increased value of imports. As regards British exports, the volume index was 93.1 against 91.3 in 1935, and average values, 82.9 and 81.7 respectively. There was an absolute increase in trade in all categories.

The volume of exports of certain important commodities is shown in the following table:—

BRITISH EXPORTS

(000's omitted)

	1929	1934	1935	1936
Coal, Iron and Steel Products				
Coal	60,267	39,680	38,714	34,533
Railway materials	610	190	161	
Total iron and steel manufactures	4,380	2,251	2,312	2,205
Machinery	562	335	384	380
Locomotives (complete and parts)	40*	11	16	18
Motor vehicles and chassis..number	42	61	72	89
Textile Goods				
Cotton yarns	166,638	130,428	141,675	150,935
Cotton piece goods	3,672	1,993	1,949	1,917
Wool tops	32,737	41,746	55,930	52,133
Woolen and worsted yarns	46,696	42,904	40,816	37,155
Woolen and worsted tissues sq. yds.	155,467	102,202	109,685	117,920
Linen piece goods	71,540	77,597	77,163	88,756

* Complete only.

Three-quarters of the decline in coal exports was due to the almost complete cessation of shipments to Italy following the imposition of "sanctions." Owing to intensified home demand, exports of chemicals, non-ferrous metals and manufactures declined, while those of iron and steel, implements and tools, electrical equipment and machinery, showed only a small increase. There was an increased demand from abroad for automobiles, cotton, wool and other textile manufactures. In 1936, our trade with the Empire attained record dimensions.

INDUSTRIAL PROFITS

In 1936, the third complete year of Britain's economic recovery, the 2,186 industrial companies whose reports during the year were included in our quarterly analyses of profits showed a rise in total profits (after debenture interest, etc.) of £27.0 millions, or 12.7 per cent., over the

1935 figure for the same concerns. The total was £239 millions, compared with £212 millions in 1935. A year ago, 2,116 concerns showed a rise in profits in 1935 from the 1934 figure of £28.0 millions, or 15.9 per cent., to £203 millions.

NET PROFITS (AFTER PAYMENT OF DEBENTURE INTEREST, ETC.)

Quarter	No. of Companies	Reports published in		Increase (+)	
		1935	1936		
I	569	£66,839,644	£75,731,976	+ 8,892,332	+ 13.6
II	739	83,404,187	92,280,660	+ 8,876,473	+ 10.6
III	382	25,359,334	28,974,570	+ 3,615,236	+ 14.3
IV	496	36,565,347	42,134,767	+ 5,569,420	+ 15.2
Total, 1936	2,186	212,168,512	239,121,973	+ 26,953,461	+ 12.7

As in 1935, the total quarterly percentage increases in 1936 in each batch of companies' profits were smaller than the year before. Thus, the rate of increase was slowing down; though, except in the second and most important quarter, the absolute amounts of the increases in profits were larger than in 1935 or 1934. The article on page 106 of *The Economist* of January 16th, analysing the 1936 figures, shows that companies concerned with tea, oil, steel and coal, motors and aircraft, electrical equipment and power, newspapers and printing, finance and estate, and warehousing and trading recorded increases in profits in 1936 over 1935 above the average of 14.8 per cent. Those concerned with building, textiles, rubber, retail trade, hotels, brewing, trusts, tobacco, water supply and food showed less than average increases; and those engaged in shipping and gas supply showed falling profits. Reference should be made to this article and the detailed tables on pages 146-47 of that issue.

The next table shows the ratios of net profits to the sum of preference and ordinary capital, and the average dividends paid on preference and ordinary shares since 1909, excluding the war years:

PROFITS AND DIVIDENDS

	Ratio of Profits to Pref. and Ord. Capital	Average Dividend on Preference Capital	Average Dividend on Ordinary Capital
	%	%	%
1909	7.4	4.3	6.3
1910	8.2	4.5	7.0
1911	9.9	4.9	8.5
1912	10.2	5.2	8.5
1913	11.7	5.1	10.2
1914	15.2	5.0	12.6
1915	10.3	5.2	10.2
1916	7.0	5.2	8.4
1917	9.8	5.3	9.3
1918	10.3	5.4	9.8
1919	10.9	5.5	10.3
1920	11.3	5.4	11.1
1921	10.5	5.3	10.8
1922	11.1	5.4	10.6
1923	10.5	5.5	10.5
1924	9.8	5.7	9.5
1925	7.2	5.2	7.2
1926	5.8	4.2	5.9
1927	6.1	4.6	5.8
1928	7.2	4.8	6.5
1929	8.5	5.2	7.4
1930	9.7	5.2	8.2

The total put to reserves in 1936 was over £62.0 millions, nearly four times that of 1933. It was 26.0 per cent. of total profits, against 22.4 per cent. in 1935, and 2.5 per cent. of total preference and ordinary capital, against 1.9 per cent. in 1935.

Appended overleaf is the table showing the movements of our new chain-index of the profits reported each year from 1924 (basis 1929 = 100). The compilation of this new Index was described in the article of January 18, 1936 (page 118).

Reports Published in Calendar Year	No. of Companies	Total Profits*		"Chain" Index (1928 = 100)
		Current Year's Reports	Same Com- panies, Pre- ceding Year	
		£ Mn.	£ Mn.	
1924	1,490	155.0	142.6	83.1
1925	1,572	174.9	164.5	90.1
1926	1,669	169.4	174.7	96.1
1927	1,709	179.6	167.6	93.3
1928	1,770	194.7	194.6	100.0
1929	1,932	197.5	198.8	99.4
1930	2,009	160.1	206.6	77.1
1931	1,998	143.3	175.0	63.1
1932	1,945	141.4	140.8	63.4
1933	1,975	168.8	144.8	73.9
1934	2,116	203.2	175.3	85.7
1935	2,186	239.1	212.2	96.5

* After debenture interest.

It will be remarked how fast and how far the earning capacity of British industrial companies has progressed in the last three years.

COMMODITY PRICES

COMMODITY prices in 1936 made a striking advance, and were higher in December than at any time since 1930. This advance was due to the general recovery of world trade, stimulated by the devaluation in September of the currencies of the gold bloc. The rise took place entirely in the second half of the year; until the end of June prices tended to sag; between July and September there was a slight advance; after September the rise was spectacular. Until last year the revival of demand operated largely upon accumulated stocks and unused capacity; but by last autumn stocks were practically eliminated, and capacity was almost fully employed. Between 1932 and 1935 stocks fell by 17 per cent.; in only nine months of 1936 they fell by a further 12 per cent. Prices bounded upwards.

The movement of our indices has been as follows:—

1927 = 100						
Date	Cereals and Meat	Other Foods	Tex- tiles	Min- erals	Miscel- laneous	Com- plete Index
Average, 1928	103.6	93.8	105.1	92.1	95.8	98.1
" 1929	96.9	85.8	92.2	95.6	90.5	92.4
" 1930	81.0	77.2	64.4	83.6	81.6	77.6
" 1931	68.7	65.3	50.0	73.1	68.4	64.9
" 1932	68.2	62.5	49.2	72.9	61.9	62.6
" 1933	64.4	58.7	50.9	77.2	65.6	63.1
" 1934	69.1	59.0	54.1	77.0	68.9	65.6
" 1935	69.9	60.6	57.0	79.8	74.8	68.6
" 1936	76.9	61.1	61.8	84.6	78.2	72.8
End Dec. 1930	70.0	71.0	51.4	78.0	75.2	68.7
" Dec. 1931	69.0	65.7	52.8	76.7	66.2	65.8
" Dec. 1932	63.1	60.0	48.6	73.9	61.9	61.1
" Dec. 1933	64.5	56.7	53.3	77.4	68.1	63.9
" Dec. 1934	69.9	60.2	54.5	75.8	69.4	66.1
" Dec. 1935	71.9	61.7	61.7	82.3	78.2	71.4
" Jan. 1936	72.7	59.5	61.4	82.9	78.7	71.3
" Feb. "	71.6	59.8	60.2	83.5	78.5	70.9
" Mar. "	72.3	59.8	60.4	83.3	78.4	71.1
" Apr. "	73.3	59.0	59.6	83.1	78.1	70.9
" May "	72.0	58.7	58.4	81.7	76.9	69.8
" June "	70.2	58.9	59.4	80.7	77.9	69.7
" July "	76.9	61.2	61.7	82.4	77.7	72.3
" Aug. "	79.7	61.5	61.1	82.6	77.5	72.8
" Sept. "	82.0	61.6	61.7	84.2	77.0	73.6
" Oct. "	82.0	62.5	63.6	86.0	77.8	74.6
" Nov. "	83.2	65.0	66.6	89.7	78.8	76.9
" Dec. "	86.4	65.6	67.5	95.4	81.2	79.3

The complete index, it will be seen, rose nearly eight points during the year, compared with a rise of five points in 1935. Among the component indices there was a general rise; but the advances of four points in "other foods," six points in textiles and three points in "miscellaneous" were slight compared with the sharp rise of fourteen points in cereals and meat and thirteen in minerals. There were wide divergencies in the movements of individual prices; some, like wheat, cocoa, lead, spelter, rubber and wool, bounded upward; others, like sugar, flax and jute, finished the year with a slight

net loss. There were divergences in the supply position; although most stocks have been reduced to reasonable proportions, stocks of coffee are still large; and, on the other hand, supplies of tin are dangerously low.

The following table shows the movement of our index number converted into a percentage of the average level during the last pre-war year:—

1913 = 100						
Date	Cereals and Meat	Other Foods	Tex- tiles	Min- erals	Miscel- laneous	Com- plete Index
Average, 1928	115.0	119.1	161.7	111.9	119.3	135.1
" 1929	135.6	136.8	111.9	116.2	112.7	127.2
" 1930	113.1	122.9	99.1	101.6	101.5	106.8
" 1931	96.1	104.1	77.0	88.9	85.3	89.3
" 1932	95.1	99.6	75.7	88.6	77.1	86.1
" 1933	90.1	93.5	77.6	93.9	81.7	86.8
" 1934	96.7	94.0	83.2	93.6	85.7	90.3
" 1935	97.8	96.5	87.8	97.1	93.1	94.3
" 1936	107.5	97.3	95.2	102.9	97.4	100.1
End June, 1932	96.4	91.8	67.3	82.0	72.7	80.9
" Dec. "	88.3	95.6	74.8	89.9	77.1	84.1
" June 1933	90.5	92.4	83.1	98.5	84.9	89.5
" Dec. "	90.2	90.2	82.1	94.1	84.8	87.9
" June 1934	95.7	93.4	81.5	93.6	86.1	89.7
" Dec. "	97.9	95.8	84.0	92.2	86.4	90.9
" June 1935	95.8	94.2	85.4	95.7	93.4	92.9
" Dec. "	100.6	98.3	95.0	100.1	97.3	98.2
" June 1936	98.2	93.8	91.4	98.2	96.9	95.9
" Dec. "	120.9	104.5	103.9	116.0	101.1	109.1

In all cases the indices have definitely exceeded the 1913 levels; cereals, meat and minerals have strikingly surpassed that figure; and the complete index at the end of December was over nine points higher.

The next table shows the annual movement occurring in each group of the index since 1929:—

YEARLY AVERAGE (1924 = 100)										
	1929	1930	1931	1932	1933	1934	1935	1936		
Cereals and meat...	84.8	70.9	60.1	59.7	56.3	60.4	61.2	67.3		
Other foods.....	80.5	72.3	61.2	58.6	55.0	55.3	56.8	57.3		
Textiles	67.4	47.1	36.6	35.9	37.2	39.5	41.7	45.2		
Minerals	80.0	70.0	61.2	61.0	64.7	64.3	66.8	70.9		
Miscellaneous	85.7	77.3	64.8	58.6	62.1	65.2	70.8	74.0		
Complete index	79.9	67.0	56.1	54.0	54.5	56.7	59.2	62.9		

As in 1935, textiles are still the furthest from recovering the price level of 1929. Minerals and "miscellaneous" have come nearest to that figure.

The next table shows the quarterly movements of our index of the sterling wholesale prices of certain primary products, together with the quarterly movements of our index of dollar wholesale prices of the same products (i.e. gold prices up to March, 1933, and thereafter "dollar"):

(September 18, 1931 = 100)			
	1931	Sterling Prices (Primary Products)	Dollar Prices
December 30	1932	117.1	94.4
December 28	1933	109.3	76.9
December 27	1934	113.9	119.8
March 28	1935	121.4	127.5
June 20	1936	123.4	133.9
September 26	1937	125.7	149.0
January 2	1938	123.7	154.5
March 27	1939	123.3	147.6
June 19	1940	125.6	144.2
September 25	1941	131.3	148.6
January 1	1942	131.2	143.3
March 25	1943	133.9	144.3
June 24	1944	133.2	147.0
September 30	1945	144.5	159.6
December 30	1946	163.9	187.3

Dollar prices forged ahead of sterling prices in 1934, and in 1935 sterling prices recovered ground. Last year sterling prices fell further behind, particularly in the last quarter of the year; the lead of dollar prices remains very substantial.

MONEY AND BANKING

THE MONEY MARKET

CONDITIONS were easy in the money market for the greater part of 1936. The Government continued its policy of cheap money, but this proved to be no longer a simple process, and on several occasions it was necessary to intervene actively to prevent interest rates from hardening appreciably. This resulted not only from the general increase of activity at home, but even more from the influx of foreign money from abroad following the various currency crises of the year. The greater part of this flight capital came from France, and was either lodged in deposits at the joint stock banks or was used to buy British currency for hoarding purposes. The movement began to attain large proportions at the end of April and the beginning of May, stimulated by the French currency crisis that reached its culmination at that time. Simultaneously, the Bank of England began its offsetting purchases of gold, which were to continue throughout the summer. The following table shows the extent of the purchases, which by the time they ceased at the beginning of October, totalled £46 millions.

	April 29	June 10	Aug. 5	Oct. 7
Bank of England:—	£ mill.	£ mill.	£ mill.	£ mill.
Gold	202.7	208.5	243.0	248.7
Note circulation	416.9	433.0	254.4	450.8
Reserve	46.6	36.4	49.6	58.9
Bankers' deposits ...	104.7	86.5	92.7	84.2

An unfortunate result of the French hoarding of notes was that the Exchange Equalisation Account, by its normal procedure of turning out Treasury bills on to the market to make room for its gold acquisitions, thereby increased the market's borrowing at the clearing banks, with the ultimate result that the "proportion" of the Bank of England and the cash ratios of the joint-stock banks contracted; this is precisely the opposite effect to that of purchases of gold under the old gold standard. To prevent this anomaly the Bank of England adopted the principle that for every £1 of currency hoarded the Bank, and not the Exchange Account, should buy £1 of gold. When the foreign money went into the deposits of the joint-stock banks, the Bank should buy £1 of gold for every £10 so deposited, leaving the remaining £9 to the Exchange Account. By this process, which continued until the autumn, the Bank prevented any stringency from developing in the money market. The only difficulty that might result from this policy would be that if the French flight funds returned wholesale to France the Bank would have to sell back the gold to the Exchange Account in order to give the necessary support to sterling. This has not yet happened and is unlikely to, and in any case French funds will most probably return slowly and over a long period.

From the late autumn onwards, conditions were more normal, though on several occasions stringency threatened to develop, usually owing to vagaries of the calendar by which payments for Treasury bills had to be made early in the week, whereas maturities did not fall due until the latter half. Furthermore, there was a tendency for funds to be segregated in public deposits, largely owing to heavy sales of Funding Loan by the Departments, which were generally thought to indicate that the decks were being cleared for a new loan. On November 17th, in fact, the Bank of England announced a new Funding Loan of £100 millions at 2½ per cent., redeemable 1952-1957, which was not of immediate interest to the market, except in so far as it might affect the tender issue, for subsequent sales of such issues through the "tap" are more important than their actual issue. Money conditions still continued to be tight, but the repayment of the French loan, the last instalment of which fell due on November 20th, helped to ease the strain. The constitutional crisis passed without having any great effect, and in fact all that was noticeable was a slight strengthening of their resources

by the clearing banks in preparation for the emergency that never came.

The year ended, however, with an important step by the Bank of England. On December 16th, the Bank announced a gold purchase of £65 millions, valued at 84s. an ounce, and at the same time Mr Chamberlain announced that this gold would be used to reduce the fiduciary issue by £60 millions, the extra £5 millions going to ease conditions in the money market. It had long been rumoured that the Exchange Equalisation Account was getting over-full of gold, and this method of using the fiduciary issue as an adjunct was highly practical. It is a new development in the Governmental technique of insulating the monetary system from external shocks so as to be the better able to pursue its policy of cheap money unhampered by separate international movements.

BANK CLEARINGS

THE 1936 returns of the London and provincial bankers' clearing houses illustrate the progress of trade revival and the more rapid circulation of money:—

	1934	1935 (£ million)	1936
Town clearings	30,740	32,444	35,039
Metropolitan clearings ...	1,760	1,887	2,040
Country clearings	2,984	3,229	3,538
Total, London clearings...	35,484	37,560	40,617

Provincial bank clearings for 1936 totalled £1,394 millions, against £1,283 millions in 1935 and £1,295 millions in 1934. Part of the increase in town and metropolitan clearings is due to the admission of the District Bank to the London Clearing House a year ago. This does not affect the country and provincial clearings. Comparing 1936 with 1935, quarter by quarter, the largest increase is in the fourth quarter, especially in Birmingham, Leeds, Liverpool, Manchester, Newcastle-on-Tyne, and Sheffield. The rearmament programme, coupled with the revival in shipbuilding and the cotton trade, is the probable explanation of this, and in the case of Liverpool the upward trend of prices for wheat and other primary products may have contributed.

THE FOREIGN EXCHANGES

THE year which has just closed was as momentous in the history of the foreign exchanges as 1931, to which it was in fact the sequel. During the five years following the abandonment of the gold standard, those currencies which had not followed suit were subjected to the growing pressure of over-valuation. This led to the defection from the gold bloc of the dollar in 1933, the Czech crown in 1934 and of the belga in 1935. The devaluation of the remaining currencies was only a matter of time, for even the most drastic deflationary measures failed to bring prices down to world levels. Interest thus inevitably centred on the franc throughout the year. The various adversities to which it was subject were the same as in the other gold bloc countries, only more intense. Up to devaluation the history of the franc was the history of the gold bloc. Subsequently the franc pursued a downward course of its own, the end of which was not yet in sight at the end of the year.

During January the position of the franc seemed strong, and in the first fortnight the Bank rate was reduced from 6 to 5 and from 5 to 4 per cent. By February, however, it was clear that the position in reality was inherently weak and rumours of devaluation increased, when the French Treasury applied for and obtained a loan of £40 millions from a number of London banks, at a rate of 3 per cent. A further crisis was precipitated when Hitler re-occupied the Rhineland in March. Soon after the borrowing powers of the Government were raised by Frs. 6,265 millions, but this

only served to accelerate the flight of capital, and it was increasingly clear that the franc was so heavily over-valued that an indefinite maintenance of the rate at its existing level of Frs. 75 to the pound was impossible. The Bank of France took the traditional step of raising the Bank rate from 3½ to 5 per cent. During April the situation continued to grow worse, but it was felt that nothing could happen until after the election. The results of which were due at the beginning of May. The success of the Front Populaire with its extensive programme of social legislation caused another flight of capital, and during the interim period, when M. Sarraut continued in power until M. Blum took over on June 1st, the rate was only held by reason of M. Blum's assertions that he was opposed to devaluation. The outbreak of strikes in June was an incentive for another rush of funds abroad, but it was clear that M. Blum was unable to set his hand to devaluation without playing into the hands of his political opponents and sacrificing the support of the Left Wing of the Front Populaire. Accordingly, the crisis passed, and during June and July the improvement was such as to allow the reduction of the Bank rate to 3 per cent., and the Finance Minister, M. Auriol, was able to issue his "baby" bonds of small denomination. By the beginning of September, however, the franc had become even more over-valued, largely as a result of the Matignon wage agreements, and a new crisis developed which was to be the last. In the third week of September events began to move fast. At the beginning of the week the report of the League of Nations Economic Committee was issued containing a strong hint that "alignment" of the franc was essential. On Wednesday the subscription lists for the "baby" bonds were closed after only Frs. 4,000 millions had been subscribed, and on Thursday the Bank rate was raised from 3 to 5 per cent. On Saturday, September 26th, the decision to devalue was taken, and by the evening the Swiss franc had followed suit and the Dutch guilder was riding free from gold. The lira and the Czech crown were devalued the following week, and those currencies which were previously pegged to the franc attached themselves to sterling.

	Parity	Dec. 31, 1935	March 31, 1936	June 30, 1936	Sept. 30, 1936	Dec. 31, 1936
United States ...	4.868*	4.93	4.95½	5.02½	4.95½	4.81½
France	124.21	74½	75½	n.q.	105½	105½
Belgium	35.00	29.24	29.26	29.11½	29.30½	29.14½
Holland	12.107	7.25½	7.30½	7.37½	8.97½	8.96½
Italy	92.46	61½	62½	63½	n.q.	93½
Switzerland	25.221	15.15½	15.22	15.34	21.51½	21.37
Germany						
(a) Official	20.43	12.24	12.34	12.45	12.62½	12.19½
(b) Registered marks		47½ dis.	47½ dis.	47½ dis.	47½ dis.	51½ dis.
Czechoslovakia	197.10†	118½	119½	120½	122½	140½
Norway	18.159	19.90	19.90	19.90	19.90	19.90
Sweden	18.159	18.40	19.40	19.40	19.40	19.40
Denmark	18.159	22.40	22.40	22.40	22.40	22.40
Argentina	47.62d.	18.25	17.87½	18.42½	17.70	16.05
Brazil	5.899d.	2½	2½	2½	2½	2½
China		14½	14½	15½	14½	14½
Japan	24.58d.	14½	14	14½	14	13½

* \$8.23½ since devaluation of dollar on February 1, 1934. † Kr. 164½ prior to devaluation on February 17, 1934.

Devaluation of the franc was fixed between limits of 26 and 35.2 per cent., of the Swiss franc between 26 and 34.5 per cent., of the lira between 50 and 60 per cent.; in practice, 59.06 per cent., as the lira has gone back to its old parity with the dollar, and that is the extent of the American devaluation. The guilder is riding free, but the depreciation amounts only to about 12 per cent. The belga, which was devalued by 28 per cent. in 1935, maintained its *status quo*, and the mark remains entrenched behind Dr Schacht's fantastic structure of exchange restrictions.

The subsequent history of the devalued currencies has varied. Switzerland and Holland have benefited from a reflux of funds, but M. Blum's policy of penalising devaluation profits has resulted in a continued outflow of capital, and the year closed with the franc in a position little better than that preceding devaluation.

The other movement during the year has been the growing strength of the currencies of the primary producing countries, consequent on higher prices. In

Argentina this resulted in the lowering on December 10th of the official selling rate from 17 to 16 pesos. This halves the official profit, as the buying rate remained at 15 pesos. Apart from a few countries which are pursuing self-sufficiency, there has been a tendency during the latter part of the year towards a freeing of trade and exchange restrictions. The "gentlemen's agreement" between Great Britain, the United States and France that preceded the devaluation of the franc is an example of the spirit of co-operation which may help to improve world trade during 1937.

GOLD OUTPUT AND MOVEMENTS

SOUTH AFRICAN gold production in 1936 amounted to 11,339,000 fine ounces, which at the average market price for the year is equivalent to approximately £79.5 millions, compared with £75.0 millions in 1935. The output of Russia rose considerably, from 5,831,000 fine ounces in 1935 to 7,350,000 fine ounces last year.

The greater part of the gold output continues to find its way into the monetary gold stocks of central banks, but it is certain that during 1936 a very considerable quantity went into private hoards.

Movements of gold in and out of the country were very active, and on balance we gained considerably more gold than in 1935. The following table shows the actual movements:—

BRITISH GOLD IMPORTS AND EXPORTS

	Bullion		Specie		British Coin	
	1935	1936	1935	1936	1935	1936
	£ Mn.	£ Mn.	£ Mn.	£ Mn.	£ Mn.	£ Mn.
Imports	227.4	304.6	10.5	6.2	6.2	3.6
Exports	158.3	80.1	9.2	3.8	5.5	2.7
Import surplus	69.1	224.5	1.3	2.4	0.7	0.9

The next table gives imports and exports of bullion in greater detail for the past two years:—

	1935			1936		
	Imports from	Exports to	Net Exports (+) or Net Imports (—)	Imports from	Exports to	Net Exports (+) or Net Imports (—)
	£ millions			£ millions		
India	34.6	Nil	— 34.6	24.6	0.1	— 24.5
South Africa	70.8	Nil	— 70.8	84.7	Nil	— 84.7
Australia	7.5	Nil	— 7.5	5.3	Nil	— 5.3
Canada	0.7	Nil	— 0.7	0.5	Nil	— 0.5
Germany	0.4	1.4	+ 1.0	5.2	0.7	— 4.5
Holland	7.4	12.2	+ 4.8	2.6	6.7	+ 4.1
France	78.2	42.6	— 35.6	156.3	4.1	— 152.2
Belgium	0.3	2.8	+ 2.5	2.4	4.6	+ 2.2
Switzerland	10.9	2.7	— 8.2	2.9	3.8	+ 0.9
United States	0.2	83.0	+ 82.8	1.3	76.2	+ 74.9

Germany has re-appeared as a shipper of gold, but not to any great extent. The largest quantities of gold, as in previous years, come from South African mines, Indian hoards, and France. Again the heaviest efflux was to the United States.

The following table summarises the gold holdings of the central banks:—

GOLD HOLDINGS OF CENTRAL BANKS (In millions of dollars)

1936 (end of month)	Jan.	March	June	Sept.	Nov.
Bank of England	1,652	1,633	1,782	2,049	2,049
U.S. Reserve Banks and Treasury	10,182	10,184	10,608	10,845	11,184
Banque de France	4,324	4,348	3,580	3,322	3,184
Reichsbank	31	29	29	25	27
Netherlands Bank	455	486	404	456	388
National Bank of Belgium	600	586	638	631	630
Swiss National Bank	454	483	460	508	624
Bank of Italy	270*	...	...	...	...
Bank of Sweden	194	206	231	238	239
Bank of Norway	84	84	89	98	98

* Figure for December, 1935, the last issued.

The continued losses of the Banque de France, even after devaluation, contrast with the Swiss National Bank's recovery of its lost gold. The Bank of England's autumn purchases and the heavy gains of the United States are clearly shown.

NEW CAPITAL ISSUES

LAST year the London new capital market was active, but not consistently active. The total new money offered publicly to investors, which rose, according to *The Economist's* computation, from £169.1 millions in 1934 to £236.1 millions in 1935, made a further modest gain to £255.7 millions. That figure is two and a half times as large as the total for 1931, the worst year of depression, but it is little more than two-thirds that of 1928, the best pre-depression year. Detailed figures are given below:—

TOTAL BORROWING BY DIRECT PUBLIC OFFER

Calendar Years	Government	British			Empire	Foreign	Total Issues	Index 1928 = 100
		Home Corporations*	Others	Total Home				
1928	83.9	14.9	164.8	263.6	63.2	42.3	369.1	100
1929	65.4	8.3	124.3	198.0	61.0	26.2	285.2	77
1930	65.6	41.7	63.3	170.6	61.4	35.8	267.8	73
1931	10.7	8.0	35.8	54.5	38.5	9.1	102.1	28
1932	102.7	24.5	163.1	255.7	25.5	0.3	188.9	51
1933	150.8	28.8	31.6	210.2	29.2	5.4	244.8	66
1934	44.1	36.1	57.5	137.7	29.9	1.5	189.1	51
1935	88.0	51.1	81.6	220.7	15.2	0.2	236.1	64
1936	60.2	79.5	90.6	230.3	24.7	0.7	255.7	69

* Including county and public board loans.

Foreign issues by prospectus (controlled by the Treasury through an Advisory Committee) remained almost non-existent; Empire issues were the lowest for any year, save 1935, shown in the table; and British Government borrowings (involving the subscription of new money or the funding of the floating debt, as distinct from pure conversion operations) were on a moderate scale. That total home borrowings (representing 90 per cent. of all public issues) were higher than in any year since 1928, was due partly to a further rise in the total raised by home companies and partly to further revival in the market for new issues by municipalities and public boards. For the year 1935 and 1936 we have calculated, for the first time, the value of issues made by Stock Exchange placing, as well as by public prospectuses. Taking the two together the results are shown:—

TOTAL BORROWING, INCLUDING STOCK EXCHANGE "PERMISSION TO DEAL" (Million £)

Calendar Years	Government	British			Empire	Foreign	Total Issues
		Home Corporations*	Others	Total Home			
1935	88.0	54.9	183.9	326.8	29.3	1.2	357.3
1936	60.2	82.1	306.1	448.4	33.8	11.7	493.9

* Including county and public board loans.

The process of converting existing capital obligations to lower rates of interest continued, but at a decreasing rate:—

CONVERSION ISSUES

	1932	1933	1934	1935	1936
British Government	2,478.9	50.7	105.0	204.0	37.2
Other Conversions	31.8	172.4	136.9	108.2	109.7
Total	2,510.7	223.1	241.9	312.2	146.9

THE STOCK EXCHANGE

THE past year was the most active and prosperous for the Stock Exchange since recovery began. The volume of business at times extended the physical capacity of members of the "House." Industrial shares showed a rise of 16.5 per cent. according to *The Financial News* index, and prices advanced almost without interruption from May to November. The highest prices for gilt-edged stocks were recorded, however, very early in the year, and a sustained period of market heaviness resulted in a fall of between 2 and 3 per cent. in gilt-edged levels.

The re-armament loan which was widely canvassed in the spring failed to arrive, but in November a 2½ per cent. Funding issue was carried out, partly to repay 2½ per cent. Treasury bonds. But the prospect of enormous re-armament expenditure was responsible for the high level of activity in industrial shares during the first part of the year. General engineering shares, augmented by a large number of new issues with a re-armament equity, were carried to new "highs," although constructional steel shares showed a more subdued advance.

The second phase of the year's movement was caused by the rapid rise in commodity prices. This brought advances over a wider front. Argentine rail issues, for example, enjoyed a boom in the last quarter of the year. Defaulted bonds of primary producing states—particularly South Americans—were eagerly bought. Among base metal shares, confident buying accompanied some sensational rises in the metal markets, with Rhodesian coppers and silver-lead-zinc issues prominent.

The following table, based on the Actuaries' Investment Index (December 31, 1928 = 100), shows the movements of fixed-interest and equity securities since 1932:—

End of	Fixed Interest Securities			Ordinary Shares		
	2½% Consols.	Miscell. Indus. Debts.	Miscell. Indus. Pref.	Home Rails	Iron and Steel	Miscell.
December, 1932	131.6	113.1	97.8	68.2	43.2	47.9
" 1933	131.6	181.7	111.6	82.9	48.0	60.3
" 1934	165.3	125.6	120.7	75.0	52.1	65.1
" 1935	154.5	124.8	120.6	64.9	67.8	75.2
January, 1936	152.2	125.4	121.3	64.4	73.1	78.1
February	151.4	125.5	121.3	70.4	71.4	75.5
March	151.0	125.5	120.4	72.9	70.7	75.8
April	151.7	125.7	121.1	68.8	67.7	74.4
May	152.7	125.7	121.6	66.4	71.7	75.5
June	150.8	125.5	122.4	69.5	79.4	77.3
July	150.6	125.3	122.9	77.1	79.7	79.0
August	150.9	125.6	122.8	81.5	80.1	79.6
September	151.0	125.6	122.8	86.3	84.1	81.3
October	150.1	126.1	123.0	87.1	83.3	81.6
November	150.9	125.6	122.5	86.6	83.0	81.3
December	150.9	125.6	122.5	86.6	83.0	81.3

The majority of stable industrial shares, of the quasi-fixed interest class, made no sensational fresh advances. In the industrial markets, indeed, business was often more selective than in previous recovery years, on the argument that rising costs of raw materials and wages might become increasingly prominent. The increase in coal prices, to give one instance, affected a wide range of industry, and particularly concerned the railway stockholder. The rather modest appreciation of home rails was led by the junior prior charges. Towards the end of the year it became apparent that home rails were distinctly vulnerable to rising material and wage costs, and despite the settlement of excess rates payments for the past quinquennium, the market was unable to stage a fresh advance.

An opening speculative boom in aircraft shares was

broken by the Government's declared policy of insisting on reasonable profits and by the failure of many concerns to show a satisfactory working record for their first year of operation. Most electrical equipment shares made further progress, accompanied by a number of successful new issues. The motor share investor will remember 1936 for the Morris "placing" and the excellent Standard results.

High record levels were recorded by such leading shares as Imperial Tobacco, Turner and Newall, and Woolworth. But accompanying these movements among the market leaders, a demand for "late recovery shares" developed, in which cotton textile shares and shipping issues were in chief demand. Cement shares again progressed, though less rapidly towards the end of the year, when a perceptible decline in residential house building activity became apparent. Brick shares remained dull for this season.

Improving conditions in the oil industry brought a substantial improvement in the leading shares, while Mexican Eagle, thanks to the settlement of differences with the Government, appreciated in spectacular style. Kaffir shares were a much steadier market, owing to the stable price of gold. But the developing companies on the Far West Rand, such as West Witwatersrand and Western Reefs, were the focus of active professional and public demand.

LABOUR CONDITIONS

THE upswing of the trade cycle carried employment to a record level in 1936. At the same time there was a further decline in unemployment, the percentage for Great Britain being 13.0, against 15.3 in 1935; for the United Kingdom as a whole the unemployment percentage was 13.2, against 15.5 in the preceding twelve months. The following table shows monthly figures of employment and unemployment in Great Britain:—

EMPLOYMENT IN 1935 AND 1936

	Insured Employed (a)		Insured Unemployed (b)		Insured Unemployed (c)	
	1935	1936	1935	1936	1935	1936
January.....	10,087	10,391	2,224	2,063	17.5	16.1
February.....	10,097	10,525	2,200	1,949	17.3	15.3
March.....	10,219	10,689	2,072	1,814	16.3	14.2
April.....	10,341	10,785	1,962	1,745	15.5	13.7
May.....	10,539	10,918	1,956	1,635	15.4	12.8
June.....	10,391	10,933	1,936	1,645	15.2	12.6
July.....	10,414	11,006	1,919	1,595	15.0	12.2
August.....	10,461	11,072	1,874	1,548	14.7	11.9
September.....	10,483	11,082	1,879	1,556	14.7	11.9
October.....	10,504	11,103	1,838	1,549	14.4	11.9
November.....	10,560	11,120	1,843	1,553	14.3	11.9
December.....	10,629	11,132	1,796	1,552	13.9	11.9
Average.....	10,377	10,896	1,958	1,684	15.3	13.0

(a) Estimate of number of insured persons aged 16-64 in employment in Great Britain, with allowance of 3½ per cent. absence for sickness, etc.

(b) Insured persons aged 16-64 unemployed in Great Britain.

(c) Percentage unemployed among insured workers aged 16-64 in Great Britain.

The decline in unemployment, though general, was not uniform throughout the country; the largest decrease occurred in the North-Eastern division, followed by Scotland, the North-Western and the South-Western divisions. Nevertheless, there is still a marked disparity between the level of unemployment in the Southern and Midland areas, on the one hand, and in the remainder of the country on the other. Employment in the metal

trades scored further improvement in 1936, particularly in the iron and steel and engineering industries; in the tinplate and steel sheet industries, too, unemployment was less pronounced. Shipbuilding and ship repairing were also more active, except in Northern Ireland. There was a welcome improvement in the cotton industry, whilst in wool textiles the increased activity of the previous year was fully maintained. In building, public works contracting, the distributive trades and other highly seasonal industries employment improved between January and May, but remained fairly stationary for the rest of the year. Conditions in the coal mining industry continued unsatisfactory; despite a fall in unemployment, the average number of wage-earners on the colliery books showed a further decline.

The improvement in employment is also reflected in a renewed decline in the numbers in receipt of poor relief.

A sharp rise occurred in the average level of wage rates, the increase for all industries, including agriculture, being approximately 3 per cent., against 1½ per cent. in the previous year. In industries for which detailed information is available, some 4,012,300 workers—the highest total since 1920—benefited from an increase in pay, whilst only 425 suffered a reduction. Wage increases were fairly generally distributed, the largest being in coal mining, transport, building, public works contracting, textiles and engineering. The table below gives details of wages, cost of living and trade disputes:—

WAGES, PRICES AND TRADE DISPUTES, 1935 AND 1936

	Wages (a)		Cost of Living (b)		Trade Disputes (c)	
	1935	1936	1935	1936	1935	1936
January.....	94½	96	143	147	000's	000's
February.....	94½	97	142	147	102	114
March.....	94½	97	141	146	75	212
April.....	94½	97	139	144	177	195
May.....	94½	97	139	144	204	141
June.....	94½	97½	140	144	98	168
July.....	95½	98	143	146	78	191
August.....	95½	98	143	146	114	83
September.....	95½	98	143	147	137	76
October.....	95½	98	145	148	129	166
November.....	95½	98	147	151	470	148
December.....	95½	98	147	151	210	156
Average.....	95	97½	143	147	141	195

(a) Index (1924 = 100) compiled by Prof. Bowley, eliminating seasonal fluctuation.
(b) Ministry of Labour Index for 1st of month (July 1, 1914 = 100).
(c) Number of working days lost.

The cost of living rose during 1936, but the increase was confined almost exclusively to food and clothing. The number of disputes involving stoppages of work rose from 553 in 1935 to 808 last year, the latter being the highest total recorded for any year since 1920. Nevertheless, since the majority of disputes were speedily settled, the actual loss of time was smaller than in 1935.

Two important legislative changes affecting labour conditions were made last year. Following the Report of the Unemployment Insurance Statutory Committee, the unemployment insurance contributions for men and women over 18 years of age were reduced by 1d. per week for employer, employee and the State, as from July 6th. Under the Unemployment Insurance (Agriculture) Act, 1936, agricultural workers became insurable for the first time. Contributions were payable from May 4th, but agricultural workers were not eligible for benefit until November 5th. During November and December the numbers on the registers of the unemployment exchanges were swollen by this legislation.

II. THE WORLD IN 1936

WESTERN EUROPE

FRANCE

THE abandonment of the deflation policy in 1935 was followed in 1936 by the abandonment of the gold franc, when, after five years of hard struggle, everyone was convinced that the Budget would not be balanced by a recovery of business. Last year can be divided into three periods: (1) the period of "wait and see" before the Election, which ended with the victory of the Popular Front in May; (2) the attempt to revive business by increasing the purchasing power of the masses, which ended in September; (3) a period when the rise of internal prices brought them out of line with world prices, and provoked at the end of September the devaluation of the franc, at the end of September the Monetary Agreement. This combined with the Tripartite Monetary Agreement. This started a dishoarding of capital and a revival of business.

Monetary Policy.—The new value of the franc has been fixed between the limits of 49 and 43 milligrams of gold 0.900 fine (compared with the previous rate of 65.5 milligrams). A 10,000 million francs Exchange Stabilisation Fund has been set up, which has maintained the franc at a position midway between its two extreme gold points; that is, at about 105.05 to the pound and 21.15 to the dollar. The gold stock of the Bank of France was revalued at 57,000 millions; but 7,000 millions were bought from the Equalisation Fund, and 4,000 millions were used to repay the English loan; thus, the stock was 60,000 millions at the end of 1936, a decline of 16,000 million Poincaré francs, compared with the end of 1935.

Finance.—The 1936 Budget was balanced at 40,000 millions of income and expenditure. But there was an extraordinary military Budget of 6,500 millions. Final figures showed a deficit of about 10,000 millions, including expenditure on social relief and pensions. The total sums to be borrowed by the Treasury in 1937 will reach 25,000 millions at least, to which must be added 7,000 millions for Treasury maturities. This makes a total of more than 30,000 millions, and this does not take into account the deficit on the railways (7,000 millions) and on the P.T.T. and other public communities. Total Treasury issues in 1936 reached nearly 30,000 millions, excluding railway loans, which totalled about 5,000 millions. As a result of these borrowings, the Public Debt reached at the end of August, 1936, the new record of 355,000 millions, against 263,000 millions in 1930:

	(In million francs)	
	December 12, 1935	September 30, 1936
"Perpetual" debt.....	50,834	50,485
Redeemable debt.....	184,432	191,413
Short term debt.....	30,560	32,543
Floating debt.....	56,857	69,580
Agricultural credit debt ...	2,451	2,265
P.T.T. debt.....	10,008	10,556
Total.....	335,142	356,842

At the end of 1936, the total debt was about 370,000 millions, the municipal debt 40,000 millions and the railway debt 110,000 millions.

Banking and the Money Market.—Political and Treasury difficulties combined with the psychological effects of recovery abroad and the fear of war to bring about a considerable flight of capital. Consequently, the rediscount rate of the Bank was changed six times. Devaluation was followed by a dishoarding of capital, which is shown in the increase of the deposits of the big banks.

	(000,000,000 omitted)		
	Nov. 30, 1935	Aug. 31, 1936	Nov. 30, 1936
Crédit Lyonnais.....	10.6	9.4	10.6
Société Générale.....	9.1	8.0	8.8
Comptoir Nat. d'Escompte	6.9	6.1	7.0
Crédit Ind. et Commere.	1.3	1.2	1.5
	27.9	24.7	27.9

As a result of this dishoarding, the discount rate for trade bills fell from 5 per cent. (September), to 2½ per cent. (December); and the rediscount rate of the Bank was successively reduced from 5 per cent. in September to 3, 2½ and 2 per cent. (October 15, 1936). But the stagnation of

the Renties, which was due to social disturbances and the prospect of large Treasury issues, prevented a similar decline in long term money rates. The average yield of debentures declined from 5.99 (September) to 5.61; and the yield of the 3 per cent. Renties from 3.93 to 3.60 per cent. Private issues were, nevertheless, more active at the end of the year.

Transport.—The number of loaded cars on the railway system was 14,861,064 during the year 1936, against 14,648,009 in 1935; receipts increased to 9,946 millions from 9,839 millions in 1935 and 10,850 millions in 1934. The deficit on the railways is estimated at 4,888 millions in 1936.

Agriculture.—The wheat market has greatly improved; this is partly due to a smaller crop of 66.5 million quintals in 1936, against 77 millions in 1935, and an average of 83 millions in the period 1930-35. The price of wheat was fixed by the Wheat Office at 140 francs, compared with a free price of about 85 francs in 1935. Prices have also risen as a consequence of protective measures, and the deficiency of the last wine crop. Prices of live stock and secondary cereals also rose.

Production and Prices.—All prices have risen considerably as a consequence of the devaluation, the social laws and the rise of external prices:—

	End of 1935	End of 1936
	(1914 = 100)	(1914 = 100)
Wholesale prices.....	357	496
National products.....	387	522
Imported products.....	303	448
Foodstuffs.....	357	511
Retail prices.....	435	534
Cost of living (4th quarter).....	478	540
	Nov. 1935	Nov. 1936
	(1913 = 100)	(1913 = 100)
Industrial production.....	95	98
Building.....	66	56
Textile.....	70	74

Unemployment..... 439,782 410,785

The output of the coal mines declined to 46,146,600 tons, from 47,106,800 in 1935. The production of pig iron during the first eleven months of the year was 5,679,000 tons, against 5,295,000 in the same period of 1935; that of steel was 6,112,000 tons, against 5,704,000 in 1935.

Foreign Trade.—Imports rose to 47,949 millions from 44,621 in 1935, and exports were only 28,951 millions, against 29,317; thus, the import surplus rose from 5,478 millions to 9,944 millions. The volume of imports increased considerably from 44,621,000 tons to 47,949,000 tons, while the volume of exports fell slightly from 29,317,000 to 28,951,000 tons. Imports of foodstuffs increased appreciably, while the exports of manufactured goods again declined.

The Stock Exchange.—The Stock Exchange has reflected the effects of the devaluation and the general rise of prices. The index of French ordinary shares has risen from 180 to 221; and that of Renties and debentures rose from 79.1 at the end of 1935 to 98 at the end of 1936. The 4½ per cent. "A" stood at 79.10 at the end of 1936, against 83 at the end of 1935, after having touched a high level of 87.70 and a low level of 67.35.

GERMANY

THE year 1936 witnessed increasing activity in industry and internal trade. The campaign against unemployment fell into the background, and interest was concentrated on production. The Government continued to intervene by means of price regulation, restriction of output in particular trades, and control of the capital and labour markets. The chief event in business was the announcement of a Four Year Plan to increase the home production of such raw materials as are at present imported.

Credit and Investment.—The Reichsbank's rates remained unchanged at 4 and 5 per cent. for rediscounts and advances, respectively. Reichsbank credits and investments rose from Rm. 5,299 millions to 6,108 millions; rediscounts (Treasury bills omitted) from Rm. 4,498 millions to Rm. 5,447 millions; and the note circulation from Rm. 4,285 millions to Rm. 4,980 millions. Money was

abundant, except after the flotation of a Reich loan in the middle of the year. The embargo on the issue of private debentures and shares remained in force, but late in the year was somewhat relaxed. Numerous companies converted their debentures to lower interest rates. In general, borrowing in the market remained a preserve of the Reich. Investments of all kinds totalled Rm. 13,500 millions, of which Rm. 7,500 millions were direct public investments. Savings bank deposits rose from Rm. 13,384 millions in December, 1935, to 14,222 millions in November, 1936.

The Reichsbank's gold and exchange reserve decreased from Rm. 87 millions to Rm. 72 millions. Despite a substantial active foreign trade balance and the decline of debt transfers to some Rm. 220 millions, the foreign exchange shortage continued; and restrictions on private transfers and on the removal of funds by travellers and emigrants became more stringent. Late in the year foreign shares and bonds quoted in Germany were compulsorily impounded in the officially controlled "foreign exchange banks." The short-term Standstill Agreement was renewed until February, 1937. The foreign debt was reported in January, 1936, to have declined to Rm. 13,000 millions, of which Rm. 6,500 millions were short-term. In the course of the year there was a further decline, to which the gold *blot* devaluations of September contributed.

Public Finance.—The Reich Budget for 1936-37 was not divulged, and no monthly returns of expenditure or of total revenue were published. Reich revenue from taxation in the financial year ended March, 1936, was Rm. 9,555 millions, against Rm. 8,212 millions in the preceding year. In the new financial year 1936-37, revenue from direct taxes increased rapidly. In the nine months from April to December, Rm. 8,584 millions was collected, against Rm. 7,190 millions in the same months of 1935-36; all but Rm. 131 millions of the increase was derived from direct taxes and taxes on business. The Reich continued to borrow on middle-term Treasury certificates, and brought the total of new loans since the beginning of 1935 up to Rm. 4,170 millions. The Reich debt was returned at Rm. 15,245 millions on November 30th, against Rm. 14,009 millions on November 30, 1935. The funded debt increased, and unfunded declined. There were in addition Rm. 707 millions of tax-credit certificates and unconverted loan-valorisation liabilities. No return was issued of the debts contracted for "work-creation" and re-armament. It is officially explained that these are not yet a formal Reich liability. The main fiscal changes in 1936 were an increase in the Corporation Tax; a new tax of 75 per cent. on future profits from the devaluation of foreign loans, and a reform of State and municipal tax law, according to which the States will depend entirely on subventions from the Reich. The Reich railways had an operating surplus of Rm. 460 millions, against Rm. 152 millions in 1935. The Reichpost's revenue in the business year 1935-36 was Rm. 1,747 millions against Rm. 1,710 millions in 1934-35.

Prices and Wages.—Collective agreement wages remained entirely unchanged, but, in consequence of the lengthening of hours, there was a slight increase in the average weekly wage earned. The shortage of foodstuffs was more acute than in 1935, and, after some unofficial rationing measures, food cards for butter and fats were issued at the end of the year. An official decree forbade any increase in prices above the level of mid-October; but some exceptions were made, particularly for imported goods.

Agriculture.—Cereal crops were moderately good, and fodder crops good. The bounty and price-guarantee system in force for flax and hemp led to large increases in area and output. Cereals production (in metric tons) was:—

	1935	1936
Wheat and spelt.....	4,790,000	4,710,000
Rye	7,478,000	7,660,000
Oats	5,386,000	5,700,000
Barley	3,388,000	3,470,000

The potato crop was 46 million tons, against 41 million tons in 1935; and sugar beet 12 million tons against 10½ million tons. Sales of produce by farmers in the crops year 1935-36 realised Rm. 8,786 millions, against Rm. 8,256 millions in 1934-35. Owing to the increased consumption of bread and fodder, stocks of wheat and rye fell heavily. Imports will probably have to be resumed in 1937. The number of livestock of all kinds increased.

Employment and Industry.—The decline in unemployment was greater than in 1935, the number unemployed at the end of the year being 1,478,000, against 2,508,000 and 2,604,000 in 1935 and 1934, respectively. The busiest trades were iron, steel and metals, and in these trades there was the greatest decline in unemployment. Average daily working hours in industry rose from 7.49 to 7.68. The shortage of skilled labour, particularly in building, led to

regulation and rationing. The output of capital goods rose from 99.4 per cent. of the output of 1928 to (third quarter 1936) 118.6 per cent.; and of consumption goods from 91 to 97.2 per cent. Production figures (in metric tons) were:—

	1935	1936
Coal	143,030,000	158,380,000
Pig iron	12,841,900	15,300,000
Ingot steel	16,095,000	19,157,500

Steelworks were employed to full capacity. Output late in the year, therefore, ceased to increase, and delivery terms were lengthened. Some of the firms manufacturing machinery were also fully employed. Home and export sales of machinery were valued at Rm. 3,100 millions, against Rm. 1,483 millions in 1933. Shipbuilding yards had orders at the end of the year for 980,000 tons; 550,000 tons were for foreign buyers. The foreign orders were largely for tankers and motor vessels. The output of textiles, footwear and other consumption goods increased relatively little, and in most trades remained below the level of 1928. Railway receipts from goods traffic were 12.7 per cent. above those of 1935, to which, however, an increase in rates, estimated to yield Rm. 100 millions a year, contributed.

Foreign Trade.—Foreign trade continued to be regulated on the New Plan principles as far as these were consistent with international commitments. In general, reciprocal treaties were in force, mostly associated with clearing agreements. With some countries, cash settlements were still theoretically the rule, but these were associated with compensation, or with "Ask" private clearings. Export subsidies continued to be paid:—

	Imports	Exports
	Millions of Marks	Millions of Marks
1935	4,159	4,270
1936	4,218	4,768

Detailed figures for 1936 were:—

	Imports	Exports
	Millions of Marks	Millions of Marks
Foodstuffs	1,499	88
Animal	444	10
Industrial goods	2,718	4,680
Raw materials	1,571	419
Semi-manufactured	750	459
Manufactured	397	3,802

The active balance was Rm. 550 millions, against Rm. 111 millions in 1935.

Stock Exchanges.—The share market was firm early in the year, and after a reaction in the summer, again advanced. The official shares index number (1924-26 = 100) rose from 89.32 to 105.40; and the index number for bonds from 94.91 to 96.38.

ITALY

THE only available figures of foreign trade are those communicated by the Finance Minister to the Senate on December 22nd: there was an export surplus of 22 and 55 million lire in October and December, respectively. Clearing offices are at present the most important instrument for settling international indebtedness. There are a number of sums due to be paid in Italy which are held up because the National Institute for Foreign Exports has not received the money to pay Italian exporters.

	Sums due to Italian exporters	December 3, 1936	January 15, 1937
Germany	152.8	180.3	
Great Britain	30.9	102.4	
France	31.3	27.1	
Czechoslovakia	25.1	26.0	
Jugoslavia	20.4	22.3	
Belgium	14.8	19.1	
Spain	12.4	12.2	
Poland	5.4	11.7	
Totals	309.2	412.8	

Production.—Wheat production was smaller than in 1935, and consequently imports will rise to 1.5 or 2 million tons in the agricultural year 1936-37. The corn harvest was larger than the 2.5 million tons of 1935. The yield of cocoons increased by about 70 per cent. over 1935, when it was 17,400 tons. The yield of rice in 1936 was 681,795 tons, against an average of 666,000 tons for 1933-35. Olive oil production was lower than the average for 1933-35; prices are rising, and it is difficult to buy at the official price of 6,510 lire per ton for the best quality. Production of wine

was below the average for the three years 1933-1935, but, because stocks are heavy, prices are still very low. Legislation is announced to restrict the increase of vineyards. The production of sugar for 1936-37 is estimated at 300,000 tons against an average production of 295,533 tons for the years 1933-35. Building is slackening owing to the cessation of the tax exemption for new buildings. Engineering, iron and steel, and textiles, are active. Rayon production was 40,242 tons in 1933, 51,053 in 1934, 72,356 in 1935, and is estimated at 90,000 tons in 1936.

New industrial projects are not increasing in number; it seems more easy for old firms to obtain permission to enlarge their plants, than it is for new undertakings.

Prices.—Prices have risen continuously since 1934. The rise since September has been slow, although the lira was devalued at the beginning of October.

Wholesale Prices (1928 = 100)

Years and months	Raw Materials	Semi-finished Products	Finished Products	General Index
1929	95.3	97.5	94.4	95.4
1934	57.3	66.6	62.5	62.0
1935	65.6	74.9	68.3	68.2
„ August	67.2	74.6	69.3	69.1
1936 January	72.2	90.8	71.2	74.8
„ September	77.8	86.0	73.7	76.9
„ December	79.6	87.8	74.7	78.3

Industrial Prices (August, 1935, and November, 1936)

	Raw Materials	Semi-finished	Finished	General Index
Textiles and leather	1935 36.9 1936 56.8	56.0 70.4	58.0 69.7	50.5 65.6
Iron and steel, metals and engineering	1935 74.4 1936 84.3	87.1 94.1	64.3 73.0	76.0 88.6
Coal, mineral oils and other fuels	1935 86.4 1936 93.7	97.6 105.4	...	93.1 100.7
Chemicals and fertilisers	1935 86.6 1936 88.1	77.0 85.2	61.9 83.8	74.1 85.0
Paper	1935 ... 1936 ...	...	...	61.2 75.1
Wood	1935 ... 1936 ...	...	...	87.1 109.9
Non-metallic minerals, glass, clay goods	1935 66.8 1936 81.1	75.2 78.6	64.1 77.3	72.2 78.5
Food products	1935 ... 1936 ...	Vegetables 74.6 80.2	Animals 77.4 77.4	70.0 79.3

The spread between the prices of raw materials, semi-finished and finished goods is generally diminishing. Industrialists had accumulated large stocks of raw materials, and the effect of the devaluation or alignment of the lira was therefore not acutely felt. But the stocks now need replenishing, and the rise in import prices will probably lead to a further rise in domestic prices.

The Cost of Living.—The rise in retail prices was less marked than in wholesale.

(1928 = 100)

	Wholesale Prices	Cost of Living	Foodstuffs
August, 1935	69.1	77.23	72.75
January, 1936	74.8	82.05	77.09
September, 1936	76.9	83.54	77.82
December, 1936	78.3	85.98	80.50
Increase between August, 1935 and December, 1936	13.3%	11.3%	10.6%

Between August, 1935, and December, 1936, increases in wages of from 8 to 10 per cent. were decided upon by agreement between employers and employees. There are no unemployment statistics, but since employment increased because of the movement of men to East Africa and the great activity of armament firms, it is very probable that earnings per family increased more than wages.

Public Finance, Money Market.—The State Budget was the controlling factor in the Money Market. There were deficits of 6,377 million lire in 1933-34, 2,030 millions in 1934-35, and 1,550 millions in 1935-36; as this last figure does not include the cost of the East African campaign, we can only guess at the call of the Treasury on the Money Market. Part of the total deficit (ordinary deficit *plus* East African expenditure) was met with means which did not press on the existing internal liquid funds: (1) the proceeds of the sale in foreign places of foreign securities and of Italian securities issued in foreign countries; (2) the decrease of the gold reserve of the Bank of Italy. Estimates of securities compulsorily sold to the Treasury vary between 4,000 and 6,000 million lire. How much of this amount could be and was sold in foreign places is not known; but the sum thus made available for foreign payments must have been substantial. According to the official report, the gold held in cash by the Bank fell from 4,704 million lire on August 31, 1935, to 3,027.3 on December 31, 1935.

How much it has declined during 1936 is not known; but the amount held at the end of the year must have been substantial because the 41 per cent. devaluation of the lira gave (by the revaluation of the gold reserve) a not inconsiderable bonus to the Bank and the Treasury. The note circulation was increased. It is possible that these means went far to meet the major part of the extraordinary needs of the Treasury; the remaining part was easily met by the conversion of the 3.50 per cent. redeemable into 5 per cent.

The Money Market responded easily to these calls; the Bank of Italy was able to reduce the official rate of discount on May 18th from 5 to 4½ per cent.; and the private rate was frequently even lower than the official one. The redeemable 3.50 per cent. began the year at 65.9 and closed at 74.5; the 3.50 per cent. Rentes rose from 68.6 to 75.5. Industrial securities progressed even more: La Centrale (electric) from 671 to 818; Meridionali (holding company, mainly electric), from 615 to 798.50; Fiat (motor car and other engineering), from 345 to 475.75; Savigliano (engineering), from 720 to 1,130; Snia Viscosa (rayon), from 348 to 463; Linificio e Canapificio Nazionale (linen and hemp), from 350 to 464; Olcese (cotton), from 228 to 369; Edison (electric), from 240 to 316; Gas, Turin, from 12.87 to 14.57; Eridania (sugar), from 411 to 495; Pirelli Italiana (rubber), from 1,086 to 1,323; Risanamento Napoli (real estate), from 905 to 952. The rise was in part due to the devaluation of the lira on October 5th by about 41 per cent.; the dollar exchange fell from 11.22 to 19 lire. But there is also a real basis of abundant money. Whether the abundance is due to effective savings, or to the fact that industrialists have in 1936 converted their stocks of raw material into liquid money, awaiting the best moment or the licence to re-convert into stocks, is a thorny point about which opinions differ.

BELGIUM

ALTHOUGH the political situation was often uncertain 1936 ended calmly. The re-militarisation of the Rhineland caused a deep feeling of uneasiness; the recollection of the invasion of 1914 caused some panic in Eastern districts. In Business slackened, and was in places entirely paralysed. In May there was a General Election, which caused serious losses to the old parties. The Rexists, a party inclined to Fascism, obtained 10 per cent. of the seats. The Reform of party has, however, lost ground ever since. Reform of the Van Zeeland Government was rendered difficult by the strikes which broke out all over the country. Finally, M. van Zeeland regained control. The strikes were responsible for a moderate increase of wages, and the Government is now morally bound to introduce the forty-hour week.

Budget.—The Belgian Budget shows a position unknown since before the war. There was a deficit of less than 1 per cent. of the expenditure in 1935; and 1936 will probably show a small surplus. Expenditure in 1937 will amount to 10,565 million francs, and revenue to 10,750 millions. Taxes have been reduced by 400 million francs, and it is hoped that further reductions will be possible. Receipts from taxation, moreover, which amounted to 8,200 millions in 1934, and 8,330 millions in 1935, reached 9,070 millions in 1936.

Government securities showed a marked improvement. The 4 per cent. converted loan stands above par, although the Government issued more than 800 millions of this stock in the summer and in the autumn. If the improvement continues, it will be possible to effect another conversion of Government securities into 3½ per cents.

Finance.—Belgian banks strengthened their position in 1936. Under the influence of the Banking Commission, they increased their liquidity. The Brussels Stock Exchange, after having been depressed, enjoyed an advance during the last few months. Colonial mines and metals were responsible for this improvement. The share index of the National Bank of Belgium rose by 23 per cent.

Economic Activity and Employment.—The main topic of 1936 was a notable development of the heavy industries. There was an abundant demand for coal, and stocks fell to an unusually low level. Unsold coal amounted to 3,600 million tons during the crisis, and to 2.5 million tons at the end of 1935; it has now fallen to about 1 million tons. Although exporters selling coal in France do not enjoy any longer the premium on the French franc, Belgian coal companies are making profits. Production of metals increased only slightly because of the restrictions imposed by the Steel Cartel. Output was only 3,100,000 tons against 4,100,000 tons in 1929. Nevertheless, this industry enjoys at present appreciable profits. The industries which produce for the home market did not make so much headway.

Unemployment again declined in 1936. From 1935 to 1936 the number of unemployed (seasonal unemployed excluded) fell from 130,000 to 100,000. The maximum was (seasonal excluded) about 200,000.

In fact, there is in many trades a shortage of hands. The Government is compelled to authorise the immigration of Polish miners, because there is a shortage of labour in the Belgian pits.

The agricultural situation improved and crops were good. But the rearing of cattle and dairy farming did not show any marked improvement. In all, agriculture advanced less than industry on the way to prosperity.

Foreign Trade.—Foreign trade was in 1936 more favourable than could have been anticipated. The consequences of devaluation appeared only slowly, but they have lasted. The textile industry, for instance, succeeded in increasing its exports, and most Belgian export industries recorded important advances:—

	Imports (in millions of francs)	Exports
1934	14,000	13,700
1935	17,325	16,146
1936 (provisional)	21,200	19,800

The import surplus was slightly larger than during the crisis; but Belgium has some important invisible exports. The above figures are exclusive of the Congo Colony.

Exchange and Banking.—The belga was very firm throughout the year. The gold reserve of the National Bank increased by about 1,500 million francs. Taking into account the State's gold reserve accumulated from devaluation, Belgium has now more gold than ever before. The note circulation was increased by about 2,000 millions. This is not a symptom of inflation; policy has rather been in the direction of deflation, for the State converted into gold certain assets in paper francs. The discount rate remained at a low level, and the demand for credit at the Central Bank was very slight. Money is now so abundant that the private banks are seeking every available employment, particularly in commercial bills.

It seemed in the course of 1936 that the devaluation of March, 1935, had been successful from both the economic and monetary standpoints. The rise in prices did not even reach the level which had been anticipated by the experts. In 1936 some rise in wholesale and retail prices took place, but was due not to devaluation but to the movement of world prices. Prices in Belgium remain among the lowest of all industrial countries.

The Congo Colony.—Belgian Congo has made greater progress than the mother-country on the road leading to prosperity. Activity had increased by the end of 1936 because of an increase in the production of copper.

SPAIN

The past year will be remembered as one of the most fateful and unfortunate in Spanish history. Foreign interests in close touch with the under-currents of Spanish politics were not surprised by the outbreak of civil war in July, nor by the bitterness which has marked the hostilities. The division of Spanish territory between the Valencia Government and the Burgos Insurgents, who very early assumed the full style of the Government of Spain and were recognised by Germany and Italy, has led to conflicting decrees, which have added to the many business and financial difficulties. Nevertheless, communications with the various parts of Spain have been surprisingly prompt and normal in the circumstances.

Foreign Trade.—The clearing arrangements between Spain and Great Britain instituted under the Anglo-Spanish Payments Agreement of January 6, 1936, ceased to work satisfactorily, and were suspended in December. It was understood in January, however, that negotiations between the Spanish and British Governments for a new trading agreement had been practically concluded. British exporters to Spain were warned to exercise due caution, and especially to satisfy themselves that the intending importer had obtained the necessary permit. It was recommended that payments should be arranged in foreign currency or by credits opened in London.

A Decree was issued in Madrid on December 3rd that exports from Spain must be authorised by the Ministry of Commerce. The publication of foreign trade statistics has been suspended since the civil war commenced, and the latest available are those relating to the first half of 1936. These show that, during that period, imports were valued at 382 million pesetas compared with 424 millions in the first six months of 1935. Exports during the first half of 1936, including bullion, were worth 332 million pesetas, compared with 295 millions in 1935.

Finance.—The Budgetary position is naturally obscure, as is also that of the foreign exchange markets and the public debt. The situation has been marked by various moratoria decrees by both the Government and the insurgents, and by the control of banking commerce and industry. A moratorium on banking business and bills of exchange was decreed by the Government in July, and has been extended "while the present circumstances continue." Drawings upon current accounts in banks have been still further limited by a Decree of the Madrid Council that only 750 pesetas per month can be withdrawn by one person. Wages may be paid, and industrial concerns may pay public utility charges. The Madrid Government has decreed that notes of the Bank of Spain which bear the stamp of the Burgos authorities, shall not circulate as legal tender, and will not be guaranteed by the gold reserves of the Bank of Spain. All activities, any proposed modification of capital, the issue of loans, the suspension of payments, and the closing-down or abandoning of business, are subject to the approval of the Treasury. The export of gold and silver was prohibited by the Government at an early stage of the Civil War. It was also decreed in Madrid that private holdings of gold, as well as of foreign currencies, should be surrendered to the Bank of Spain.

Agriculture and Industry.—It is difficult to estimate the state of agriculture and industry. The Valencia Minister of Agriculture stated that, in that part of the country which is still under Government control, the production of olive oil in 1936-37 was expected to reach 2,138,670 metric quintals, or some 25 per cent. higher than the average. It is also estimated that the 1936-37 orange production will amount to nearly 9,000,000 metric quintals, which is some 300,000 quintals more than in 1935-36.

The situation is further complicated by the political aspirations of the provinces. Catalonia, for example, is seeking complete independence, and commercial and political ties with Russia have been strengthened considerably. Whatever the eventual outcome, hostilities between rival parties are likely to be prolonged; the economic state of the country will suffer accordingly.

HOLLAND

The year was divided into two periods. The period of the gold standard, ended on September 26, 1936, was characterised by a further retrograde movement. In some branches of industry, however, some improvement could be recorded, but on the whole the situation was one of continued depression. There was a complete change during the second period of the year, after the depreciation of the guilder. This was not due solely to the abandonment of the gold standard, but was stimulated also by the all-round advance in world prices. Dutch shipping and Dutch plantations found remunerative business, and have been able to resume the distribution of dividends. This led to a rapid advance in security rates on the Amsterdam Bourse, in the fourth quarter of 1936.

SECURITIES INDEX FIGURES
(1921-1925 = 100)

	1932	1933	1934	1935	1936			
					1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
General index	31.9	34.3	31.4	30.4	31.1	28.5	29.6	44.8
Netherlands Indies	35.9	37.9	36.7	38.1	48.5	47.5	50.2	72.9
Netherlands Industrials	33.0	35.2	34.2	32.8	38.4	37.1	37.6	56.6

Foreign Trade.—The revival of industry after the devaluation of the guilder led to a reduction of the import surplus in the fourth quarter of 1936. Both imports and exports rose sharply compared with the corresponding months of the preceding year.

FOREIGN TRADE

	Imports (in million guilders)			Exports		
	1934	1935	1936	1934	1935	1936
January	100	76	79	56	55	50
February	81	70	74	51	51	50
March	94	80	79	61	54	55
April	85	78	81	54	50	57
May	87	78	76	57	58	53
June	89	73	77	59	51	53
July	86	76	80	58	54	60
August	87	76	82	69	61	63
September	78	76	82	69	59	72
October	87	95	92	62	70	75
November	88	86	101	60	60	77
December	75	73	114	56	62	79

For the whole year, 1936, the import surplus was 272 million guilders against 261 millions in 1935.

Industry and Shipping.—Symptoms of industrial revival were evident even before the devaluation. Ship building and its subsidiary industries, for instance, were better provided with work, partly in consequence of Government orders. Unemployment rose steadily in 1936, and only began to fall after the depreciation of the guilder.

UNEMPLOYMENT IN THE NETHERLANDS
(in thousands)

	1935	1936	Rise in 1936
January	432.4	475.9	43.5
February	417.6	465.5	47.9
March	384.2	429.0	44.8
April	368.2	415.7	47.5
May	355.2	392.9	37.7
June	333.6	378.8	45.2
July	336.9	375.7	38.8
August	353.1	381.4	28.3
September	366.0	390.1	24.1
October	381.9	394.4	12.5
November	415.2	419.5	4.2
December	471.9	...	...

Shipping showed a pronounced improvement. The improvement in the traffic of Rotterdam and Amsterdam was, in part, attributable to the port strike in Antwerp. The lower port rates in Antwerp were a handicap until an agreement was made between the Dutch Government and the municipalities of Rotterdam and Amsterdam. This enabled the wharfrage and quay dues in Amsterdam and Rotterdam to be reduced by 15 and 28 per cent.

Agriculture.—For agricultural produce, export prices were not yet remunerative, and, even after the devaluation, Government support could not be dispensed with. There is, therefore, no prospect that the comprehensive machinery for the regulation of agriculture will be abolished. Emergency levies and the restriction of production are to remain in force.

Finance.—After the devaluation the Netherlands Bank was able to reduce the official bank rate to 2 per cent., against 4½ per cent. in June. Private discount rates also fell sharply. The great liquidity of the Money Market is principally due to the fact that, soon after the devaluation of the guilder, the 300 million guilder Equalisation Fund had to buy foreign currencies, to maintain the depreciation of the guilder at about 20 per cent. The extensive repatriation of Dutch capital constituted a strong support for the guilder rate, and the Equalisation Fund was regularly called upon to take action. This automatically produced great liquidity in the Money Market, and interest rates fell. There was a chance for large-scale conversion operations by the State, Provinces and municipalities. The new issues market showed a vigorous revival; and the rate for loan issues came down to 3 and 3½ per cent.

Prices.—The devaluation of the guilder caused a rise in wholesale prices, but the cost of living remained practically unchanged.

An advance of prices in the retail trade in the Netherlands was neutralised by the reduction of various emergency levies on a number of commodities.

The rise in prices in recent months is partly due to the all-round advance of world prices.

SWITZERLAND

The slump reached its lowest point in the middle of March. Exports then rose slowly, business was more active, and, during the third quarter, improvement was noticeable in nearly all branches of trade and industry. Economic conditions were deeply affected by devaluation. On September 29th, Parliament approved the reduction of 30 per cent. in the value of the Swiss franc. This step was mainly the result of the devaluation of the French franc which had been the backbone of the gold bloc, to which Switzerland had hitherto remained faithful. A few weeks later, Switzerland adhered to the monetary agreement concluded between Great Britain, France and the U.S.A. Devaluation led to a slight rise in the cost of living: foreign goods, and especially raw materials, are dearer; but the Government has attempted to prevent illegal rises in prices by reducing certain Customs duties and by relaxing import quotas on several categories of goods. Devaluation, on the other hand, stopped the hoarding of gold and bank notes. Money is now so abundant that the National Bank reduced the discount rate from 2 to 1½ per cent. from November 26th, and the interest on advances from 3 to 2½ per cent. The greater part of the hoarded

funds was used to buy securities of all sorts, mainly Swiss, British and American, and the Bourses showed great activity.

Finance.—The estimated deficit of 41 million francs for 1935 was finally reduced to 18 millions. In 1936, because of the yield of the "Crisis Tax," revenue was slightly higher than in 1935, and the estimated deficit of 77 millions may be reduced by 6 or 7 millions. For 1937, expenditure is estimated at 525 millions and receipts at 483 millions. The financial situation of the Federal post, telegraph and telephone services was satisfactory; their aggregate surplus reached (for the first 11 months of 1936) 67 million francs, against 63 millions in 1935. Despite an increase in the passengers and goods traffic during the two last months of the year, the Federal Railways recorded a surplus of only 77 millions, compared with 85 millions in 1935, on operation.

The influx of foreign funds (mostly French) was noteworthy, particularly during the second half of the year. Interest on long-term deposits ranged from 2½ to 3 per cent., and on short-term deposits it moved between 1 and 1½ per cent. The sterling exchange rate was 15.14 francs at the beginning of the year; since September 29th it has moved between 21.25 and 21.38 francs. Banking showed renewed activity during the second half-year. Foreign borrowings on the Swiss market were reduced to nothing, but Swiss issues, mostly for conversion purposes, totalled 675 millions, against 501 millions in 1935; the biggest loan was the National Defence Loan of 235 millions, for which the public subscribed 330 million francs. The gold reserve of the National Bank, which was 1,388,000,000 francs in January, rose to 1,553,700,000 francs in September, and to 2,709,000,000 francs in December.

Unemployment.—The level of unemployment remained high throughout the year. The number of registered unemployed moved between 124,000 in January and 75,000 in June, and reached 104,000 in December, against 118,000 in December, 1935. Devaluation checked the usual seasonal rise, and the increase, between September and December, was 22,000, compared with 49,000 in the previous year.

The yield of agriculture was about 1,150 million francs, against 1,203 millions in 1935. Wheat growers, vine growers, and the milk and cheese industry were helped by State subsidies.

Foreign Trade.—Imports, reduced by quotas, aggregated 1,266 million francs (1,283 millions in 1935), and exports 881 millions (821 millions in 1935). Trade with Great Britain showed an improvement over 1935, imports totalling 78 million francs (76 millions in 1935), and exports 97 millions (77 millions in 1935). The outstanding features in Swiss foreign trade were the recovery in exchange with the U.S.A., and the revival of the watchmaking and machine industry.

The cost of living, which rose in 1935 to 130 (100 = 1914) remained unchanged until October, when it reached 132. The index of wholesale prices rose progressively, from 91 in January to 102 in December.

EASTERN EUROPE

AUSTRIA

The general economic situation in 1936 scarcely altered from that of 1935, production and activity being maintained. The Stock Exchange showed a rise in 1936 in both shares and bonds; and the decline in activity in certain branches of export industries after the end of the Abyssinian War was made up towards the end of the year.

Finance.—During 1936, compared with the year before, the National Bank's total foreign exchange cover rose by 16 million schillings, or from 27.7 to 29.0 per cent. The gross circulation of notes and bills reached an average figure in 1936 of 1,173 million schillings, against 1,167 millions in 1935. The Stock Exchange was very active, the turnover for securities totalling 576 million schillings against 366 millions the year before. The index of 34 industrial shares prices (1923-32=100) stood at 80.9 for 1936, against 63.6 for 1935. The bond index rose from 107.4 to 109.

The gradual recovery in trade since 1934, tax revenue has steadily increased; last year the total rose to 1,185 million schillings from 1,074 millions in 1935. The most sensitive taxes—the turnover tax, and the private and corporate income taxes—are mainly responsible.

Expenditure was listed under the headings of "national economy" and "social and cultural measures." The largest item under the latter, curiously enough, was 14,900 million roubles for the Army and Navy. It is estimated that at least two-thirds of the expenditure on national economy—37,588 million roubles—was devoted to capital investment.

Industry.—The figures of production for the whole of 1936 are not yet available; except for pig-iron, of which 14.4 million tons were produced, compared with 12.48 million tons in 1935, and steel ingots, the production of which was 16.2 million tons, compared with 12.6 million tons in 1935. Car-loadings in 1936 averaged 86,500 daily, compared with 73,000 in 1935. The following table shows industrial production in 1935, and for the first nine months of 1936:—

	1935 Million kw. hrs. Million tons	1936 (first nine months) Million kw. hrs. Million tons
Electricity	594,500	606,300
Coal	109	91.4
Coke	16.7	14.8
Coal and gas	26.8	21.7
Petrol	2.4	3.09
Peat	19.9	19.4
Iron ore	26.8	20.7
Manganese	2.38	2.27
Cement	4.46	4.34
Paper	640,000	518,000
Locomotives	No. 1,518	No. 1,861
Grain combines	21,159	37,477
Threshing machines	12,800	9,200
Motor lorries	77,666	86,607
Light motor-cars	1,895	2,480
Tractors	113,566	89,114

Production figures take no account of quality, for which the Soviets have not yet been able to fix standards. Much of the output both of capital and consumers' goods would be scrapped in other countries.

Agriculture.—Drought affected cereal grain harvests in Soviet Russia in 1936, as in many other countries. The estimated yield was 82 million metric tons, compared with 88.6 million tons in 1935. Exports were negligible. The flax crop, which is very important in Russia, also fell below that of 1935. But the cotton crop, 2,230,000 tons, was the largest on record. No figures are available for the potato crop, which apparently fell below that of 1935.

Prices and Wages.—The Soviet Government has published no price indices since 1932. Food prices remained at about the same level as in 1935, while the prices of manufactured goods increased. Average money wages in industry, according to official figures, rose by about 20 per cent., and peasant incomes increased 30-50 per cent. Piece-work payments were raised, and wage increases were diverted to the more skilled workers. The authorities endeavoured, in this way, to encourage increased production and greater skill. Unskilled groups are near the subsistence level. There was reported to be no unemployment; Soviet authorities deny the possibility of unemployment under their system. Those who cannot find work in one place are helped to move to unsettled regions now being developed.

Foreign Trade.—The Soviets reported an export surplus for the third year in succession. Imports, which declined from a peak of 1,105 million gold roubles in 1931 to 241 millions in 1935, were kept at about the 1935 level in 1936. Short and middle-term credits were paid off, and long-term credits were accepted from Germany, Great Britain and Czechoslovakia, on more favourable terms than any previously granted. Figures were cited to show the degree of self-sufficiency which has been attained; in 1931 imports of machinery and metals amounted to \$541 millions, and domestic production was valued at 7,400 millions of roubles; in 1936, imports were \$120 millions, and production 22,000 millions of roubles; in 1931 imports of rolled steel were 1.2 million tons, and production 4.1 million tons; in 1936, imports were 120,000 tons, and production 12.5 millions; in 1931, 20,000 tons of aluminium were imported, and none produced; in 1936, 37,000 tons were produced, and none imported; in 1927-8, 145,000 tons of ginned cotton were imported, and 238,000 tons were produced; in 1936 17,000 tons were imported, and 660,000 tons were produced.

Public Finance.—The internal debt on January 1, 1937, stood at 20,400 millions of roubles, having increased during 1936 by 5,400 millions. The State also had the use of savings bank deposits, which increased in 1936 from 2,400 millions to 3,500 millions. Public borrowing has played a considerable part in financing capital investment since 1934, when the public debt was 13,000 millions of roubles. But the turnover tax still plays the principal part. All internal bonds were refunded during 1936; those bearing interest of 12, 10 and 8 per cent. were converted into non-negotiable bonds bearing 4 per cent. interest. A new law was passed permitting State savings

banks to issue loans against bonds up to one-third of their face value. The only acknowledged foreign indebtedness is \$75 millions in trade credits, which will be paid off during 1937. Comparisons between Soviet (State ownership) economy and the economy of other countries may well prove misleading. The Soviet public debt, for example, is partly invested in productive enterprise. The Soviet Budget represents the budgets of a large part of industry and agriculture.

General Economic Position.—It is difficult to determine whether any branch of Soviet industry is profitable or not; all industry is a State monopoly, lacking the standards set by competition. For example, no figures are given to show the cost of producing synthetic rubber, which is very high. Yet the State is determined to replace all imports of rubber with domestic production of synthetic rubber, in the interests of self-sufficiency. Similarly, the enormous investments in the motor industry resulted in the first nine months of 1936 in the production of only 2,480 light cars and 86,000 lorries and buses. The cost per car was very great. The Soviet authorities are determined to attain self-sufficiency, whatever the cost.

The inflated rouble, whose internal purchasing power appears to be about one-fourth that of the official exchange rate, would have to be drastically de-valued to be stabilised. There is no evidence of any intention to stabilise the rouble in the near future. As long as Soviet peoples can be persuaded to live on what their own country produces, despite the inevitable hardships that process involves, the present system apparently can be continued indefinitely, with mounting production, increased capital investment, and a growing trade turnover in domestic products. There is no evidence of any change in the policy of compelling Soviet people to get along on what they themselves produce, while domestic industry is learning to produce in greater variety and quality.

Soviet leaders have applied a "war economy" since 1930, restricting consumption, in order to force the pace of industrialisation and of mechanising agriculture. The severity of the process was somewhat relaxed in 1936, but the increase of 7,000 millions of roubles in the military estimates for 1937 suggests further involuntary savings. Almost one-quarter of the State Budget for 1937 has been assigned to military expenditure.

ROUMANIA

THROUGHOUT the year 1936, the Government of Roumania was in the hands of the Liberal party, with Mr Tataresco as Prime Minister. There has been no change in foreign policy; the maintenance of the Little Entente and of the Balkan Pact remains the guiding principle. The ties between Roumania and Czechoslovakia were strengthened by discussions of economic and military questions. Diplomatic relations with Russia were resumed, and this was followed by a trade agreement. Mr Antonesco's visit to Warsaw gave proof of the good relations existing between Poland and Roumania. The uncertain political situation in Europe caused the Government to increase armaments. Economically, 1936 was a year of consolidation and progress.

Finance.—The financial year, ended March 31, 1936, showed a small surplus in the public finances. The ordinary Budget for the year 1936-37 was balanced at Lei 22,972,419,500; and the Budget for National Defence amounted to 2,600 million lei. Both figures were substantially higher than those of the previous year. Treasury receipts to date suggest that the expenditure provided for in the Budget will be met. Owing to increased exports, it was possible to resume the payment of the coupons on the foreign debt towards the end of the year.

The profit from the revaluation of the gold revenue was appropriated by the Government to provide for additional armament expenditure. Banking deposits increased, and capital was scarce owing to intense activity in foreign trade and in industry. Stringent control over foreign exchange transactions and foreign trade by the National Bank was maintained. Clearing arrangements and payment agreements were concluded with most countries; the most important was the Anglo-Roumanian Agreement, which was so successful that, at the end of the year, the National Bank had accumulated sufficient sterling in the clearing account to arrange for the full payment of the commercial arrears due to the United Kingdom.

Agriculture.—Owing to higher world prices for cereals and a satisfactory harvest in Roumania, the agricultural situation improved. The production of wheat amounted to 350,314 waggons in 1936, against 262,470 in 1935 and

281,540 in 1934. The total harvest of maize was estimated at about 500,000 wagons, a slight decrease compared with the previous year, but higher than the average production of the last ten years. The production of barley, rye and oats also increased. Produce was sold at profitable prices. The exportable surplus was estimated at 120,000 wagons of wheat, 190,000 wagons of barley, 15,000 wagons of rye and 28,000 wagons of oats.

Industry.—The metallurgical and textile industries flourished, and the timber trade improved in the second half of the year. The total production of crude oil for the year amounted to 8,760,000 tons, against about 8,500,000 tons in the previous year. Prices ranged from 6,500 to 9,000 lei per wagon according to quality, against 5,800 to 8,200 at the beginning of the year. The internal consumption of petroleum products rose from 1,181,373 tons in 1931 to over 1,500,000 in 1936.

Foreign Trade.—The foreign trade regulations had established by the end of 1935 a premium of 38 per cent. on foreign exchange bought or sold by the National Bank, a tax of 12 per cent. on the export of petroleum products, and a similar tax on imports. This position was maintained during 1936. A certain amount of foreign exchange was bought freely to pay for approved imports. Foreign trade showed a considerable increase over previous years, which was, however, largely due to the very favourable situation in world markets. The following figures compare imports and exports during the first ten months of the last five years:—

	Imports Lei	Exports Lei	Balance Lei
	(000 omitted)	(000 omitted)	(000 omitted)
1932	9,285,094	13,360,725	+ 4,075,631
1933	9,569,000	11,674,095	+ 2,115,095
1934	10,557,343	10,850,029	+ 292,686
1935	8,679,506	12,931,132	+ 4,251,626
1936	9,824,821	15,903,128	+ 6,078,307

About one-sixth of the total exports were effected in compensation against imports. The largest markets for Roumanian exports (in the order of their importance) were Germany, England, Austria, France and Czechoslovakia; Germany was easily first. Imports showed a fall in textiles and manufactured goods; semi-manufactured goods and raw materials increased considerably.

JUGOSLAVIA

DURING 1936 the recovery of Yugoslavia proceeded at a slow but steady pace, until the early autumn, when it gained impetus from a bumper harvest and increased demand from abroad.

Foreign Trade.—No fewer than 11 trade agreements were concluded in the course of the year: with Germany (two), Spain, Greece, Holland, Italy, Turkey, the United Kingdom, France, Hungary and Czechoslovakia. Import control was introduced in the spring, to realise the large German debt on the clearing account. The limited success of this arrangement, and the renewed interest shown by other countries in Yugoslav agricultural produce, prevented Yugoslav interests from being bound entirely to Germany. The first place among buyers from Yugoslavia in October was attained by Great Britain. The total amount of exports during the first 11 months of 1936 was 2,487,000 tons, valued at 3,760,700,000 dinars, against 3,119,000 tons, worth 3,678,600,000 dinars, in 1935. Hence 2.23 per cent. more was obtained in value for 20.25 per cent. less goods. Imports for the same period were 872,000 tons, worth 3,645,500,000 dinars, against 888,000 tons, valued at 3,363,000,000 dinars, in 1935. With an increase in the price of imported articles of only 8.43 per cent., against a drop of 1.85 per cent. in quantity, the threatened discrepancy between the price of exports and imports has changed slightly in favour of the agricultural producer.

Agriculture and Industry.—The harvest of 1936 was the best since the war. Wheat yielded 29,200,000 quintals, against 19,900,000 in 1935, an average of 13.2 quintals per hectare. Maize produced 51,000,000 quintals, against 38,300,000 in 1935, the yield per hectare being 19.6. The cereals harvest was 15 per cent. above the average. The peasant was assisted by the settlement of agrarian debts, the total of which is estimated at 6,880,000,000 dinars; the principal was reduced by 25-50 per cent., the interest was brought down to 4.5 per cent., and the time for repayment was lengthened to 12 years.

There has been an appreciable advance in all industries, especially in timber, milling, beer, meat, textiles, footwear, chemicals and metals. Mining results were excellent, with an increase of 25 per cent. in production and 30 per cent. in value; the index stands at 132 (100 = 1926-30). The greatest increases were in pyrites, iron and copper. Two new gold mines were opened; and foundries increased their output by 64 per cent. A series of successful strikes, involving a considerable number of workers, led to a rise in wage rates, which had previously been extremely low. The number of workers increased during the first nine months of 1936 from 594,000 to 651,000, a new high level for the last six years.

Finance.—The Budget returns for the first eight months of the year 1936-37 show a big advance on last year's figures; receipts totalled 6,786,100,000 dinars (98.6 per cent. of the estimate), against 6,529,000,000 in 1935. Expenditure was 5,892,900,000 dinars, and unpaid accounts were 154,100,000 dinars, and there is a surplus of 739 million which is the first real surplus since the crisis of 1931.

The dinar was steady throughout the year at 7 Swiss francs (old value), or at 10 Swiss francs (devalued). The discount rate remained unchanged at 5 per cent. There was little change, however, in banking, which is still suffering from the 1931 crisis. Of a total of 631 banks, 272 postponed payments, 12 are being reorganised, and 37 are in liquidation. The public continues to favour public as against private institutions. The total deposits, from October, 1935, to October, 1936, increased from 10,238 million dinars to 10,622 millions, but although the two chief State banks, the State Mortgage Bank and the Postal Savings Bank, showed an increase from 1,946 to 2,113 millions, 20 of the leading banks recorded a decrease from 3,145 to 3,013 million dinars. The National Bank cover increased from 1,464,300,000 to 1,626,000,000 dinars, and the circulation showed a proportionally smaller increase from 4,889,000,000 to 5,408,500,000 dinars.

BULGARIA

For the first time since the recent depression, the economy of Bulgaria showed in the course of 1936, a marked improvement. One important reason for this was the comparatively calm political situation and the relative stability of the last Government. The dangerous experiments with the economic life of the country, which were so marked in 1934 and 1935, were almost abandoned, and State intervention was confined to the maintenance of higher prices for agricultural products, and the introduction of a new and less prohibitive tariff.

The foreign exchange monopoly of the National Bank was maintained throughout 1936. But the system of import quotas was further simplified, and the *de facto* depreciation of the national currency in foreign markets found its expression on the local market in the maintenance of a premium on devisen up to 35 per cent.

Agriculture and Industry.—Abundant crops of cereals, tobacco, vegetables and fruit, and a general rise of about 6 per cent. in the wholesale price-level of almost all products were responsible for a notable improvement in the welfare of the rural population. Domestic industry was also successful during 1936. The volume of production increased in all trades. For the first time since the crisis, bank deposits and other investments increased. Several banks are expected to distribute dividends. The volume of money in circulation was generally greater than in 1935, the average being 6 per cent. above the level of that year.

Foreign Trade.—The foreign trade figures for 1936 were particularly satisfactory. Exports increased from 3,253 to 3,910 million leva, i.e., by 20 per cent., while imports rose from 3,009 to 3,181 million leva—6 per cent. The surplus of exports strengthened the foreign exchange position of the National Bank. It should, however, be remarked that the greater part of these devisen are only for clearing purposes. The improved balance of payments enabled the Bulgarian Government to pay an agreed percentage of the interest on the foreign debt. The increased exports to Great Britain have brought the latter country to the second place (with 11 per cent.) on the list of Bulgaria's customers.

Public Finance.—A considerable improvement in the State finances, the revenue being 12 per cent. above the 1935 figure, has reduced the Budget deficit, for the first eleven months of 1936, to 156 million leva, against 563 millions for the corresponding period of 1935. The new agreement, concluded at the end of December, 1936, with the Committee of Foreign Bondholders, fixed the transferable portion on the interest of the loans for the next two years.

GREECE

THE outstanding political event of the past year in Greece was the establishment, in the first days of August, of an authoritarian government under General Metaxas, which dissolved Parliament *sine die*. Economically, Greece made in 1936 some further progress towards recovery, though more slowly than in the three previous years.

Foreign Trade.—Provisional returns for the first eleven months show, compared with the corresponding period of 1935, an increase in both the volume and the value of total trade with foreign countries. The increase in value is, however, due entirely to larger imports and the rise in international prices. The value of exports was lower than in the previous year, owing to a falling-off in the exports of tobacco. Consequently, the import surplus has increased, as the following table shows:—

(In millions of drachmas)

	January–November 1935	1936
Imports	9,727	10,629
Exports	6,305	5,847
Import surplus ...	3,422	4,782

Agriculture, Industry and Commerce.—Agricultural production was, on the whole, smaller than in 1935. On the other hand, industrial activity and home trade were maintained at a fairly satisfactory level, despite restrictions, higher costs and rising wholesale and retail prices.

Currency.—The external value of the drachma remained stable throughout the year. After the devaluation of the Swiss franc, near the end of last September, the drachma was linked to the pound sterling. Until September, political instability and large payments for imports combined to deplete the foreign exchange reserves of the Bank of Greece. Since September, however, severe measures to prevent speculation and the evasion of devisen have been adopted; many people have surrendered their hoarded gold; and the exchange position has improved appreciably, although transfers have been made abroad, for the payment of foreign debt coupons.

Public Finance.—The principal financial feature of the year was the resumption, following a provisional agreement with the Committee of Foreign Bondholders, of the service on the foreign debt, which was suspended early in 1935. Negotiations are understood to be in progress, for a final settlement of this question. Drastic economies in State expenditure have been promised by the Finance Minister. He has forecast a balanced Budget for the financial year 1937–38; in spite of large outlays for rearmament and relief purposes, without any increase in taxation.

(In millions of drachmas)

	Financial Year 1935–36 (First seven months) April–Oct., 1935	1936–37 (First seven months) April–Oct., 1936
I. <i>Revenue</i> :—		
(a) Estimated (for the whole year) ...	11,216	12,833
(b) Assessed	8,722	7,891
(c) Collected	6,462	7,006
II. <i>Expenditure</i> :—		
(a) Estimated (for the whole year)...	12,223	13,908
(b) Liabilities incurred	11,483	12,308
(c) Payments effected	5,824	6,489

However, in the first days of January, the Government had to increase certain taxes, in order to find 500 million drachmas for social relief.

NORTHERN EUROPE

DENMARK

DENMARK in 1936 made trade agreements with Belgium, France, Germany, Italy, Norway, Switzerland and Poland. The trade treaty of April 24, 1933, with Great Britain was indefinitely prolonged on June 19, 1936.

The Stauning Cabinet, which has remained in power since April 29, 1929, retained popular support. The Landsting elections of September 22nd gave the Government parties a majority in both Houses.

Employment.—From February 22nd to March 30th, there was a widespread lockout, which caused a heavy decline

of industrial production and a shrinkage of imports. Unemployment has slightly declined during 1936:—

	Percentage Unemployment	Number of Organised Workers	Number of Employed
1934	22.1	369,915	287,794
1935	19.7	386,080	310,022
1936 (approx.) ...	18.7	414,000	337,000

The Budget.—The National Accounts for 1935–36, the Budget for 1936–37, and the proposed Budget for 1937–38, are as follows:—

	Accounts 1935–36	Budget, 1936–37	Proposed Budget, 1937–38
(In million kroner)			
Total revenue (less deficits on state enterprises and crown land)...	418.9	417.9	421.2
(Taxes and duties)	429.6	426.2	432.3
Total expenditure	405.4	416.7	416.0
Hereof, social purposes (old age pensions, etc.)	137.5	141.0	144.3
Furtherance of trade and industry	24.2	31.2	25.8
Defence	47.4	46.6	48.0

It therefore appears that the finances of the State are sound.

Money and Capital Market.—The krone remained pegged to sterling at 22.40. On November 19th the discount rate was raised by $\frac{1}{2}$ per cent. to 4 per cent. The policy of moderate credit contraction, which the Nationalbank commenced in April, 1935, was continued through the whole of 1936. On the other hand, because of the rising prices of imports, the private banks found it necessary to expand their advances to customers. Two new long-term loans, aggregating 40 million kroner, were taken up in Sweden; and one long-term loan of £1½ million was issued in London. In addition, several big loan transactions were carried through smoothly in the inland market.

Agriculture.—While the corn harvest was about 20 per cent. lower than in 1935, the fodder beet crop was higher; the total crop is estimated to be only slightly below that of 1935. The average prices obtained for agricultural produce have been as follows:—

	1935 Kr.	1936 Kr.
Horses, per head	1,066	1,040
Cattle, per head	221	268
Fresh meat, per 100 kg.	71	78
Bacon, per 100 kg.	191	198
Fresh eggs, per 100 score	153	162
Butter in casks, per 100 kg.	202	218

The yield on capital invested in farms is estimated to have improved from 4 per cent. in 1934–35 to 4.6 per cent. in 1935–36.

Foreign Trade.—The estimated total of foreign trade, compared with previous years, is as follows:—

	Total Imports (Million kr.)	Total Exports (Million kr.)	Import Surplus (Million kr.)
1934	1,354	1,235	119
1935	1,330	1,267	63
1936 (estimated figures)	1,484	1,380	104

The value of agricultural exports for the last three years has been as follows:—

	1934 (Million kr.)	1935 (Million kr.)	1936 (Million kr.)
Bacon, meat and other products of slaughteries	448	417	379
Butter, cheese, raw milk	262	288	333
Eggs	83	89	112
Total agricultural exports	874	885	969

The value of agricultural exports was about 10 per cent. higher than in 1935, and only bacon exports ran counter to the general trend. The volume of trade with Great Britain and Germany was as follows:—

	Imports from: (Million kr.)	Exports to: (Million kr.)
1934 :—		
Great Britain	407	740
Germany	288	189
1935 :—		
Great Britain	479	731
Germany	292	206
1936 :—		
Great Britain	542	744
Germany	376	280

The economic situation of Denmark was further improved during the year, but the position of agriculture is not yet satisfactory.

SWEDEN

THE pace of economic expansion in Sweden was accelerated in 1936, and there is now a real boom. Progress became particularly marked during the second part of the year, when industrial production reached the country's full capacity. On the whole, political events on the Continent affected Sweden's economic life very little.

Production and Employment.—Exports rose and domestic consumption increased; as a result, production recorded a further increase in 1936; the general industrial production index (100 = 1935) rose during the year from 103 to 112. The rise was particularly pronounced for the engineering industry, the index for which rose to 118; and it was least marked for the foodstuffs industry, which at the end of 1936 reached an index figure of 109. The iron and steel industry worked at full capacity, and raw materials were scarce during the latter part of the year. For the period January to November, domestic consumption of iron totalled 860,000 tons. The building industry also showed progress, and the total number of dwellings finished during the first nine months of the year was 12,250, compared with 11,730 a year ago. On October 1, 1936, the number of dwellings under construction totalled 6,904, compared with 5,200 at the same date in 1935. The number of unemployed gradually declined from a total of 61,400 in January to 31,000 at the close of the year; the number of unemployed workers, registered by the trade unions, fell from 19 per cent. to 10 per cent. of total organised labour.

Shipping.—Sweden's merchant fleet amounted at the end of 1936 to 1,230 vessels, totalling 1.5 million gross tons. Some five vessels were laid up, aggregating 12,500 tons. Freights rose by December to the level of 1929.

Prices.—During 1936 the general price index of the Board of Trade rose from 118 to 126 (100 = average 1913). The sharpest rise was in the price of raw materials. Nevertheless, the cost of living index remained practically unchanged throughout the year; this cannot, however, last indefinitely, and Government interference will be required to check the rise in prices.

Foreign Trade.—The import surplus was reduced in 1936 to Kr. 114 millions. Total imports during 1936 were valued at Kr. 1,619.4 millions, against Kr. 1,505.4 millions exports; the corresponding values in 1935 were: imports, Kr. 1,476.3 millions, and exports, Kr. 1,297.4 millions. Of the increase of Kr. 208 millions in exports, pulp and paper account for Kr. 34.7 millions, metal for Kr. 31.5 millions, and wooden goods for Kr. 28.5 millions. Though the increase in value of exports was partly due to higher prices, the chief factor was the increase in volume. An export item of special interest was iron ore, of which Sweden exported 11,224,000 tons, against 7,719,000 tons in 1935.

Public Finance and Banking.—Sweden's monetary policy in 1936 did not vary much from that of 1935. The sterling exchange rate remained unchanged at 19.40, and the discount rate of the Bank of Sweden at $2\frac{1}{2}$ per cent. The State debt totalled at the end of 1936 Kr. 2,364 millions, against Kr. 2,380 millions a year ago. State bonds of a nominal value of Kr. 252 millions were called in for redemption, for the purpose of conversion. State revenue showed a substantial increase; estimated current revenue rose to Kr. 977 millions for the financial year 1937–38, compared with Kr. 885 millions for the preceding year. This enabled the Government to propose a Budget balanced at Kr. 1,291.5 millions. The Money Market showed growing easiness throughout the year, and the holdings of the joint stock banks in cash and at the Bank of Sweden rose during the year from Kr. 351 millions to Kr. 464.5 millions; and there was practically no rediscounting at the Bank of Sweden. A net capital export of Kr. 49 millions took place during the year. The marked easiness of money was accentuated during December, when the Skandinaviska Kredit Aktiebolaget redeemed a balance of Kr. 50 millions of registered certificates, and the Swedish Ball Bearing Company returned to its shareholders an amount of Kr. 65 millions. The total deposits of joint stock banks at the end of the year amounted to Kr. 3,833 millions, an increase during the year of Kr. 201 millions. Total advances rose by Kr. 163 millions to a total of Kr. 3,992 millions. This increase is rather insignificant in view of the considerable business expansion which took place during the year, an expansion which to a large extent has been financed out of the companies' own resources. The total foreign assets held by the joint stock banks and the Bank of Sweden (net balance of current accounts, foreign bills and foreign stocks)

further increased, and stood at the end of 1936 at Kr. 878 millions. The total gold reserve of the Bank of Sweden, valued at the old statutory parity, amounted on December 31st to Kr. 529 millions; it increased by Kr. 121 millions during the year.

Stock Exchange.—The Stock Exchange showed during the year an upward trend. During the year the index of listed shares rose from 132.7 to 174.5 (100 = par value), with a corresponding increase in the aggregate stock value from Kr. 2,178.6 millions to Kr. 2,946.2 millions. In spite of prevailing import restrictions on foreign markets, the business of the leading export trades recorded a marked increase. The bond market displayed a rising tendency; the average yield of seven representative Swedish State bonds declined from 3.25 per cent. to 3.03 per cent.

NORWAY

AMONG political events during 1936 the Storting elections were most important. The Labour Party, which had gained in 1933, was checked; the Conservatives gained 6 seats. But, with some rearrangement, the Labour Government remained in power throughout the year.

Finance.—The Budget estimates for 1936–37 showed expenditure and revenue balanced at 481.4 million kroner. The Government introduced a tax of 25 per cent. on all interest derived from bank deposits. Old age pensions were considerably increased.

The Money Market was easy, but showed a firmer tone during the later part of the year, and the bank rate was increased on December 7th from $3\frac{1}{2}$ to 4 per cent. The limit of the right of issue of the Norges Bank was raised by 75 million kroner, the note circulation having risen from 348 million kroner in January to 428.6 million kroner on December 31st. Balances abroad rose from 102.5 to 192 million kroner. Bank deposits fell during the year by nearly 70 million kroner. The Government, municipalities and private concerns negotiated loan conversions during the first half of the year on easy terms. The Krone was pegged to sterling at 19.90 throughout the year.

Foreign Trade.—The official statistics show a considerable expansion of foreign trade.

Kroner (000's omitted)

	1935	1936
Imports	825.4	922.9
Exports	605.1	685.3

Higher prices influenced the figures to a certain extent, but it is noteworthy that this expansion has been possible in spite of trade restrictions. The heavy rise in imports is chiefly due to increased purchases of raw materials, semi-manufactured goods and ships. Employment increased appreciably, and the index of industrial production for November was 131 against 122 in November, 1935.

Shipping.—The chief feature of the year was the appreciation of freights, and the sharp reduction in the amount of laid-up tonnage; the figure fell from 281,600 tons on April 1st to about 25,000 tons on December 1st. Net freights covered the imports surplus of 1936, and left a balance of some 10 million kroner. During the year, the merchant fleet increased by about 268,000 tons and reached a total of 4,201,000 tons. The whaling catch in the Antarctic realised a total of about 1,100,000 barrels, which was practically the same as in 1935. Oil prices rose steadily, especially during the latter half of the year. A dispute between British and Norwegian fishing interests about limiting production for the season 1936–37, was settled by the respective Governments after protracted negotiations. The output of the fisheries was valued at some 70 million kroner against 66.5 millions in 1935; the total quantity landed was 938,000 tons against 818,000 tons in 1935.

Agriculture.—Crops were above the average, and prices continued to rise. Official measures of various kinds helped to improve economic conditions among the peasants. The wholesale price index rose from 134 to 146.5, i.e. by about 10 per cent., and the rise in the cost of living index was less marked.

Operations on the Bourse, especially during the latter half of the year, increased steadily in volume, and prices climbed to new peaks. Whaling and shipping were favourites, but industrial and miscellaneous shares also aroused interest. Bonds failed to attract attention, and prices fell during the first six months, but the tone was brighter during the second half of the year.

FINLAND

THE improvement in international economic conditions was reflected in Finland. After the recession of 1935, there was marked progress in 1936 towards recovery.

Public Finance.—The financial position of the State was sound. More revenue was collected than in 1935, and the estimated yield of taxation was exceeded. In the eleven months, January to November, 1936, the current receipts of the Treasury amounted to about 3,070 million marks, compared with 2,865 millions for the corresponding months in the previous year. The booked value of the Public Debt was slightly reduced by 47 million marks to 3,119 millions, and the service of the Debt decreased in consequence of loans being converted at lower rates of interest.

Prices.—The rise in world prices was chiefly reflected in Finland by a rise in the price of exports and imports. The price index for exports rose from 77 in December, 1935, to 100 in December, 1936, and the price index for imports rose in the same period from 88 to 98 points. The price level for goods in the wholesale trade only began to rise in the autumn and the advance was slight, from 91 in December, 1935, to 95 points in the same month in 1936. The rise in prices did not extend to retail trade.

Industrial Production.—In the principal branches of industry output increased very appreciably, the total production reaching a greater volume than in any previous year. The index for January to September rose 13 points above that of 1935 to 159 (1926 = 100), and was about 30 per cent. higher than during the last period of prosperity. The value of production increased rather more last year because of higher prices, and exceeded the previous record of 1928 by 11 per cent. The increase in output was largest in the timber trade; the value of timber production rose by 53 per cent., and the rise in the value of the output of the paper and pulp industries amounted to 31 per cent. The state of the labour market was satisfactory. No important disputes occurred, and unemployment was practically cured. There was some shortage of labour and wages tended to rise. The price of all kinds of grain rose, and the harvest was valued at a record of 5,800 million marks, compared with 5,100 millions during 1935. Prices for dairy produce were, however, unfavourable.

Foreign Trade.—The volume of foreign trade was a record, but the value fell slightly short of the 1928 figures. The volume of imports rose by 13 per cent., and the value increased by 999 million marks to 6,343 millions. The volume of exports rose by 11 per cent., and their value by 995 millions to 7,215 millions. There was a surplus of exports amounting to 872 million marks, against 896 millions in 1935.

The Money Market.—The Money Market was easy throughout the year; there was an abundant accumulation of capital and a very moderate demand for credit. Rates of interest showed a downward tendency, and the demand for bonds and shares increased.

The credits granted by the joint stock banks fell off by 35 million marks, but their holdings of bonds increased by 415 millions. The credits granted by the Bank of Finland rose by 168 million marks. The cash of the joint stock banks reached a record figure of 850 million marks, against 633 millions a year ago. The net foreign balances of the joint stock banks increased from 182 to 312 million marks. The position of the Bank of Finland improved; its foreign balances grew from 1,267 to 1,492 million marks, and the gold reserve increased from 472 to 603 millions.

LATVIA

RECOVERY continued last year even before devaluation. Foreign trade expanded, and there was a substantial excess of exports, in contrast to the large import surpluses of 1934 and 1933. The State accounts closed in March with a small surplus, the first for some years. The Bank of Latvia's reserves of foreign currency increased appreciably.

The gold standard was maintained until October, when the over-valuation of the currency led the State to intervene in almost every branch of economic activity. Export markets were maintained by increasingly heavy subsidies, often amounting to 100 per cent., or more, of the export price. Even before 1936, the State had acquired a dominating position in industry, agriculture and foreign trade, and it now controls directly or indirectly most of the important sources of production. In banking, through the newly-formed Credit Bank, an institution owned and controlled by the State, the Government has acquired control. A series of decrees gave the Government so much power to

interfere with the remaining private banks, that it is hard to avoid the conclusion that a nationalisation of the banking system is envisaged.

Imports were 122,000,000 lats., against 101,000,000 lats. in 1935, and exports rose to 138,000,000 lats. from 99,000,000 lats. Exports of timber, flax, butter and bacon showed marked increases. Grain crops were below the average, but those of flax and linseed were satisfactory, and that of potatoes excellent.

The note issue (State and Bank of Latvia) rose during the year to 86,000,000 lats. from 81,000,000 lats. Gold holdings were written up from 46,000,000 lats. to 77,000,000 lats. at the time of devaluation; and the foreign currency holdings rose during the year to 24,000,000 lats. from 6,000,000 lats. The Bank rate was reduced by $\frac{1}{2}$ per cent. to 5 per cent. from November 1st. Deposits in State and private banks and credit institutions at the end of September totalled 295,000,000 lats., against 248,000,000 lats. in December, 1935. Wholesale prices were steady until September, but rose by 10 per cent. in October.

It is too soon to say how far the recovery is being stimulated by devaluation. Much depends on whether the Government's policy of intervention is moderated. Of this there are as yet no signs, apart from some reduction of import quotas and restrictions on payments.

LITHUANIA

LITHUANIA succeeded in maintaining the pre-depression parity of its currency without recourse to extreme forms of restriction. A low standard of living has made possible an adjustment to the new conditions, and the improvement in the economic situation continued, and was somewhat accelerated, in 1936. Exports rose appreciably; agricultural interest charges were lowered; and the prices of several important products rose in the world markets. State revenues increased equally with expenditure, the banking position became more liquid, and gold and foreign currency reserves increased substantially.

Imports were 156,000,000 lats. in 1936, against 129,000,000 lats. in 1935, and exports rose to 190,000,000 lats. from 152,000,000 lats., under the stimulus of subsidies and the efficient co-operative marketing organisations. Butter, bacon and flax exports were much higher. The export surplus was 34,000,000 lats., against 23,000,000 lats. in 1935. Invisible exports, especially emigrants' remittances from the U.S.A. (\$1,558,000 in 1935), probably improved substantially. Grain crops were about 20 per cent. lower than in 1935 (a good year), but the flax crop was about the average. The supply of fruit, vegetables and potatoes was satisfactory. Dairy-farming, which is almost as important as agriculture, continued to advance.

The Budget for 1936 was balanced at 284,000,000 lats., a slight increase on 1935. Receipts from January to October totalled 210,000,000 lats., against 193,000,000 lats. in the same period of 1935. An internal loan of 15,000,000 lats. was raised in November to finance additional expenditure in 1937 on armaments.

Gold and devisa at the Bank of Lithuania totalled 79,000,000 lats. at the end of December, against 54,000,000 lats. in 1935, and the note circulation increased to 110,000,000 lats. from 104,000,000 lats. The bank rate was reduced from 6 to $5\frac{1}{2}$ per cent. on July 1st. Total deposits in all banks, including the Bank of Lithuania, were 229,000,000 lats. at the end of October, against 178,000,000 lats. in 1935.

Wholesale prices rose by 12 per cent., and the rise was steepest at the end of the year. There has been a marked advance in exports, and the foreign exchange position has been strengthened. Any further lowering of the standard of living seems to be unnecessary, and the chances of devaluation have been appreciably lessened. An agreement signed in August provides for a recovery of the trade with Germany, which was lost as a result of the Memel dispute.

ESTONIA

THE economic recovery, which began with the abandonment of the gold standard in 1933, spread in 1936 from foreign to domestic trade; and industrial production rose by about 13 per cent. to a record level. Imports, especially of machinery and metals, substantially increased, but exports rose only slightly, because of unfavourable harvests and increased home consumption. There was a small import surplus, in contrast to the export surpluses of previous years. Invisible exports probably increased. Unemployment was negligible, and there was a shortage of

skilled workers. Labour tended to drift from agriculture to industry. Wholesale prices rose by 6 per cent., and the cost of living by 5 per cent. Wages rose sharply. State finance remained sound, and revenue was larger than in 1935.

Imports totalled 87,000,000 kr., against 69,000,000 kr. in 1935; and exports were 83,000,000 kr., against 80,000,000 kr. It is stated that the larger imports were from countries with which Estonia had credit balances under clearing agreements. The yield of rye, barley, oats and mixed corn was considerably below the average, but the wheat harvest was above normal; and there was an excellent harvest of potatoes and hay. Root crops for fodder, and flax, were above the average.

The Budget for 1936-37 was originally balanced at 78,000,000 kr., but an additional 10,000,000 kr. was subsequently allocated to assist agriculture and industry. Revenue from April to October totalled 54,000,000 kr., against 46,000,000 kr. in the same period of 1935. The Government has no short-term debt, and the service of the League Loan was maintained. Note circulation on December 31st was 44,000,000 kr., against 40,000,000 kr. in 1935; and gold and foreign currency reserves were 43,000,000 kr., against 36,000,000 kr. Deposits in the principal private and co-operative banks totalled 89,000,000 kr. at the end of November, against 73,000,000 kr. in 1935, and loans were 93,000,000 kr., against 82,000,000 kr.

In general, there has been an extraordinarily sharp improvement since 1933, but the excess of imports, the shortage of labour and the rise in prices and wages suggest that the encouragement of industry has proceeded far enough and that further expansion of credit should be avoided.

AMERICA

UNITED STATES

THE year 1936 opened with business active and money rates extremely low, but with some apprehension of the continued increase of excess reserves produced by the influx of gold. By the middle of the year, business was even more active, and, with the fourth successive drought, agricultural prices rose sharply. The political campaign had no obvious effect on business, probably because its outcome was never in question. When the year ended, industries producing consumer and household goods were booming, heavy industries were active, and primary commodity prices were advancing excitedly with heavy forward contracting. Labour troubles, conspicuously absent in 1935 and early 1936, became serious in the fourth quarter of the year; a great maritime strike, innumerable "bottle-neck" and "stay-in" strikes, and the prospect of a major strike in the automobile industry.

Legislation.—The legislation of the Second Session of the Seventy-fourth Congress included the Social Security Act, which provided a Federal plan for pensions and State plans for unemployment insurance; the Soil Conservation Act, to replace the sections of the Agricultural Adjustment Act which were invalidated by the Supreme Court; the Undistributed Profits tax, compelling corporations to distribute their earnings; and the Veterans' Bonus. Administrative decisions included the increase of 50 per cent. in the reserve requirements of member banks (August 15th); the Tripartite Monetary Agreement (September 25th); and the announcement that the Stabilisation Fund would buy and retain gold, rather than permit its automatic monetization by the Reserve Banks (December 22nd).

Treasury Finance.—At the end of 1936, the public debt amounted to about \$34,400 million, an increase of \$3,800 millions in the calendar year, compared with an increase of \$2,100 millions in 1935. This total does not include about \$4,700 millions of fully guaranteed securities, or about \$2,600 millions of contingent liabilities; these items have increased only slightly in the past year; of the increase in the Federal debt, about \$2,000 millions is attributable to the Bonus. The Treasury offered four long-term bonds during the year; the issue of March was of 12-15-year bonds at $2\frac{1}{2}$ per cent., that of December of 13-17-year bonds at $2\frac{1}{2}$ per cent. The five-year notes also fell from $1\frac{1}{2}$ per cent. to $1\frac{1}{4}$ per cent. Including Bills, the Treasury brought out 73 issues in all in the course of the year.

Banking.—During the year no open market operations were carried out by the Federal Reserve Banks, but the reserve requirements of the member banks were raised by 50 per cent. During the calendar year, the monetary

gold stock increased by \$1,126 millions to \$11,251 millions, and gold certificates in the Reserve Banks increased by \$1,300 millions to \$8,852 millions. Currency in circulation increased by \$668 millions; and member bank reserve balances by \$985 millions, which was rather less than the increase in gold stock. The retirement of National Bank notes continued; they fell from \$493 millions in November, 1935, to \$320 millions in November, 1936. Silver certificates, however, rose from \$947 millions to \$1,211 millions in the same period. The net increase in currency mostly took the form of Federal Reserve notes.

The reporting member banks, on December 30, 1936, showed a total of loans and investments of \$22,931, an increase of \$2,036 millions (10 per cent.) in the calendar year. Of this increase, \$900 millions was in commercial loans, a similar amount in Government and guaranteed securities, and \$200 millions in "other securities." Reserves with the Reserve Banks increased by \$566 millions, and demand deposits by \$1,684, about 10 per cent. in each case. This year was the first since 1929 to witness an increase in commercial loans.

The Money Market.—Except for Government paper, one could scarcely speak of a Money Market. The discount rate of the New York Reserve Bank has been less than $1\frac{1}{2}$ per cent., and call money was pegged at 1 per cent. in June. Business in commercial paper was nominal; customers' loans in New York City ran at about $2\frac{1}{2}$ per cent., with an increasing demand after the middle of the year.

One of the outstanding facts of the Money Market is the replacement of brokers' loans by short Government paper. The market for call money or brokers' loans shrank to about \$1,000 millions during the depression, and has only slightly increased during the recovery. On the other hand, the Budget deficit has been chiefly financed with short paper, and this has reached a figure roughly equivalent to that of the brokers' loans in the late '20's.

The Capital Market.—The issue market of 1936 could fairly be described as "boiling." In addition to Federal

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financing, capital issues (as tabulated by the *Commercial and Financial Chronicle*) amounted to \$6,255 millions, of which \$1,986 millions were described as new capital, and \$4,269 millions as refunding. Of the new capital issues, \$746 millions were for local government. Approximately, \$1,200 millions were new capital for private enterprise (mostly bonds), compared with \$400 millions in 1935; and \$178 millions in 1934. Thus, the market was predominantly, though not exclusively, one of refinancing.

The market in listed obligations was strong throughout the year, except for a minor relapse in April; and the year ended with high prices in the Stock Market. The *Standard Statistics* average of 90 shares rose by about 30 per cent., but the advance was distinctly "selective"; rails and utility equities made little net progress after February, despite an increase in car-loadings, and a rather spectacular increase in electric power consumption.

Commodity Prices.—In the last half of the year, there was a sharp increase in primary commodity prices; Moody's index rose by about 25 per cent. in six months. This movement found little reflection in the wholesale price index of the Bureau of Labour, which rose only from 80.6 (December 28, 1935) to 84.1 (December 26, 1936). The official index of retail food prices showed similar inertia: 82.5 (November 17, 1936) compared with 81.5 (November 19, 1935). Similarly, the official cost-of-living index (quarterly) rose only by 2.1 per cent. from October 15, 1935, to September 15, 1936, when it was 82.4; the lowest figure during the depression was 74.5 (June, 1933).

Industry.—Industrial production stood at 96 in November, 1935, and 114 in November, 1936; the unadjusted (for seasonal) average of the last quarter of 1935 was 97, of the first quarter of 1936, 95; of the second quarter, 104; of the third quarter, 106; and of the final quarter, about 112. In this increase, steel production was conspicuous: the index of steel output for November, 1936, was 138, compared with 96 for November, 1935. Textiles were also remarkably active throughout the year. In addition, there was a great increase in building: the index of residential building was 12 in 1934 and 21 in 1935, while the average for the last half of 1936 was well above 40. Retail trade, measured by the sales of department stores, was between 10 and 15 per cent. above that of 1935.

Agriculture.—Agricultural income (\$7,800 millions, including about \$300 millions of benefit payments) was about 10 per cent. above 1935; it was almost double the income of 1932. It was, however, still below that of 1930, and far below the figure of the '20's. In 1936, the long-sought parity was reached; that is, the index of agricultural prices stood in the same relation to the index of non-agricultural prices as in 1909-14. This was achieved by a considerable reduction of supply, partly because of planned curtailments, more because of the severe drought in early summer. Cotton stocks, which on July 31, 1932, were 13 million bales, were but half that amount on July 31, 1936. The year saw the nullification of the A.A.A., and the passage of the Soil Conservation Act in its place. One important fact should be borne in mind: for four successive years the weather in the West has been unusually dry; and in two of these years (1934 and 1936) this drought was a meteorological phenomenon of great severity. Such a sequence is unusual, if not unprecedented.

Foreign Trade.—For the 11 months ended November, exports rose by almost 10 per cent., from \$2,059 millions in 1935 to \$2,223 millions in 1936; but imports increased still more, from \$1,861 millions to \$2,174 millions. This gives an export surplus of goods of only \$50 millions for the 11 months, one-quarter of the surplus in the same period of 1935, and little more than one-tenth of that in 1934. Net silver imports for the period were \$178 million, compared with \$289 millions in the first 11 months of 1935; this reflected the lower price, and there was perhaps some reduction in volume. Net gold imports were \$1,060 millions, compared with \$1,549. There was therefore an import surplus, including bullion, of about \$1,200 millions in the first 11 months of 1936, compared with about \$1,650 in 1935.

ARGENTINA

The first half of 1936 was marked by trade depression, and exports fell after the drought of the previous year. In July, however, there was a sharp recovery, due to the rise in the price of Argentine products, caused by the drought in the United States. The improvement became steadily more pronounced and continued up to the end of the year.

Foreign Trade.—In market value exports were slightly higher, and imports were appreciably lower than in 1935:—

	1935 (Eleven months)	1936 (Eleven months)
	Pesos	Pesos
Exports	1,443,278,542	1,447,718,126
Imports	1,078,979,523	1,012,384,555
Export surplus ...	364,299,019	435,333,571

Trade between Argentina and her chief customers and suppliers in 1936 was as follows:—

	Argentina Exports to (First eleven months)	Argentina Imports from (First eleven months)
	Market Value Pesos	Tariff Value Pesos
United Kingdom.....	451,927,699	219,041,573
United States	152,764,170	154,150,063
Brazil	95,702,982	49,787,088
Netherlands	89,415,148	29,108,586
Germany	88,392,264	98,742,149
Belgium	86,996,589	67,435,075
France	73,573,143	46,150,982
Italy	30,140,039	55,578,759
Canada	22,708,898	15,573,429
Japan.....	19,599,070	39,068,074

The total figures include 172,017,832 pesos worth of goods shipped for orders, the ultimate destination being yet unknown. Among the chief changes in the distribution of foreign trade are the increase in Japanese purchases and the decrease in Japanese sales. Brazil, which in 1935 held sixth place as a buyer of Argentine goods has now jumped to third place. Italy bought only half as much from Argentina as in 1935, but sold considerably more.

Grain Prices.—In March the Government raised the basic price of maize from 4.40 pesos to 5 pesos per 100 kilos. In December the minimum price of wheat was abolished while that of maize was retained. The Government's decision was due to the great improvement in world prices which had occurred in the preceding months, and to the disappearance of any important wheat and linseed surplus which might weigh upon the market. The basic price of maize was maintained because, as a result of last season's bumper crop, there was an enormous quantity of maize available for shipment; with prospects of another record crop a fall in price remained a possibility. Owing to a strong world demand, however, maize at present is well above the basic price.

Agriculture.—Although some damage was done by a late frost in November and by torrential rains towards the end of the year, the weather in 1936 was very favourable, and prospects for all crops are very good. Owing to a partial crop failure in the United States and Canada, and a strong demand from the consuming countries, cereal and linseed prices are very much higher than a year ago. There has also been a very great improvement in the price of wool. Cattle prices, however, were decidedly weak towards the end of the year.

Exchange.—The official import rate and the free market for the peso remained very steady during the first five months of the year, at about 17 and 18 pesos respectively to the £. In June, however, the free market rate of exchange began to decline rapidly owing to the fall in exports. The fall in the official rate was much less marked. On July 3rd the value of the £ in the free market reached a high-water mark of 18.85 and the official rate touched 17.08 pesos. Thereafter, there was a rapid recovery, due to the rise in cereal prices on the news of the drought and dust storms in the Northern Hemisphere. The improvement in the value of the peso became more pronounced towards the end of the year, and the free market rate became nearly the same as the official rate. On December 9th, the Government reduced the official rate from the then existing level of 17 to 16 pesos to the £. The official buying or export rate of exchange remained at 15 pesos to the £ throughout the year.

Money Market.—Both the borrowing and the lending rates of banks fell appreciably during the year. This is attributed indirectly to the plethora of funds made available by the revaluation of the gold stock in 1935, and the repayment by the Federal Government of its debt to the Banco de la Nación Argentina. Owing, however, to the absence in Argentina of a highly organised money market, banks adjust their rates to suit their own requirements, and there is a wide discrepancy between maximum and minimum rates. In consequence, the money market—if such can be said to exist—is of very much less importance relatively than in the world's leading financial centres. In February the Central Bank fixed the minimum re-discount rate at 3½ per cent., and thereby through the operation of the Banking Law, the maximum rate of interest on Savings Bank deposits was

CHILE

COMMERCIAL conditions in Chile during 1936 continued to be favourable, but present indications are that business activity in general has reached its limit. The level of industrial production in 1936, according to the official index was 4.5 per cent. higher than in 1935. The production of mines (nitrate, copper, iodine, coal, gold, etc.), was maintained at about the same level as in the previous year. The grain harvest was good; but the potato crop was poor. Building activity, both public and private, was carried on with great intensity. Total construction was, however, lower than in 1935.

Foreign Trade.—Exports in 1936 amounted to 562.7 million pesos, against 464.4 millions in 1935, an increase of 21 per cent. Imports increased by 17 per cent. A noteworthy feature was the large increase in imports from Germany. In 1936, imports from Germany amounted to 99.6 million gold pesos, against 60.8 millions in 1935. The United States of America came second with 88 million pesos in 1936 and 82.1 millions in 1935, and Great Britain third with 45.4 million pesos in 1936, against 57.4 millions in 1935. The large increase in Chile's foreign trade with Germany is largely due to the Compensation Treaty with that country, which was recently extended to June 1938. A considerable rise of prices took place in 1936, due to the reaction in the prices of agricultural products and raw materials abroad, and, more especially, to the domestic boom. The index of wholesale prices up to November, 1936, rose by 15 per cent., and the cost of living index increased by 11 per cent.

Exchange Rates.—Since the devaluation of the French franc, the Bank again bases its rates on the U.S. dollar. The export exchange rates, which are controlled by the Exchange Committee, rose somewhat in 1936. The average quotation of the pound sterling was 130 pesos (against 119 in 1935); the dollar 26 pesos (compared with 24.25); the French franc 1.55 pesos (against 1.68) and the reichsmark 7.89 pesos (against 8.10). The depreciation of the peso in the unofficial market was more pronounced; the pound sterling was quoted at one time at approximately 150 pesos. The average rate for sterling in the free market was 138.40 pesos (against 123.15) and for the dollar 27.85 pesos (against 25.10).

Finance.—The Budget for 1937 has recently been approved by Congress, with revenue and expenditure at 1,445.7 million pesos. The surplus of revenue over expenditure for 1936 will probably be sufficient to cover the deficit. This institution has published recently a statement regarding the service on the foreign debt. It received \$1,919,573.90 U.S. in 1936, on account of profits of the Nitrate Sales Corporation and taxes from the copper producing companies. One-half of this amount will be allocated to the payment of interest at the rate of 6.05 per mille on nominal capital. The other half will be allotted to the redemption of bonds to a nominal value of \$15,839,000 U.S., £71,660 and Sw. Fcs. 839,300. After effecting these redemptions, including some extra amortisations, the foreign debt will be reduced to £29,524,582, \$233,607,500 U.S. and Sw. Fcs. 118,637,700.

URUGUAY

URUGUAY is enjoying a period of moderate prosperity. The demand for cattle is steady at prices appreciably above the average of recent years. The Government has carried through a comprehensive plan of financial reform. The fiscal accounts show a surplus, and the arrangements regarding service of the National Debt have been regularly implemented. The new wool clip is meeting with a steady demand at high prices, and by the beginning of January, 1937, over 80 per cent. had already been sold. Business is active, and prices high in the important hides and skins markets.

Through the medium of the State Bank, the Government is utilising the Exchange Fund to maintain stable foreign exchange rates, and meanwhile, owing to the ready disposal of the wool clip, the tendency is for the value of the peso to appreciate. Great Britain heads Uruguayan trade returns on both import and export account. The Exchange Commission is dealing promptly with applications for exchange required for payment of imports received from countries to which quotas have been allotted. Various commercial agreements have been concluded, and the Republic has an export surplus.

reduced to 2½ per cent., and that on sight deposits to ½ per cent. As a result of economic and financial improvement taxation was substantially reduced during the year. The most important change was the raising of the tax-free minimum income from 200 to 400 pesos per mensem, as from the beginning of 1936.

BRAZIL

The past year has been the quietest since 1930, and the new confidence in the Government is clearly shown by the expansion of trade, the decrease in labour trouble and the more general prosperity. The partial loan service, the so-called "Oswaldo Aranha" scheme, and the liquidation of the "frozen credits" have continued normally and punctually. The first part of the electrification scheme, which was contracted with The Metropolitan-Vickers Export Co., is practically finished; trial runs have been made and operation will soon be started. Only one new gold mine of importance has been placed in production; but other concerns have extended operations and opened new mines. The export of iron and manganese ore in the last eleven months of 1936 increased from 99,000 tons to 259,000, compared with the same period of 1935.

Industry.—Industrialisation continues rapidly, and in addition to genuine national industries, a number of American and European (except British) firms are installing branch factories, or assembling plants. British industry is gradually losing what little is left of its market. The largest industrial centre is São Paulo, and the following figures speak eloquently of the pace of development in this State:

	Value of industrial production	Contos
1915	274,000	
1925	1,213,000	
1935	2,919,000	

In 1935 there was 3,188,000 contos invested in 7,840 factories, with 275,000 h.p. installed and employing 213,000 hands.

The principal items of production in 1935 were:

	Contos
Textiles	915,000
Metal and machines	394,000
Clothing	376,000
Chemicals	254,000
Food supplies	220,000
Building material	86,000
Pottery	70,000

Drilling for oil has continued, but so far without any definite result. The State of Bahia is planning to subsidize exploitation of the Marahu oilshale (18 per cent.) deposits, and will probably use German equipment.

Power.—A number of supply companies are increasing their generating capacity to carry the fast increasing load. But, because of the 1934 Water Code, several concerns, which in the past have generated hydro-electric power, and still have great reserves for development, are now going over to oil-burning steam plants. These involve less capital cost for new installation, but the cost of power is higher. Moreover, it is necessary to use the country's surplus exchange to buy foreign fuel.

Foreign Trade.—Both exports and imports show increases in tonnage and value, as the following figures for the first eleven months of the year indicate:

	1935	1936
	1,000 Tons	1,000 Tons
Imports	3,886	3,492
Exports	2,492	3,720
Surplus.....	228	5,089

The export of coffee, which last year accounted for nearly 50 per cent. of total exports, in 1936 was only 40 per cent.; about 1,000,000 bags fewer than last year were exported; but the price obtained was about the same as last year. The value per ton of imports and exports also increased.

Average value per ton				
1935		1936		
	Milreis	£ gold	Milreis	£ gold
Imports	\$876	£6.3	\$925	£6.5
Exports	\$1,492	£12.1	\$1,563	£12.5

The German-Brazilian compensation agreement is still in force. This has an adverse effect on the export trade of Britain and U.S.A. to Brazil.

COLOMBIA

ALTHOUGH there was no outstanding improvement in general conditions during 1936, progress has been made towards economic stability. The country's chief exports are petroleum, coffee, bananas and hides, and these continue to find a ready market at prices reasonably profitable to producers. The country is very rich in natural resources, and is diversifying its products for export. Steady progress is being made in the production of gold, and a new petroleum law has recently been passed designed to attract foreign capital.

The Budget for 1936 was balanced chiefly through increased direct taxation. There was a definite increase in the total value of exports in 1936 over 1935, and this tendency should continue because higher prices are now being obtained for the new coffee crop. The agreement recently reached in Bogota with other American coffee-producing countries is expected to benefit the industry. Because of good coffee sales, there is an ample supply of exchange in the commercial exchange market, which represents about 88 per cent. of export exchange; the remaining 12 per cent. is sold to the Government for official purposes. Reforms to the Constitution last autumn empowered the Government to intervene to a greater extent in industry and commerce; but there appears to be little prospect of actual intervention in private enterprises.

ECUADOR

THE gold reserves of Ecuador declined considerably in the middle of 1936, and in July the Government reimposed control over exchange and imports. The Central Bank became the sole buyer and seller of exchange, and also controls imports by means of permits. Business was very restricted until the machinery of control was prepared, and the issue of foreign exchange for imports has been made slowly. Towards the end of 1936, steps were taken to meet the difficult position in the foreign exchange market. Certain reforms have been introduced to speed up the control organisation; and the Banco Central del Ecuador has contracted in New York a loan of U.S.\$300,000 for a period of three months. This loan, it is stated, will be used to relieve the congestion of goods in the Customs. The authorities now believe that they will be able to provide exchange cover for all import permits issued.

Ecuador stands to benefit by the improvement in the cocoa and coffee markets. Locally, cocoa is in strong demand, and prices have risen. Reports about the Christmas crop of cocoa are satisfactory. The coffee market is active, with prices firm. Negotiations are going on to extend the trade agreement between Germany and Ecuador; and a German loan to Ecuador is expected. The Government is also understood to be negotiating with North American contractors, for the construction of roads in the Republic.

PERU

THE political situation has been somewhat uncertain; and in mid-November, 1936, the term of office of President Benavides was extended for a further period of three years. Certain additional powers were conferred upon the President, and in view of the more prosperous economic conditions, the Government is likely to remain in a strong position. Peru has continued to avoid control of foreign exchange operations. The exchange value of the currency has steadily improved. Mining for copper and other minerals has recently made considerable progress, and the petroleum industry continues to expand.

Peru is a cheap producer of cotton and sugar, and stands to benefit by the recent advance in commodity prices. Reports on the coming cotton crop are generally favourable, and dealings in cotton futures, and in sugar, are active at advancing prices. A trade agreement between Peru and Great Britain was signed in October, 1936, on a "most-favoured-nation" basis. Peru's overseas trade is steadily expanding, although it is believed that the markets are rather overstocked, particularly with cheap German and Japanese goods; this may temporarily affect the import markets and retail prices.

BOLIVIA

AFTER the end of the war with Paraguay, Bolivian military forces were demobilised by easy stages, and the consequent shortage of labour adversely affected the production of tin. The new President refuses to be influenced by those of his supporters who desire an extreme programme of social reform. There is an acute shortage of exchange cover, and levies are being made on individuals and firms, to obtain

foreign currencies. New exchange regulations were issued in mid-November, 1936; imports are subject to very strict control, and the banks have agreed upon a commercial rate of about Bs. 160 per £ sterling. Tin exporters have to hand over 35 per cent. of their export drafts to the Exchange Control, and are paid at the official rate of 50 bolivianos per £.

The cost of living is rising rapidly and some uneasiness is being caused by lack of rain this season. This may seriously affect the crops at lower altitudes, and thus aggravate the already difficult situation caused by the shortage of foodstuffs. Bolivia should eventually benefit, however, by the rise in metal prices. About 25 per cent. of the world production of tin comes from Bolivia; and a new international tin regulating scheme has just been concluded, to last five years.

PARAGUAY

PARAGUAY withstood the financial strain of the Chaco War in a remarkable manner, and the past year was a period of readjustment. The present Government has made every endeavour to restore normal conditions. The revised Moratorium Law of October 1st provided for the further liquidation of outstanding obligations, including blocked commercial debts. The position of the cattle-raising industry is relatively satisfactory, and prospects are encouraging. There has been an influx of fresh capital from abroad, mainly for the cotton-growing industry. The past year saw a welcome recovery in the timber industry, and exports greatly exceeded those of the preceding five years. Foreign markets remained firm, with attractive offers. Business has been checked by the low level of the River Paraguay, but the river is now rising. Cattle and sheep are in good condition, and prospects for the 1937 cotton crop are satisfactory. The market for mild tobacco continues inactive, but shipments of strong tobacco to Argentina have recently expanded considerably. Business is expected to improve in 1937. The progress which has already been made is reflected in the steady appreciation of the Paraguayan peso since November.

VENEZUELA

THE election in December of General Lopez Contreras, as President of Venezuela, was welcomed. Conditions are settling down under the new regime, and there has been some improvement in the commercial situation. Venezuela is fortunate in having no external debt. Exchange control has been so far avoided; but a Decree published at the beginning of December, 1936, which established export premiums on coffee, cattle and other national products, empowered the Government to adopt measures in future to regulate all exchange operations. This may be due to the shortage of exchange in the market; sporadic strikes in the oilfields have interrupted the supply of exchange. The Government, however, possesses considerable gold reserves and has stated its determination not to devalue the currency. The 1935 coffee crop was poor, and the movement of exports slow. This, combined with the foreign currency requirements of political emigrés, was partly responsible for the exchange shortage. The new coffee crop is satisfactory, however, and there is a good demand at higher prices. The new cocoa crop should begin to arrive in January, 1937, and the exchange stringency should then tend to be alleviated.

MEXICO

THERE was serious labour trouble in Mexico in the summer of 1936, but commerce and industry seem to have returned to normal conditions. The paper peso was pegged to the United States dollar, but by a Decree of August, 1936, the silver peso was again made the unit of currency, at 3.60 pesos to the U.S. dollar. Paper peso notes are to be withdrawn from circulation, within six months from August last. The Bank of Mexico has been given greater powers to control the note issue and the foreign exchange. The return to silver should encourage silver mining, which has already been stimulated by the rise in world prices and by the purchases of the United States. The estimated production of petroleum in the first seven months of 1936 was approximately the same as in the same period of 1935. New roads facilitated the movement of goods, particularly of agricultural products. Prospects, however, do not appear favourable for any considerable growth in trade with the United Kingdom. Recent New York reports indicate that negotiations are proceeding for the refunding of the Mexican external debt.

ASIA

JAPAN

IN spite of the military insurrection in February last and its repercussions, the year 1936 in Japan witnessed further economic recovery. Industrial activity was generally well maintained, and production in many lines of the major industries reached highest figures on record. The course of foreign trade was satisfactory, although exports did not quite maintain the preceding year's rate of expansion. The rice crop was exceedingly good after two consecutive lean years, and the agricultural situation improved considerably. Commodity prices rose to the highest level since 1929. The Government continued to finance the Budget deficit by inflationary borrowing, but no marked currency expansion occurred; the money market was quiet; and the exchange value of the yen remained stable. Relations with foreign countries, however, were hardly encouraging. Although the trade war against Australia has just come to a close, negotiations with Egypt and the Dutch East Indies for a new trade agreement have not been reopened since the breakdown in 1934. Possibly offended by the anti-Red pact with Germany, the Soviet Government refused to ratify the new fishery treaty.

Public Finance.—The Budget for 1936-37 estimated expenditure at 2,305.5 million yen against estimated revenue of 1,584.2 million yen, revealing again an appalling large deficit of 721.3 million yen, which is to be met almost entirely by fresh borrowing. Compared with the preceding year, expenditure in 1936 increased by 90.1 million yen, while revenue rose by 177.8 million yen. Relief works and national defence are responsible for the increase in expenditure. The growth in revenue, on the other hand, is mainly accounted for by increased tax revenue and larger receipts from Government undertakings.

The national accounts for the first six months of the current fiscal year ended September 30th disclose revenue amounting to 441,414,000 yen and expenditure of 700,562,000 yen, against 683,862,000 yen and 672,167,000 yen, respectively, for the corresponding period of 1935. The Budget estimates for the next fiscal year show expenditure at 3,038.5 million yen against a revenue of 1,918.2 million yen, with a huge deficit of 1,120.3 million yen, one-third of which is to be covered by fresh taxation and the rest by a new loan. The National Debt rose by 655 million yen to 10,135.7 million yen during the first eleven months of 1936. The following table gives Budget estimates for three fiscal years:—

	(In million yen)	1935-36	1936-37	1937-38
Expenditure		2,215.4	2,305.5	3,038.5
Revenue		1,406.3	1,584.2	1,918.2
Deficit		809.0	721.3	1,120.3

Money and Investment.—Conditions in the money market were on the whole easier in 1936 than in the preceding year. The Bank rate was reduced from 3.65 per cent. to 3.29 per cent. in April. Despite vast Government borrowing the note circulation pursued its normal course, but at a level of some 70 million yen above that of 1935. The yen exchange maintained stability, moving in close sympathy with the sterling exchange. Official quotations for sterling remained unchanged at 14d. throughout the year, and those for the American dollar ranged between 29½c. and 28½c.

The market for new capital was distinctively more active than in 1935, and borrowing was effected at lower rates. The new capital raised in the first eleven months was 6,308,066,000 yen, against 3,270,319,000 yen and 4,520,403,000 yen, respectively, in the corresponding periods of 1935 and 1934.

Production, Profits and Prices.—Production in many lines in both the light and heavy industries was at a higher level in 1936 than in previous years:—

	Jan.-Nov., 1934	Jan.-Nov., 1935	Jan.-Nov., 1936
	Bales	Bales	Bales
Cotton yarn	3,152,076	3,265,660	3,280,800
	(In thousands of square yards)		
Cotton cloth	1,634,167	1,690,515	1,644,662
	Lbs.	Lbs.	Lbs.
Rayon yarn	125,029,000	182,372,000	236,320,000
	Tons	Tons	Tons
Pig iron*	1,685,852	1,823,782	1,869,173
Steel ingots*	1,817,505	2,155,467	2,426,832
Coal	21,490,963	23,223,987	25,109,227

*Output of the Japan Steel Corporation.

Industrial profits have been still on the upgrade. According to Mitsui Gomei Kaisha's half-yearly analysis of joint-stock industrial undertakings, the net earnings of 1,000 companies for the first half-year of 1936 amounted to 422,373,000 yen, compared with 388,631,000 yen and 415,362,000 yen, respectively, in the two halves of 1935.

Commodity prices recovered substantially, the net rise during the twelve months ended November last being a little over 5 per cent. The Bank of Japan's index number for wholesale prices (July, 1914 = 100) was 161.8 for November last, against 154.0 a year ago and 144.0 two years ago.

Agriculture.—The wheat, rye and barley crops suffered from adverse weather conditions, and their yields were far below normal. The cocoon crop also was rather poor. The rice crop, on the other hand, did exceptionally well, the weather having turned favourable towards the end of the summer. The year's crops in comparison with the preceding two years are as follows:—

	1934 Koku	1935 Koku	1936 Koku
Rice	51,840,182	57,456,976	66,386,980
Wheat and allied grains	22,408,110	23,571,153	21,155,826
	Kamme	Kamme	Kamme
Cocoon	87,139,796	82,066,053	79,679,614

Farmers' gross income from the above three staple products in 1936 is estimated at 1,589 million yen, against 1,383 million yen in 1935 and 1,099 million yen in 1934.

Foreign Trade.—For the first eleven months of the year the total value of imports was 2,479,165,000 yen and of exports 2,396,258,000 yen. Compared with the corresponding period of 1935, imports and exports increased in value by 253,467,000 yen, or 11½ per cent., and 119,981,000 yen, or 5½ per cent. The import surplus was 82,907,000 yen, against an export surplus of 50,579,000 yen in 1935. The following table gives figures for the first eleven months of each of the past three years:—

	(000's omitted)	Imports Yen	Exports Yen	Import (—) or Export (+) surplus Yen
1934		2,030,029	1,962,806	— 67,223
1935		2,225,698	2,276,277	+ 50,579
1936		2,479,165	2,396,258	— 82,907

The increase in imports is mainly accounted for by raw materials, while the expansion in exports covers the whole list, with the possible exception of textile goods. The movements of a representative list of staple commodities are given below:—

	(000's omitted)	First eleven months of 1934 Yen	1935 Yen	1936 Yen
Imports:—				
Raw cotton		639,843	637,027	744,611
Raw wool		169,304	161,831	189,232
Iron and steel		148,702	195,023	171,310
Non-ferrous metals		70,020	90,074	94,314
Crude petroleum		73,547	98,240	116,784
Crude rubber		53,291	45,877	69,697
Machinery and parts		89,623	98,138	84,336
Exports:—				
Raw silk		260,958	344,080	336,928
Cotton piece goods		445,205	459,069	432,823
Rayon piece goods		101,122	117,339	133,029
Silk piece goods		70,217	71,793	61,568
Machinery and parts		51,757	57,772	72,640
Iron and steel		48,808	58,819	68,562
Tinned and bottled provisions		42,774	46,055	66,528

There was a considerable change in the distribution of trade. Japanese sales to British India, Dutch East Indies and Egypt decreased markedly, while purchases from the "new market" countries increased heavily, owing in many cases to bilateral trade agreements.

TURKEY

THE year 1936 witnessed a further improvement of Turkey's economic situation, due partly to exceptional factors.

Foreign Trade.—The persistence of an export surplus remained the dominant feature of Turkish trade. The German demand for raw materials largely contributed to making this possible. In the case of a number of staple exports, however, Turkish prices are still ten to thirty per cent. higher than international quotations. Exact figures for 1936 are not yet available, but the share taken by Germany is roughly estimated at over one-half of Turkey's total foreign trade. Given the system of clearing accounts, it was natural that because they were unable to purchase from Turkey, countries like France, Holland, and Belgium

could not sell to her. There has been much resort to "compensation agreements"; the Turkish importer pays the Turkish exporter a premium representing the difference between the national and the international price.

Industry.—An attempt was made to cut down the cost of living. The prices of manufactures, and of services rendered by the State, were substantially reduced; this experiment has proved satisfactory. The State also made use of foreign competition to reduce the selling price of nationally produced articles. At the same time, the Government continued to develop industries and mines, but withdrew its support from small private undertakings, and announced its determination to reorganise agriculture. It is intended that the peasant should pay less for the goods he consumes, produce at less cost, and therefore be able to offer his goods at a lower price.

Agriculture.—The harvest was disappointing. For a time it was even feared that the heavy foreign demand for Turkish cereals might cause a shortage of supplies for home consumption. But the fruit crop and the cotton crop were very good. The most striking features in last year's agricultural policy were the large irrigation scheme and the decision to create one thousand agricultural "combines." Each of these "combines" will comprise a few villages, with collectively owned irrigation works and up-to-date heavy agricultural equipment, which the individual peasant could not afford to buy. The initial capital will be advanced by the State. Moreover, there is likely to be a redistribution of land, which will give the Turkish peasant and his family enough land to live on.

Finance.—The yield of taxation for the fiscal year ended May, 1936, was TL. 235,266,000, against TL. 209,921,000 in 1934-5, and TL. 173,514,000 in 1933-4. Reports about the subsequent months are even more encouraging. This improvement is attributed to better economic conditions and to the reorganisation of the system of tax collection.

Currency.—Although the Turkish lira had for several years been linked to the French franc, the Turkish Government refused to "align" her currency: the rate has been kept at its established value, viz., 12.03 pre "alignement" francs, about 618 piastres for one pound sterling. The devaluation of a number of foreign currencies gave Turkey an unexpected profit on the very important sums in such currencies awaiting transfer in various clearing accounts. That part of the Turkish note circulation which is not backed by gold, and which the Kemalist regime inherited from the Ottoman Empire, continues to be gradually redeemed, as set down in the Turkish currency Bill. The surplus of notes in circulation is entirely backed by gold or by foreign exchange, which gives the total circulation a gold backing, which, until recently, was steadily increasing.

CHINA

APART from temporary set-backs caused by the Kwangsi revolt and the recent Sianfu incident, China has made steady progress during 1936, both politically and economically. At the end of the year, the Central Government seemed stronger than any previous regime since the foundation of the Republic, and Generalissimo Chiang Kai-shek has gained the support of all the best elements in the country. Japan continues, however, to be a constant menace to the territorial integrity of China.

Trade.—Reports show a general improvement in trade; due to bumper crops and mineral developments and to the stability of the exchange.

The following table shows comparative figures for the first ten months:—

	JANUARY-OCTOBER 1935	1936
Net imports	\$781,550,000	\$766,579,000
Net exports	445,000,000	566,698,000
Excess of imports ...	\$336,550,000	\$199,881,000

There were considerable decreases in the imports of cotton piece goods, cereals and flour, sugar and timber. Imports of metals and ores, woollen manufactures, vehicles and sundries were all higher than in 1935. In exports the principal increases over 1935 were in animals and animal products, hides, leather and skins, oil, tallow and wax, and textile fibres. The reduction in the import surplus is encouraging. On the other hand, the disposition of provincial administrations to interfere with trade is unfortunate. Wood oil and tea are two products which have hitherto been important items of trade between native cultivators and world markets, carried by foreign exporters; they are now controlled by monopolies, ostensibly official, but actually in the hands of privileged parties. Wolfram and other minerals are also subject to monopolistic restrictions,

while the Kwangtung Government is heavily committed to various industrial enterprises, which are protected from private competition.

Customs Revenue.—The total revenue collected was \$324,583,000, compared with \$315,519,000 in 1935. The North Eastern ports, notably Tientsin, showed substantial decreases. On the other hand, Canton, with \$11 millions, and Kowloon with \$9 millions, showed increases of \$1½ and \$1¼ millions respectively. Foreign loans secured on Customs revenue were met in full, at a cost of \$76½ millions, compared with \$66,400,000 in 1935.

Budget.—Estimated revenue totals \$990 millions, an increase of \$32 millions over 1935-6. On the expenditure side, the items "Military, \$322 millions" and "Education, \$44 millions" show a regrettable disparity. The introduction of the income tax has yet to be put into effect.

Communications.—The principal event in railway development during 1936 has been the completion of the line between Canton and Hankow. No regular service has yet been instituted, owing to the line being largely under military control. Arrangements are now being made to build a short line, connecting the terminus of the Canton-Hankow Railway with that of the Canton-Kowloon Railway, thus providing the one missing link of railway line between Kowloon and Calais. A branch of the Canton-Hankow Railway is contemplated to give through connection between Canton and Shanghai.

Aviation continues to make strides, and there are now four regular services between Shanghai and other important centres of the country. During the past year, Hongkong was included as a port of call for the air service between Shanghai and Canton.

Political.—Considerable progress was made during 1936 towards the unification of China. The chief obstacle to the work of Chiang Kai-shek has been the intransigence of the two Kwang provinces. His policy of winning over one province after another led to the revolt in Kwangsi during the summer. The Generalissimo managed to bring Kwangsi into line with the rest of the country, although the terms he laid down have not been strictly adhered to.

The treachery of the Young Marshal in December was a severe shock to the Central Government, but it revealed widespread support for Chiang Kai-shek, who is now clearly a national hero. Although Marshal Chang Hseub Liang has been pardoned for his outrageous conduct, there is considerable speculation as to what will emerge from the situation in Shensi and Kansu. It may well be that the Sianfu incident is the forerunner to a struggle between Communist and Fascist World Powers for China as an ally.

Currency.—When China finally abandoned the silver standard in November, 1935, there was much doubt as to whether the Nanking Government was capable of keeping a managed currency under control. Confidence in the currency is, however, growing. Certain provinces, notably Kwangtung and Kwangsi, have not yet adopted the national currency; but the Central Government is determined to make its standard effective throughout the country.

BRITISH EMPIRE CANADA

RECOVERY continued in 1936. The trend of the economic index was steadily upward and, beginning the year at 100.1 (base 1926=100), it reached 116.6 in December. This marked advance was recorded in spite of another disappointing wheat crop, which was estimated at only 229½ million bushels. There was, however, a sharp rise in grain prices during the second half of the year. As the prices of other farm products also rose, the provisional estimate of the gross value of the principal field crops is \$594,139,000, which is an increase of 85 million dollars over the figure for 1935 and the highest figure since 1930.

Industry.—The fishing industry is still handicapped by low prices. The mining industry enjoyed a real boom; the value of the aggregate production for 1936 was \$360,500,000, a gain of 15 per cent. over 1935. The lumber industry also fared well; and for the depressed newsprint industry a "buyers' market" was gradually transformed into a "sellers' market"; at present there is actually a shortage of newsprint. The expansion of rural and urban purchasing power benefited the manufacturing industries, which were able to operate at a satisfactory and profitable level. Costs of production are, however, rising, and prices advanced steadily in the last quarter of 1936. The Bureau's index of wholesale prices, which stood at 72.7 in December, 1935, rose to 79.7 in December, 1936. There was no parallel rise in the cost-of-living index.

Employment.—There was an improvement in employment during the year; the Bureau's employment index, which stood at 99.1 in January, 1936 (base 1926=100), rose by December 1st to 110.1, a gain of more than 11 per cent. Unfortunately, the absorption of the unemployed in the labour market did not keep pace with the increase in production. A recent report of the Canadian Welfare Council asserted that at the end of 1936 there were just as many people on public relief as twelve months before. The building industry lagged behind, and special efforts are being made to stimulate it by housing schemes.

Foreign Trade.—There was an encouraging expansion of Canada's foreign trade. The aggregate value was \$1,663,000,000, compared with \$1,389,000,000 in 1935. Exports were valued at \$1,028,000,000, and there was an export surplus of 393 million dollars. The new trade agreement with the United States was in operation throughout the whole year, and produced valuable benefits for lumbermen, dairymen and other Canadian producers. Canada's exports to the United Kingdom rose more than her imports from the United Kingdom. The King Ministry continues to try to enlarge Canada's foreign markets, and was able last autumn to conclude a new agreement with Germany, virtually on a barter basis.

Finance.—The Federal revenues expanded and, as expenditure fell slightly, there was an improvement of nearly 60 million dollars in the Budget position on December 31st. The problem of the debt burdens of the three prairie Provinces is still causing anxiety, and there was great resentment in financial circles about the drastic debt-cutting legislation, passed by the Provincial Ministry of Alberta. There has been some improvement in the earnings of both the railway systems during the past year, but no progress can be recorded towards a settlement of the problem created by their competitive overlapping of services. The banks had a good year and money remained cheap; the Federal Government was able to borrow short-term money on Treasury notes at rates below .75 per cent. Throughout the latter part of the year the stock markets were very active.

AUSTRALIA

DURING the financial year ended June 30, 1936, the general economic situation in Australia showed very marked improvement. The prices received for exports of most primary products rose considerably above the level of the previous year, the rise being especially marked in the case of wool. Weather conditions were on the whole favourable, and agricultural production was well maintained; and exports rose considerably in value.

Industry and Agriculture.—Increased activity in secondary industries resulted in much re-employment of factory workers, and contributed to the general improvement in purchasing power. The percentage of trade union members unemployed fell from 17.8 in June, 1935, to 12.8 in June, 1936. The wool clip totalled 1,000,000,000 lbs. in the 1935-36 season, compared with 1,015,000,000 lbs. in 1934-35. The value of wool per lb. averaged in 1935-36 1s. 2.8d. for greasy and 1s. 7.6d. for scoured, compared with 0s. 10.5d. and 1s. 4.6d., respectively for the previous year. The current season's clip is expected to be 1,000 million lbs. The area under wheat for the 1935-36 season was 11,924,000 acres, compared with 12,544,000 acres last year, and the yield was estimated at 142,597,000 bushels in 1935-36, compared with 133,393,000 in the previous year. The acreage under wheat in the current season is estimated at 12,400,000. The average export price of wheat rose from 3s. 0.7d. per bushel in 1934-35 to 3s. 7.7d. in 1935-36.

Gold production has become very much more important in recent years; the value of gold produced rose from £1,872,000 in 1929-30 to £7,363,000 in 1934-35 and £9,149,000 in 1935-36 (Australian currency). Three quarters of the total comes from the mines of the State of Western Australia.

Overseas Trade.—Imports of merchandise for the year 1935-36 amounted in sterling to £83,581,000, for which the recorded values in Australian currency were £A.104,686,000, an increase of £A.13,979,000 over last year. The principal groups of imports for which increases were recorded were: Machines and machinery, £3 million sterling, and motor-car chassis and parts, £1,600,000 sterling. Exports of merchandise were £97,408,000 sterling (£A.122,003,000) in 1935-36, an increase of £A.19,474,000 over the previous year; exports of bullion and specie amounted to £10,425,000 sterling, an increase during the year of £2,060,000 sterling.

There was an import surplus of £13,826,000 sterling, compared with £9,438,000 last year; and the excess of exports of bullion and specie was £8,694,000 sterling, compared with £8,666,000 in 1934-35.

Exports	1934-35		1935-36		Per cent. exported to Great Britain 1935-36
	Quantities	Values (a)	Quantities	Values (a)	
	Lbs. Mn.	£'000	Lbs. Mn.	£'000	%
Wool, greasy	786	34,208	751	46,168	32.5
Wool, scoured	72	5,047	74	6,135	44.7
Wheat	4,557	11,612	4,619	14,108	45.2
Flour	1,398	4,607	1,241	4,545	21.1
Butter	232	9,586	213	9,027	92.6
Frozen beef	212	2,547	197	2,481	87.0
Frozen mutton and lamb ..	196	4,475	178	4,465	98.0

(a) Recorded values, Australian currency.

Finance.—The accounts for the Commonwealth and States for the year ended June 30, 1936, were as follows:—

State	Revenue	Ordinary Expenditure	Net Loan Expenditure	Gross Public Debt.
		(Value in £'000)		
New South Wales	46,518	48,213	7,657	346,576
Victoria	26,043	26,158	3,880	175,058
Queensland	15,488	16,230	4,219	122,636
South Australia	11,409	11,260	1,661	105,688
Western Australia	10,033	9,945	2,464	90,344
Tasmania	3,117	3,247	100	24,418
Six States	112,612	115,055	19,981	864,731
Commonwealth	82,203	78,635	683	391,039
Total	194,815	193,690	20,624	1,255,770

The Consolidated Revenue Accounts of the Commonwealth showed a surplus of £3,568,000 for the year 1935-36. The estimates for 1936-37 show a balance of receipts over ordinary expenditure of £45,000, after providing for reductions in taxation amounting to £5,275,000 in a full year. The principal reductions in taxation are as follows: Sales tax, £300,000, the rate being reduced from 5 per cent. to 4 per cent.; primage duty, £170,000, and income tax, £2,105,000; the special profits tax is abolished, and the normal rates of income tax on individuals are lowered by 10 per cent.

The loans issued by the Loan Council, on behalf of the Commonwealth and States, during the financial year 1935-36 were as follows:—

(1) London (Conversions):—		£'000
July, 1935	3%	13,469
January, 1936	3%	21,657
(2) Australia:—		
November, 1935	3½%	7,963
January, 1936 (conversion)	3½%	2,393
June, 1936	3½%	9,018
State (over the counter)	...	3,382

The total Public Debt (Commonwealth and States) per head of the population was £185 2s. 10d. on June 30, 1936, compared with £184 14s. 5d. in 1935.

NEW ZEALAND

The progress of recovery, which began about 1933, has been accelerated during 1936, and the year closes with business approaching again the levels of 1928 and 1929. The chief stimulant has been the marked increase in export receipts, particularly for wool, during the 1935-36 season. Increased expenditure on public works and the restoration of wage-cuts made during the depression have helped to increase demand, and the higher level of internal business activity has increased the flow of imports.

External Trade.—External trade returns, for years ending with September in 1929 and in the last four years, are as follows:—

Year ending September 30th	£ millions		In Sterling	
	In N.Z. Currency	Exports	Imports	Exports
1929	56.20	44.10	56.20	44.10
1933	39.77	25.34	32.71	20.97
1934	49.34	28.97	39.51	23.20
1935	43.36	35.39	34.80	28.39
1936	56.69	41.67	45.53	33.47

Expressed in domestic currency, exports are now greater than in 1929, and only slightly less than the highest figure ever reached, £57.1m. in 1924-25. Imports have increased steadily by about £N.Z.500,000 a month during the past year. As the 1936-37 season's wool sales have opened with prices 50 to 70 per cent. higher than a year ago, it appears

that both exports and imports are likely to expand considerably during the next few months.

Comparing the export seasons ending with June, butter exported in 1935-36 increased by 211,000 cwt. over 1934-35, while cheese exported declined by 239,000 cwt. Beef exports remained unchanged; lamb decreased by 400,000 cwt., and mutton by 155,000 cwt.; pork increased slightly; and wool increased from 583,000 to 918,000 bales, including a considerable carry-over from previous seasons. Great Britain retains her high proportion of the external trade. For the ten months to October, 80 per cent. of the exports were shipped to Britain, some of which were re-exported; and 49½ per cent. of the imports came from Britain. Increased imports of foreign motor vehicles and motor spirit account for a slight fall in the proportion of imports from Britain.

Internal Conditions.—The expansion in internal trade is indicated by increases of 25 per cent. in the yield of sales tax, and of 18 per cent. in total bank debits between the September quarters of 1935 and 1936. Retail trade has been stimulated by increased wage payments, following upon the restoration of pre-depression wage rates, and by heavy expenditure on public works, as well as by the increased expenditure from export income. A useful indication of the expansion is given by the total note circulation, which fell below £N.Z.6m. during the depression and averaged nearly £N.Z.8m. for November, 1936. The total number of registered unemployed has fallen slightly, from 39,681 to 39,056, during the past year, but the total assisted from the unemployment fund has declined from 54,481 to 46,140. An additional 6,000, however, are employed in public works.

Banking and Finance.—Trading bank deposits for September were £N.Z.60.64m. in 1935 and £N.Z.62.74m. in 1936, but Government deposits at the Reserve Bank fell from £N.Z.9.2m. to £N.Z.6.73m. over the same year. Trading bank advances also fell slightly, but increased towards the end of the year, reaching nearly £N.Z.48m. in November. The Reserve Bank, which now makes advances against dairy produce exported under the Government marketing scheme, had advanced £N.Z.5.10m. to the Government on November 23rd, all but £N.Z.700,000 against dairy produce. Although exports for the year exceeded imports by £N.Z.15m., about £N.Z.5m. more than is normally required to meet payments for interest, etc., due abroad, net bank funds held overseas declined from £N.Z.34.97m. at the end of October, 1935, to £N.Z.31.45m. at the same date in 1936.

The Budget for 1936 showed a surplus of £N.Z.280,000; revenue was £N.Z.26.17m. and expenditure was £N.Z.25.89m. For 1936-37, revenue, including £N.Z.4.47 increased taxation, is estimated to reach £N.Z.31.07m. and expenditure £N.Z.31.05m. The first half-year's returns show increases in both revenue and expenditure, and the Government is confident that expansion in business and in the sources of taxation will expand revenue, and enable the budget to be balanced comfortably.

SOUTH AFRICA

At the time of writing, final official figures for 1936 are not available; but there is abundant evidence that in every phase of public and private progress, 1936 will easily eclipse every previous period in South Africa's development. Fundamentally, the gold mining industry is responsible; it has continued the uninterrupted series of new records, in almost every aspect of its achievements, which began with the country's departure from the gold standard. With the intense activity marking its expansion far beyond its former eastern and western boundaries, this prosperity, both for the Rand and the country, will continue for many years.

Gold-Mining.—The position of the gold mining industry may be seen from the following figures for the last two years, corresponding figures for 1932 (with gold at standard value), being added for comparison under old and new conditions:—

Witwatersrand gold mines results			
	1932	1935	1936
Tons milled	34,906,450	44,234,650	48,221,120
Gold won (fine oz.) ..	11,378,064	10,564,904	11,117,327
Do. (dwts. per ton) ..	6,481	4,729	4,569
Working revenue	£48,985,740	£75,048,000	£77,227,893
Do. (per ton)	27/1	33/7	32/-
Working costs	£32,755,157	£41,773,656	£45,317,911
Do. (per ton)	19/-	18/11	18/9
Working profit	£13,770,296	£32,426,015	£31,909,982
State's share	£4,312,500	£14,378,000 (unavailable)	
Dividends	£8,378,995	£16,391,166	£17,237,216

Since South Africa's departure from the gold standard, the Union Government has received directly from the gold

mining companies operating on the Witwatersrand no less than £42,830,000 (excluding contributions in respect of the year 1936, which are not yet computable, but will certainly maintain the average of the preceding three years. The State's revenue from the mining industry in the year 1932 amounted to only £4,312,500; so that it will be apparent that the departure from the gold standard has resulted in an increase in the State's revenue therefrom of not less than £10 millions per annum.

The Budget.—This contribution has eased the task of the Minister of Finance: it immediately wiped out deficits and has since been reflected in an all-round amelioration of economic and social conditions. As an outstanding example, there is the prospect of a Budget surplus in March of more than £4,000,000, while the Railways Administration has an assured surplus of £2,000,000, although against this the recent reduction in rail rates on petrol has already absorbed rather more than half the expected surplus. But there will still remain approximately £750,000 for other forms of relief.

Banking Business.—Bank returns for the year are not yet available, but the clearances for November alone are significant. In that month the Johannesburg clearances were just under £53 millions, reflecting an increase on those of November, 1935, of nearly £12,500,000. Figures for other centres show a similar improvement. All building records for Johannesburg will again be broken for the year. The value of plans passed up to the end of November was just short of £9,000,000 and the December figures will bring the year's total to approximately £10 millions, an increase of over £3,000,000 compared with the 1935 figure which established a new record. The value of new buildings erected in the first year of the "boom" was well below £2,000,000. The city's population, according to the census completed during the year, now exceeds 500,000, having doubled within the last five years. This growth has, of course, called for a corresponding development of municipal amenities.

Foreign Trade.—According to official statistics just issued, South Africa eclipsed all records of exports and imports for last year; the figures for the last two years are:

	1935	1936
Exports	£102,252,699	£114,012,320
Imports	£75,141,633	£86,050,000

The imports figure is the highest in the history of the Union and exceeds the previous record of 1929 by £2,594,831. The country's combined exports and imports aggregated over £200 million for the first time. Gold bullion exports reached a total of £81,801,421 last year, an increase of nearly £10 million over 1935. Diamonds reached a total export value of £3,200,726, an increase of £395,556. Wool exports were extremely buoyant, attaining a value of £9,826,966, compared with £9,509,060 in 1935. On the other hand, it was a bad year for maize, the exports of which were only £55,668, compared with the previous year's £1,557,732. Import duties last year reached the record figure of £12,035,959, compared with £10,859,726 in 1935, an advance of over £1,000,000, in spite of substantial Customs concessions made by the Minister of Finance.

New Companies.—All records of company registration in the Union have been eclipsed. The year has been one of unprecedented activity. The monthly registrations reached a peak in December, with a total of 170 new companies for the month, and about 1,520 for the year; the previous record, for 1935, being 1,200 registrations. The total nominal capital of the companies registered during the year will be something in the neighbourhood of £25 millions.

Although only applicable to part of the year 1936, the report of the Commissioner for Inland Revenue for the financial year 1935-36 furnishes some interesting figures of individual prosperity. There were in that year 3,275 persons and 233 companies liable for supertax. In this category there were 987 persons with incomes between £2,501 and £3,000; 238 with incomes £5,000 and £6,000, 37 between £9,000 and £10,000 and 36 returned incomes over £20,000. The amount of "super-taxable" individual incomes totalled £15,912,263, and of companies £2,475,937.

INDIA

INDIA continued to make steady economic progress in 1936. Two of the outstanding events of the year were the inauguration of the two new Provinces of Orissa and Sind in April, and in the same month the installation as Viceroy of Lord Linlithgow. In May the Secretary of State accepted Sir Otto Niemeyer's report on the financial prospects of the new Constitution, and proposed the inauguration of provincial autonomy on April 1, 1937. In July Indo-Japanese trade negotiations began. In September a panel

of advisers was appointed to examine plans for a fresh trade agreement with Britain to replace the Ottawa Agreement, which the Assembly requested the Government to denounce.

The 1936-37 Budget.—Introducing the Budget Sir James Grigg said that it was expected that the current year about to expire would close with a surplus of Rs. 242 lakhs. For 1936-37 the total figure for revenue was Rs. 8,735 lakhs. The total figure for expenditure was Rs. 8,530 lakhs, an increase of Rs. 120 lakhs. A surplus of revenue over expenditure of Rs. 205 lakhs was envisaged. With effect from April 1, 1936, the remaining tax on incomes below Rs. 2,000 has been abolished, and the surcharges on income tax and super-tax on higher incomes have been reduced from one-sixth to one-twelfth. The net cost of these measures is estimated at Rs. 185 lakhs. The additional import duty on foreign salt was also continued for another two years, subject to a reduction of the rate from 2½ to 1½ annas per maund.

PRINCIPAL HEADS OF REVENUE (In crores, lakhs, and thousands of rupees)				
	Accounts, 1934-35	Revised Estimate, 1935-36	Budget Estimate, 1936-37	
	Rs.	Rs.	Rs.	
Customs	51,56,68,543	53,53,15,000	53,48,65,000	
Taxes on income	16,69,39,634	15,88,22,000	14,80,26,000	
Salt	6,85,01,593	7,51,01,000	7,66,89,000	
Opium	37,05,665	26,09,000	18,55,000	
Other heads	1,32,82,648	1,29,85,000	1,27,00,000	
Total	76,80,98,083	78,48,32,000	77,41,35,000	

PRINCIPAL HEADS OF EXPENDITURE (In crores, lakhs and thousands of rupees)				
	Accounts, 1934-35	Revised Estimate, 1935-36	Budget Estimate, 1936-37	
	Rs.	Rs.	Rs.	
Debt services	11,24,08,862	12,92,59,000	11,57,84,000	
Civil administration	10,25,31,445	9,49,28,000	10,12,04,000	
Civil works	2,15,27,827	2,02,82,000	2,29,34,000	
Miscellaneous	3,65,99,079	3,85,01,000	3,61,92,000	
Defence services	44,34,26,000	44,98,00,000	45,45,00,000	
Total with other items...	77,54,49,446	79,31,23,000	78,26,44,000	

Money Market.—In May a 2½ per cent. loan of twelve crores was issued. The bank rate remained at three per cent. throughout the year. During the latter half of the year, and particularly during the last quarter, there was a big spate of new issues. This was partly due to the plethora of money available, but also to the desire of some promoters to escape the greater restrictions imposed by the new Companies Act, which is due to come into force early in 1937.

Foreign Trade.—The total value of imports into India advanced from Rs. 1,32 crores in 1934-35 to Rs. 1,34 crores, while exports, including re-exports, advanced by Rs. 9 crores from Rs. 1,55 crores to Rs. 1,64 crores. The import surplus of merchandise and treasure in 1935-36 was Rs. 67 crores, compared with Rs. 76 crores in 1934-35. The transactions in treasure on private account resulted in a net export of treasure amounting to Rs. 36½ crores, against Rs. 52½ crores in the preceding year. Net exports of gold amounted to Rs. 37½ crores, while silver showed a net import of Rs. 1½ crores. Imports of cotton manufactures of all kinds showed a decline of Rs. 72 lakhs in value. Imports of cotton piece-goods declined by Rs. 1,15 lakhs, but the loss was partly made up by larger imports of cotton twist and yarn. The total quantity of piece-goods imported, however, actually increased from 944 million yards to 947 million yards.

CHIEF EXPORTS (In crores, lakhs, and thousands of rupees)			Percentage of Total Exports of merchandise in 1935-36
	1935-36		
Cotton, raw and waste	34,47,03	21.47	
Cotton manufactures	2,92,72	1.82	
Jute, raw	13,70,76	8.54	
Jute manufactures	23,48,95	14.63	
Tea	19,82,23	12.35	
Grain, pulse and flour	12,40,87	7.73	
Seeds	10,33,05	6.43	
Metals and ores	7,73,35	4.82	
Leather	5,62,89	3.51	
Lac	1,58,36	0.99	
Hides and skins, raw	4,13,10	2.57	
Total value of all exports ...	1,60,52,19	100.00	

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CHIEF IMPORTS
(In crores, lakhs, and thousands of rupees)

	1935-36	Percentage of Total Imports of merchandise in 1935-36
Cotton and cotton goods	27,89,62	20.76
Machinery and millwork	13,68,16	10.18
Metals and ores	12,03,32	8.95
Oils	7,24,54	5.39
Vehicles	6,92,14	5.15
Instruments, apparatus and appliances	5,18,03	3.88
Wool, raw and manufactured	2,78,54	2.07
Artificial silk	3,15,78	2.35
Silk, raw and manufactured	2,77,65	2.07
Dyes	3,33,67	2.48
Hardware	3,26,76	2.43
Chemicals	3,11,97	2.32

Total value of all imports... 1,32,29,32 100.00

DIRECTION OF TRADE: CHIEF IMPORTERS INTO INDIA		
	Per cent. of Total Value of Imports	
	1913-14	1935-36
United Kingdom	64.1	38.8
Germany	6.9	9.2
Japan	2.6	16.3
United States of America	2.6	6.7

CHIEF EXPORT MARKETS OF INDIA

	Per cent. of Total Value of Exports	
	1913-14	1935-36
United Kingdom	23.4	31.5
Germany	10.6	5.9
Japan	9.1	13.4
United States of America	8.7	10.1

It will be seen that Great Britain has lost a large part of her share in the Indian market during the last twenty years.

IRISH FREE STATE

THE Census of Population taken in April reveals that the population of the Free State has fallen from 2,971,992 in 1926 to 2,965,854. In view of the cessation of emigration to the United States, this result was rather unexpected. In recent years emigration to Great Britain has grown to large proportions, and this movement may be expected to continue because of the growing British demand for labour. The Census further shows that the population of the rural areas fell by 4.8 per cent. in ten years, while the population of the towns increased by 9.7 per cent. These figures reflect the agricultural depression, and the growing industrialisation of the country. The population of Dublin increased by no less than 15.7 per cent.

Agriculture.—The existence of a "flight from the land" is disappointing, in view of the numerous measures that have been taken to encourage intensive cultivation and rural employment. Large sums have been devoted to increasing the cultivation of tillage crops, but the increase in the area tilled has been negligible. It is becoming more and more apparent that the prosperity of Irish agriculture depends upon the profitability of live stock and live stock products, and that these articles must be produced for export on a large scale. The renewal of the so-called "coal-cattle pact" with Great Britain helped to stimulate the cattle trade, but exports still remain at a very much lower level than they reached in 1931 before the outbreak of the "economic war."

Foreign Trade.—The improvement in the quantity and in the price of agricultural exports, particularly of cattle and sheep, is reflected in the statistics of external trade:—

Year ended	Imports	Exports	Balance
December, 1935	37,347,860	19,920,062	17,427,798
December, 1936	39,915,652	22,523,365	17,392,287

The magnitude of the credit balance on the invisible account cannot be estimated with statistical accuracy, but it is generally believed to be sufficient to outweigh the visible passive balance. This opinion is supported by the figures published by the Currency Commission, showing the excess of sterling assets over sterling liabilities held by the Irish banks, which increased from £69,982,000 in the September quarter of 1935 to £71,970,000 in the corresponding quarter last year. These figures suggest that the Free State was a creditor on the total external payments account, and disprove the allegation that its external assets are being dissipated.

Industry.—The industrial protective policy was intensified during the year, with undoubted effects on the volume of

investment and employment. In the absence of official statistics, it is impossible to state precisely the quantitative results of the industrial drive, but it is obvious that many new industries have been established behind the Tariff. Criticism is not lacking of the quality and price of the articles produced, and of the quality of the employment afforded by these new concerns. An elaborate code of industrial regulation has been instituted under the Conditions of Employment Act, which provides for maximum working hours, holidays with pay, and other amenities for workers. In the absence of machinery to stimulate the efficiency of labour, these desirable provisions operate to raise costs of production to a point where the possibility of developing an export trade in industrial products is definitely excluded; and prices in the home markets have been increased to the detriment of the non-industrial sections of the community in particular. The farmers' costs of production are also raised by the policy of decentralising the new industries with the object of providing employment in the rural areas.

Public Expenditure.—The volume of industrial activity generated by the protective policy is probably considerably less than that resulting directly and indirectly from public expenditure. A very extensive housing programme is being pursued, and other public works are being undertaken. It is estimated that the total expenditure of public authorities during the year amounted to £44,000,000. A large part of this expenditure was financed by borrowing, and possibly the most disquieting feature of the economic life of the Free State is the rapid increase in the public debt, much of which must be regarded as unproductive, however it may be described in the public accounts. It is understood that this problem will be dealt with at length in the forthcoming report of the Banking Commission.

NORTHERN IRELAND

THE year 1936 in Northern Ireland was one of steadily improving prosperity. Conditions in agriculture showed a definite improvement in practically all directions. The potato crop during 1935-36 season was remunerative to farmers, and 244,000 tons of potatoes were exported during the 12 months ended August 31, 1936. The price averaged about £3 10s. per ton. Prices during the last quarter of 1936 averaged 3s. 8d. per cwt., compared with 2s. 9d. during the corresponding quarter of 1935. The volume of exports has been reduced, because of the decline in production; the yield of potatoes in 1936 was 6 tons per acre, compared with 6.9 tons per acre in 1935. The price of milk during the greater part of 1936 was also remunerative, although the price of feeding stuffs rose. The Joint Milk Council recently agreed, however, to a temporary increase from 1s. to 1s. 2d. in the wholesale price paid to farmers for Grade B and Grade C milk, for a period of three months. After deducting the levies payable on this milk, the net price to the farmer is 1s. 1½d. for Grade B and 1s. 0½d. for Grade C.

Pigs.—The main progress in agricultural production has been made in the production of pigs. The estimated output of pigs in 1936 was 700,000, compared with just under 300,000 in 1931. The breakdown of the contract system in Great Britain has caused some uncertainty about the future of the Pig Marketing Scheme in Northern Ireland. The original price structure which was adopted for Northern Ireland for 1937 was linked to the price under the Greig award for Great Britain. The Pig Industry Council for Northern Ireland has, however, introduced a price formula for pigs sold to Wiltshire curers in Northern Ireland, based upon the realised price of bacon; and producers in Northern Ireland have now an assurance that the Pig Marketing Scheme will continue irrespective of developments in Great Britain. As long as quantitative control of imports is maintained by the Imperial Government, producers will enjoy a regulated market for their pigs.

Flax.—The average price of flax during the last quarter of 1936 was 9s. 2d. per stone, and was unchanged from the corresponding quarter of 1935. The relatively small production of flax in Northern Ireland remains a matter of concern to the linen industry, and in 1936 less than 10 per cent. of the total flax used in the linen trade was home produced. There has been an increase in the production of linen, but it is claimed that this has been to some extent offset by increased costs of production. There is, however, a gradual expansion in the demand for linen in the United States of America, in the United Kingdom, and to a less degree in the Dominions. The percentage of unemployment in the linen industry in 1936 was 20.1 per cent., compared with 24.25 per cent. in the previous year.

III. COMMERCE AND TRADE

FOODSTUFFS

WHEAT

THE summary of the world wheat situation for the 1935-36 season, published by the Food Research Institute of Stanford University, California, runs as follows:—

Disasters to crops of North American spring wheat and in Argentina more than offset good out-turns in many importing countries. The 1935 world crop ex-Russia was therefore little larger than the small crop of 1934. Total wheat utilisation exceeded the year's production, and drafts upon stocks reduced the world carry-over ex-Russia to the lowest point since 1928.

International trade in wheat and flour shrank below the low level of 1934-35, as import demand from the Orient fell off and that of Europe again disappointed expectations. Net exports of wheat exporting countries totalled some 525 million bushels. Canada, resuming her rôle of premier wheat exporter, supplied nearly half of the total. Contributions to this outcome were the huge Canadian carry-over, limited supplies of good milling wheat in the United States, the short crop in Argentina, and a change in Canadian Wheat Board personnel and policy in December, 1935. Australia, with new wheat of excellent quality, shared in dominating open world markets after the Argentine debacle. The United States, with a moderate carry-over but a small crop of inferior quality, imported bread wheat heavily. Her net imports were exceeded only by those of the United Kingdom, Belgium and Brazil.

Prices of British import wheats averaged 14 per cent. higher than in 1934-35, reflecting the definite passing of a period of abundant supplies. Price advances were even larger in Argentina and Australia, but much smaller in the United States and Canada. In many countries, prices were fixed or supported at levels stimulating further expansion of wheat acreage. In June-July, 1936, however, adverse weather again led to sharp advances in open market prices, correctly presaging another short world crop.

Since the end of the 1935-36 season the position of the

wheat trade has improved substantially, and though still not prosperous relatively to other industries it has largely recovered from its peculiar depression. Prices have risen steadily and appear gradually to be approaching 1929 levels. The world crop is likely to be short once again, and stocks are down to their "normal" post-war level. The following table, based upon the calculations in the monthly crop reports issued by the International Institute of Agriculture, gives the main data:—

WORLD PRODUCTION, TRADING STOCKS AND PRICES OF WHEAT
(In millions of bushels)

Season	World production (a)		World exportable supplies (b)		World import requirements	World exportable end-of-season stocks	Average Brit. Import (c.i.f.) Prices (shilling per cwt.)
	Exporting Countries	Importing Countries	Season's surplus	Total (incl. carry-over from previous year)			
1926-27 ...	2,397	999	...	1,010	812	191	s. 12.12
1927-28 ...	2,534	1,077	872	1,063	817	252	11.87
1928-29 ...	2,849	1,077	1,124	1,376	898	444	10.20
1929-30 ...	2,242	1,223	617	1,061	671	434	9.98
1930-31 ...	2,682	1,062	890	1,324	826	499	6.10
1931-32 ...	2,583	1,126	832	1,331	809	523	5.76
1932-33 ...	2,379	1,365	730	1,253	629	625	5.77
1933-34 ...	2,221	1,448	498	1,123	546	579	5.21
1934-35 ...	2,209	1,371	323	911	533	376	5.83
1935-36 ...	2,048	1,368	371	747	509	250	6.65
1936-37(c)...	2,136	1,168	426	676	545	125	8.08d

(a) Excluding U.S.S.R., China, Turkey, Iran and Iraq. (b) Including U.S.S.R. (c) Provisional. (d) August-December, 1936.

The sharp and continued decline in stocks shown by the table above has at last borne fruit in the rising prices shown in the next table. But the position as a whole remains abnormal. If the present state of the market can be called

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normal, it is nevertheless founded on a fortuitous succession of droughts and diseases in the American continent, which cannot be expected to last. And it is still uncertain to what extent the protective measures taken during the years of depression, especially in Europe, for the protection of home producers in the main importing countries will be maintained in the future. The fear of war will probably contribute towards their maintenance, and lead, moreover, to the accumulation of stocks.

AVERAGE PRICE OF ALL WHEAT (C.I.F. BRITISH PORTS)

(In shillings per cwt.)

Period	1929-30	1930-31	1931-32	1932-33	1933-34	1934-35	1935-36	1936-37
August	10-90	8-32	4-84	6-00	6-08	5-77	5-78	7-47
September ...	10-80	7-90	4-36	6-00	5-74	6-09	6-23	7-87
October	10-60	7-14	4-69	6-04	5-50	6-03	6-66	8-36
November	10-30	3-38	5-18	6-08	5-10	6-03	6-61	8-80
December	10-64	5-96	5-84	5-98	5-33	5-88	6-48	7-89
January	10-80	5-72	6-06	5-74	4-89	5-63	6-83	...
February	10-32	5-56	6-28	5-48	5-05	5-57	6-97	...
March	9-76	5-24	6-22	5-58	4-89	5-59	6-93	...
April	9-34	5-12	6-32	5-34	4-90	5-71	6-83	...
May	8-98	5-23	6-42	5-54	5-01	5-80	6-81	...
June	8-66	5-46	6-96	5-68	5-11	6-00	6-69	...
July	8-70	5-10	6-98	5-78	4-97	5-83	6-92	...
Average ...	9-98	6-10	5-76	5-77	5-21	5-83	6-65	...

The table of acreage and production for individual countries, drawn up by the International Institute of Agriculture, is given below. It will be seen that a slight increase in aggregate acreage is anticipated, though the crop seems at present likely to be smaller than in 1935-36 and well below the average of 1929-33. Despite the falls, the relative position of Europe as a producer will probably improve once again.

ACREAGE AND PRODUCTION OF WHEAT

(Excluding countries whose crop in 1934/35 was less than 15 million bushels.)

Countries	Acreage			Production†		
	Average 1929-33	1935-36	1936-37	Average 1929-33	1935-36	1936-37
Germany	5,015	5,205	5,151	161,514	171,487	169,845
Belgium	2,981	2,987	2,886	14,144	14,780	15,744
Spain	2,988	2,729	2,822	51,584	47,925	59,304
France	11,084	11,254	10,768	151,582	157,985	121,490
United Kingdom	13,278	13,252	12,712	305,064	284,949	244,349
Greece	1,425	1,882	1,804	47,170	65,397	53,462
Hungary	1,479	2,092	2,104	15,565	27,180	23,743
Italy	3,925	4,135	4,107	78,538	84,223	86,741
Netherlands	12,074	12,367	12,380	258,014	282,758	228,200
Poland	4,108	4,335	4,302	72,151	73,883	78,283
Portugal	1,267	1,377	...	15,342	22,092	8,393
Roumania	7,535	8,496	8,481	108,086	96,438	128,716
Sweden	690	674	694	22,045	23,611	22,579
Czechoslovakia (a) ...	2,074	2,380	2,291	54,295	62,094	55,582
Yugoslavia	5,141	5,313	5,463	84,828	73,100	107,421
Total Europe†	74,619	78,642	77,599	1,497,163	1,566,648	1,471,761
U.S.S.R.*	24,987	32,507	34,721	839,800	439,319	...
Canada	25,936	24,116	25,289	354,294	277,339	233,500
United States ... (w)	37,780	33,402	37,608	572,861	465,319	519,010
United States ... (s)	19,841	17,827	11,212	210,912	161,025	107,450
Total N. America ...	84,815	76,544	75,326	1,150,224	913,962	872,953
India	32,516	34,490	33,631	350,187	363,179	352,240
Japan	1,280	1,627	1,686	33,645	48,721	45,194
Manchuria	3,441	2,420	2,644	50,253	36,964	30,680
Turkey	7,231	8,474	8,776	93,165	92,640	80,281
Total Asia‡	46,462	38,537	37,961	550,936	448,864	428,114
Algeria	3,839	4,095	4,291	30,528	33,532	27,759
Egypt	1,595	1,463	1,464	44,718	43,221	45,701
French Morocco	2,885	3,616	3,142	27,944	20,036	13,242
Total N. Africa	10,307	10,993	10,726	116,036	113,323	94,418
Argentina	17,459	11,688	15,728	228,312	141,020	249,853
Chile*	1,684	2,051	...	27,991	34,175	...
Union of S. Africa ...	1,375	2,501	2,133	11,170	20,193	15,814
Australia	15,710	11,924	12,579	184,471	142,508	135,522
Grand totals §	251,801	230,829	232,052	3,748,685	3,346,610	3,266,435

* Countries not included in the totals. † The years indicated are those of the harvest, single years referring to the Northern Hemisphere, double years to the Southern. ‡ In calculating the totals account has been taken of the probable area cultivated in some countries for which estimates of production are available, but not those of area. (a) Including spelt. (s) Spring crop. (w) Winter crop.

Despite an anticipated fall in acreage and output, the position of the British producer under the operation of the wheat subsidy, remains considerably better than in the slump years. An analysis of imports of wheat flour, and other cereals, is given in the table following.

BRITISH IMPORTS OF WHEAT AND OTHER CEREALS

	Quantity			Value		
	1929	1935	1936	1929	1935	1936
Wheat from—						
Russia	Cwts. 6,910,464	Cwts. 167,306	Cwts. ...	£ 2,194,258	£ 55,771	£ 55,771
Germany	...	...	...	46,434	...	...
France	...	...	...	479,809	1,622,618	...
United States	22,265,950	593,029	45,405	11,742,051	161,037	...
Argentina	45,378,474	22,752,391	956,959	22,906,500	6,047,332	355,458
British India	141,169	158,969	3,258,392	78,134	56,429	1,457,684
Australia	12,797,402	17,684,450	23,274,198	6,840,517	5,369,537	8,614,063
Canada	27,190,852	36,894,153	57,841,976	14,162,371	12,833,614	22,380,021
Other countries	3,993,351	14,220,189	10,846,447	2,054,925	3,275,449	3,421,776
Total wheat	111,767,398	101,225,904	100,809,387	57,784,498	30,463,899	37,937,777
Wheat meal & flour from—						
France	577,593	887,839	730,602	286,646	248,068	273,708
United States	2,536,495	89,528	77,586	1,850,850	48,805	49,605
Argentina	758,779	202,451	272,383	330,846	50,802	86,618
Australia	1,332,439	1,805,657	2,468,612	878,280	662,141	1,061,222
Canada	3,723,968	4,225,592	4,104,132	2,563,214	2,015,243	2,132,712
Other countries	774,174	348,152	712,407	425,597	110,031	239,681
Total	9,703,446	7,981,469	8,366,722	6,333,433	3,219,366	3,843,546
Barley	11,986,261	17,097,486	18,331,982	5,522,137	4,169,341	5,051,031
Oats	6,929,891	3,553,814	2,161,701	2,747,518	1,038,205	604,321
Total of grain and flour*	186,294,316	201,827,960	214,102,418	95,914,625	56,731,969	69,575,056

* Including other items not given above.

British imports were considerably higher last year, especially in value terms. The distribution of supplies has shown some remarkable changes in recent years. Thus, shipments from Russia, which had been negligible in 1929, totalled almost 7,000,000 cwts. in 1935 but declined to small dimensions last year. Imports from the U.S.A. were also very small, but Canadian shipments were much heavier in the year under review.

SUGAR

The year 1936 saw some improvement in the position of the sugar planters, but the trend towards economic nationalism continues and conditions are far from being really satisfactory. Apart from the Soviet Union, production of beet sugar, however, has declined somewhat, though cane sugar has increased a little all round. The table below gives Dr Mikusch's estimate of production of raw sugar in the leading countries, as well as his estimates of world production and consumption in recent years:—

WORLD PRODUCTION OF RAW SUGAR

(Excepting countries whose crop in 1936-37 is expected to be less than 100,000 tons)

(In thousands of metric tons)

Season ended September 30th	1933-34 Result	1934-35 Result	1935-36 Result	1936-37 Estimate
Beet				
U.S.A.	1,648	1,178	1,188	1,300
Germany	1,428	1,673	1,676	1,800
Czechoslovakia	517	638	571	725
Austria	170	223	206	145
Hungary	120	120	117	137
France	946	1,223	924	910
Belgium	247	270	241	245
Holland	290	243	236	245
Poland	342	447	444	460
Denmark	254	90	245	220
Sweden	305	272	295	305
Italy	300	345	321	328
Spain	242	349	594	548
United Kingdom	523	694	594	548
U.S.S.R.	1,204	1,460	2,612	2,000
Total Beet	9,124	9,793	10,439	10,231
Cane				
Louisiana and Florida ...	232	250	345	342
Puerto Rico	1,010	708	843	885
Hawaii	866	862	852	950
Cuba	2,340	2,611	2,603	2,900
Trinidad	107	120	157	150
San Domingo and Haiti ...	414	467	495	497
Mexico	209	296	331	330
British Guiana	144	134	181	185
Peru*	420	400	389	400
Argentina*	316	342	386	431
Brazil	969	975	1,034	916
British India (b)	3,106	3,120	3,696	3,825
Java (c)	1,504	703	564	610
Japan	802	1,154	1,088	1,190
Philippine Islands	1,434	630	902	990
China and Indo-China ...	...	...	451	455
Egypt	154	137	147	160
Mauritius	265	183	285	285
Union of South Africa ...	335	325	379	405
Australia	677	651	657	715
Fiji Islands	118	115	134	153
Total Cane	16,397	15,111	16,689	17,517
Total World Cane and Beet	25,521	24,904	27,128	27,748
World consumption	25,037	25,637	28,031	28,050

* Sugar of all grades.
(a) Sugar production of Java harvested in 1936.
(b) Cane converted to raw sugar value at the rate of 100 : 60.
(c) Dark sugar produced by primitive mills in Asia and South America not included in the statistics.

The average free market price of raw sugar in 1936 was slightly higher than in 1935. World stocks showed a considerable decline, and are approaching normal proportions. The statistical position is shown in the following table:—

VISIBLE SUPPLY AND PRICES OF RAW SUGAR

Season ended September 30th	Stocks (in thousands of tons)						Average Price(a) (Cuban, 96° c.i.f.)	
	Europe	United States All Ports	Cuba		Java	World	London per cwt.	
			Ports	Interior				
1928	442	343	631	390	1,387	3,193	s. d.	
1929	671	933	466	480	1,497	4,047	11	7½
1930	798	393	1,139	1,310	1,882	5,522	9	7
1931	1,702	459	1,092	1,225	2,287	6,765	6	3½
1932	1,401	440	806	1,310	3,133	7,090	5	9½
1933	1,021	348	619	1,220	3,056	6,264	5	4
1934	873	628	627	958	2,328	5,414	4	8½
1935	1,167	545	360	560	1,496	4,128	4	7½
1936	878	334	237	640	2,983		4	9

(a) Calendar year.

We take the following account of the position from *Weekly Prices Current*, published by Messrs Czarnikow, Ltd.:—

From the point of view of the return which the open market producer received, there is perhaps very little to choose between 1936 and its predecessor. The average price throughout the year at 4s. 8½d. per cwt. c.i.f. was ½d. higher, but rising freight rates in the second half of the year were not immediately compensated by an advance in c.i.f. prices. More orderly marketing on the part of the producers was a feature of the year. There was no anxiety over the adequacy of supplies (as the price trend indicates), but little pressure was noticeable. The market was taken by surprise when the expected plethora of supplies was found not to have materialised. By the end of the year San Domingo, Brazil, and Peru had practically finished their sales; and it was found that much of the Cuban quota for non-United States sale had been diverted to the manufacture of molasses. The year therefore closed with signs of much strength and activity.

The trend of world consumption was highly satisfactory. In some areas the expansion had little effect on the open market, but in most an increased absorption of unprotected sugar was noticed. In some places worsening economic conditions reacted to the advantage of sugar, as in Germany as

a result of the fat shortage. But the greatest increase took place in Great Britain, where 200,000 tons has been added to our consumption since the beginning of the depression, and a rise of 4 per cent. over 1935 has been shown in the figures for January to November.

Turkey and Iran have joined in the race towards national self-sufficiency in sugar. But the greatest progress has been made in British India, where production in the 1935-36 season rose to 954,000 tons, as compared with 617,000 tons in the previous season. The prospect of throwing some of her surplus stocks on the open market, and the fall in the revenue from import duties on sugar, is causing much alarm in industrial and Government circles. Despite the change in machinery needed by the United States Administration, as a result of the Supreme Court's decision, the wise handling of the situation remains an outstanding feature of sugar affairs in America. In this country the British Sugar Corporation, set up by the Sugar Industry (Reorganisation) Act, passed in 1936, commenced its functions on April 1st.

TEA

In contrast to many other primary products, there was little improvement in the world demand for tea during the past year. Average prices were slightly higher, but only because of the restriction of supplies under the international

AVERAGE TEA PRICES (per lb., London Sales)

Year	North India	South India	Ceylon	Java	Sumatra	All Tea
	d.	d.	d.	d.	d.	d.
1929	15-72	15-35	19-02	12-05	13-88	16-25
1930	14-69	14-52	18-61	10-22	11-22	15-23
1931	11-67	11-04	15-36	7-61	7-65	12-24
1932	9-51	8-07	11-17	6-42	5-70	9-45
1933	11-64	10-62	13-48	8-06	7-20	11-67

The Milk Reorganisation Commission for Great Britain, reported in December, and proposed that a Permanent Commission, entirely appointed by the Government, should take over from the Milk Marketing Board the fixing of wholesale prices. The Report was discussed in detail in *The Economist* of December 5, 1936. No official action on the Report has yet been taken, but the Milk Act of 1933 (due to expire in March, 1936) was extended until September 1937. The Act provides, *inter alia*, for the grant of a subsidy to raise the price of manufactured milk. Meanwhile, the

Statutory Order (S.R. & O. 1936, No. 356), which came into force on June 1st, reduced the number of special grades of milk to three—viz., "tuberculin tested," "accredited" and "pasteurised."

The apparent consumption of butter in the U.K., according to the Imperial Economic Committee's figures, showed a slight decline from 25.2 lb. per head in 1935 to 24.8 lb. last year, a movement which was associated with some increase in the output of margarine. Home production of creamery butter again increased, but there was a further substantial fall in the output of farm butter. Imports, at 9,752,000 cwts., attained a record level, and were 1.5 per cent. in excess of the previous year's figure.

The increase in total imports of butter took place despite a 5 per cent. drop in entries from the Dominions; the latter accounted for 53 per cent. of the total, against 57 per cent. in 1935. New Zealand was again the chief source of overseas supplies, sending a record volume of butter. Entries from this source comprised almost 30 per cent. of the total, and were 6 per cent. above the previous year's level. Denmark, which sent rather less than in 1935, was again second on the list, accounting for 22 per cent. of the total. Australian shipments were adversely affected by weather conditions, and showed a drop of 20 per cent. on the year. A feature of the year was the sharp recovery in imports from the Netherlands, which were no less than 60 per cent. above the 1935 level.

BRITISH IMPORTS OF BUTTER AND CHEESE

Country of Origin	Volume in '000 cwt.			Value in £'000		
	1929	1935	1936	1929	1935	1936
Butter:—						
New Zealand	1,304	2,838	2,792	11,277	11,572	13,445
Australia	768	2,113	1,894	6,342	8,388	7,673
Irish Free State	566	488	468	4,580	1,505	1,694
Denmark	2,204	2,186	2,171	19,737	9,966	10,771
U.S.S.R.	290	503	415	2,299	1,670	1,648
Total (including other countries)	6,397	9,608	9,752	54,706	39,328	44,424
Cheese:—						
New Zealand	1,801	1,763	1,681	8,300	4,199	4,774
Canada	723	471	603	3,412	1,237	1,928
Netherlands	193	199	182	777	302	325
Total (including other countries)	2,994	2,714	2,676	13,913	6,649	7,790

As in the case of butter, consumption of cheese appears to have suffered a slight reduction in 1936; *per capita* consumption was put at 8.8 lbs. by the Imperial Economic Committee, against 9.1 lbs. in 1935. After declining in 1935, imports fell by a further 1.5 per cent. last year. The aggregate of 2,676,500 cwts. was the smallest in any year since 1922. Ninety per cent. of this smaller total came from Empire sources, against 88 per cent. a year earlier. New Zealand entries, despite a slight contraction compared with 1935, still accounted for 63 per cent. of the total. The long-term decline in supplies from Canada was reversed last year, imports from this source rising by 28 per cent. to comprise 23 per cent. of the total. On the other hand, Australian entries were 32 per cent. down on the year. Imports of Dutch cheese were 9 per cent. smaller than in the previous year, while Italian supplies were heavily curtailed owing to the operation of "Sanctions." Meanwhile, in contrast to recent trends, there was an increase in farm cheese production in this country, and a corresponding fall in the output of factory cheese.

The following prices, based on the official returns of the London Provision Exchange, represent averages of the top prices of a range, and are taken from the Imperial Economic Committee's *Weekly Dairy Produce Notes* :—

LONDON PRICES OF BUTTER AND CHEESE (Shillings and pence per cwt.)

Averages of Weekly Figures	Butter			Cheese	
	New Zealand Finest Salted	Australian Finest Salted	Danish	New Zealand Finest White	Canadian Finest White
1935—March	s. d. 75 9	s. d. 74 6	s. d. 105 9	s. d. 45 6	s. d. 62 0
June	87 3	84 9	101 0	44 6	64 0
September	111 0	110 6	127 0	54 9	55 9
December	90 3	89 6	127 9	54 0	59 6
Annual average	91 9	90 3	113 0	49 0	60 3
1936—March	84 3	84 0	122 6	50 3	63 0
June	108 3	107 0	115 6	59 9	67 6
September	107 9	107 6	125 3	68 9	71 3
December	100 6	98 9	114 9	62 9	71 9
Annual average	101 3	100 6	119 6	61 0	67 3

Prices continued on the upgrade last year. Quotations for New Zealand and Australian butter rose by 10 per cent. and 11 per cent., respectively, compared with 1935, following increases of 25 per cent. and 28 per cent. between 1934 and 1935. Danish rose by a further 6 per cent., against 14 per cent. in 1935. British creamery butter prices showed a gain similar to that of imported descriptions, while home-produced farm butter was also dearer than in the previous year. Prices of New Zealand and Canadian cheese rose by 24 per cent. and 12 per cent., respectively, in the year under review. During the second half of the year, English farm Cheddar rose in price, while throughout 1936 factory Cheddar was dearer than in the previous year. Cheshire and Caerphilly were also dearer than in 1935.

EGGS AND POULTRY

THE year was notable for the refusal of the producers to submit an egg marketing scheme to the Minister of Agriculture; imports accordingly remained free from statutory limitation. Of the decline in the home production of eggs, the Imperial Economic Committee write as follows (*Weekly Dairy Produce Notes*, January 22, 1936, page 11) :—

Production of eggs in the United Kingdom experienced a marked expansion in post-war years to a peak in 1934. A reduction in the following year reflected the smaller total number of fowls in the country. There was a further slight decline as at June, 1936, although the number of young birds showed some recovery. Although an accurate calculation is not yet possible, the total output of eggs in the United Kingdom in 1936 may be provisionally estimated at about 37.7 million great hundreds, compared with 38.9 million great hundreds in 1935. On this basis the total consumption of eggs in shell was equal to about 159 per head of the population in 1936, against 150 in 1935 and 151 in 1934. Egg consumption was probably greater than in any previous year, although home supplies accounted for only three-fifths of the total, against two-thirds in 1935.

Meanwhile, as the following table shows, egg imports rose by 25 per cent. last year, and were higher than in any year since 1931 :—

IMPORTS OF EGGS AND POULTRY

	Quantity				Value (£'000)			
	1929	1934	1935	1936	1929	1934	1935	1936
Eggs in shell ('000 gr. hundreds)	24,964	18,734	19,777	24,653	17,856	7,051	7,768	9,902
Eggs not in shell ('000 cwts.)	782	818	787	890	3,621	1,698	1,661	2,156
Dead poultry ('000 cwts.)	554	452	423	422	2,960	1,613	1,690	1,657

Last year's increase was entirely from foreign countries, which sent 33 per cent. more eggs than in 1935 and accounted for 81 per cent. of total imports. Shipments from Denmark rose by 22 per cent. to comprise 32 per cent. of the total, while Dutch entries, which were increasing rapidly in the previous year, rose by a further 42 per cent. in 1936. Other important suppliers were: Poland, the Irish Free State, Australia and Roumania. Imports of dead poultry showed little change last year, an increase of 13 per cent. in supplies of chickens being offset by reductions in other classes. Despite a 12 per cent. drop in her shipments, Hungary remained the chief overseas source of supply, accounting for 25 per cent. of the total.

The following table of monthly average top prices quoted on the London Egg Exchange has been compiled from *Dairy Produce Notes* :—

EGG PRICES AT LONDON (Shillings and Pence per 120)

Averages of Weekly Figures	English N.M. Specials	Danish 18 lbs.	English N.M. Standards	Danish 15½ lbs.
1935—March	10/8	9/11	9/8	8/3
June	12/9	10/1	11/8	8/4
September	18/5	13/—	17/3	11/9
December	22/2	17/11	20/8	15/8
Annual average	15/10	12/8	14/9	10/11
1936—March	11/7	10/4	10/7	9/—
June	13/1	10/3	12/1	8/6
September	18/6	—	17/6	12/8
December	21/11	—	19/9	13/—
Annual average	16/9	—	15/6	11/3

Prices generally recorded a further advance last year. On the average, National Mark specials and standards were 6 per cent. and 5 per cent., respectively, above the 1935 level. The gain was rather less marked in the case of imported descriptions, the increase in Danish prices amounting to about 3 per cent.

FRUIT AND VEGETABLES

THE weather was by no means favourable to the horticulturalist in 1936. Cold and damp conditions early in the year were followed by harsh winds and persistent ground frosts after Easter. In the vital period from June to September, there was a notable absence of sunshine, coupled with excessive rainfall.

The area under orchards, which rose in 1935, last year fell by almost 2 per cent.; but there was a slight recovery in the area under small fruit. Strawberries suffered from the wettest season for two or three decades, but fruit crops generally were fairly heavy, despite the absence of sunshine. Crops did not, however, attain the high level reached in 1934. The weather adversely affected demand, and this, coupled with abundant supplies, had a depressing effect on fruit prices. During the year a raspberry marketing scheme was again drafted for Scotland, but was decisively rejected by the growers.

AREA UNDER CERTAIN FRUIT AND VEGETABLE CROPS IN ENGLAND AND WALES (In thousands of acres)

	1930	1933	1934	1935	1936
Orchard fruit	247.0	249.6	254.9	262.4	257.7
Small fruit	66.2	60.0	61.0	59.5	59.9
Total	313.2	309.6	315.9	321.9	317.6
Potatoes	424.7	518.9	487.6	462.8	455.9
Green peas	56.4	63.7	74.3	63.6	67.7
Cabbage*	30.6	33.1	37.0	37.5	43.5
Sprouts	26.3	35.9	34.0	34.1	35.0
Cauliflower	14.6	20.7	20.1	19.5	20.5
Carrots	9.0	12.9	16.4	15.8	16.9

*Including savoy, green kale, and sprouting broccoli for human consumption.

Last year witnessed further increases in the area under vegetables for human consumption. The most notable gain (plus 16 per cent.) was recorded by cabbages, while the only significant reduction was recorded by potatoes. With a shortage of supplies of some classes of kitchen

vegetables, prices were generally satisfactory. The glass-house section, however, was adversely affected by the absence of sunshine and disease was rife. Thus the yield of tomatoes and cucumbers was rather below average; but, since weather conditions did not favour the consumption of salads, prices were disappointing. During the year the growers decided not to proceed with the proposed marketing scheme for tomatoes. The producers of potatoes had another good year, assisted by the restrictive activities of the Potato Marketing Board. The salient statistics for this crop are as follows :—

Potatoes	10-year average	1935	1936
Production in England and Wales ('000 tons)	3,156	2,879	2,814
Yield per acre (tons)	6.4	6.2	6.2
Imports ('000 tons)	384	191	316
Price of best English (s. per cwt.)	—	6.27	7.70

In consequence of the fact that the 1935 crop was rather below normal, there was a slight deficiency of home supplies early last year; imports were also below normal, owing to conditions ruling on the Continent. Despite the protests of the Potato Marketing Board, the import duties on main crop potatoes were temporarily relaxed in March. Meanwhile, the new home crop was frequently diseased; and the fear that supplies would not keep gave rise to some disorderly marketing in the early autumn, with a consequent drop in prices. This situation was, however, purely temporary, and quotations closed the year at a higher level than that ruling twelve months earlier.

FISH

THE fortunes of the herring industry were rather better in 1936 than in the previous year, partly owing to the activities of the Herring Board. The total catch was larger—2,858,000 cwts., against 2,654,000—but realised better prices than in 1935. Thus British landings of herrings sold for an aggregate of £1,212,000, compared with only £868,000 a year earlier. The export markets also showed some

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improvement after a period of severe depression. Total exports, it is true, amounted to only 3,768,000 cwts., against 3,786,000 in 1935; but the aggregate value of these shipments rose from £2,402,000 in 1935 to £2,653,000 last year. During the year the Sea Fish Commission issued its report on the white fish industry, putting forward a number of recommendations for the improvement of the industry. These included the setting up of a Fish Industry Development Commission, with fairly wide powers to reorganise the industry. The British Trawlers' Federation, which disagreed with certain of these suggestions, drafted a scheme of its own for regulating the marketing of fish under new legislation similar to the Agricultural Marketing Acts. No official action has, however, yet been taken.

The past year was not a prosperous one for the white fish section. Largely on account of prolific catches of Bear Island and Murman Coast fish, British takings of white fish rose from 11,397,000 cwts. in 1935 to 12,637,000 cwts. last year. Due to a sharp fall in the price of the principal descriptions, however, the aggregate value of the catch suffered a reduction of 3½ per cent., falling from £10,954,000 in 1935 to £10,601,000 in the period under review. Imports of fresh and frozen fish into the United Kingdom fell from 2,174,000 cwts. in 1935 to 1,957,000 cwts. last year, while the aggregate value of these shipments fell from £2,840,000 to £2,812,000 in the past twelve months.

RAW MATERIALS

COAL

In contrast to 1935, the past year saw a decided, if belated, improvement of conditions in the coal trade. Total production rose from 223 million tons in 1935 to 229 million tons in 1936, although exports (including bunkers) declined from 51 million tons to 46 million tons. This shows that home consumption increased by no less than 10 million tons as a result chiefly of increased activity in the iron and steel trades, while towards the end of the year even exports, aided by the resumption of trade with Italy, showed an appreciable advance over those of 1935. The average price of coal was throughout the year at a considerably higher level than in 1935 and even in the third quarter of the past year profits were as high as 5d. per ton; this is the first time since 1924 that the third quarter's operations have not shown a loss.

The outstanding event of the past year was the coming into operation on August 1st of the central selling schemes. These vary from district to district, and are complete only in Lancashire, where the District Board has the exclusive power of disposal over the coal mined in the district, and determines the supply which each owner must offer and the share of each in the total sales. In most other coalfields the regulation of prices and sales has been delegated to a number of sales committees, which operate under the general directions of the Executive Board. Thus the sale of coal has actually only been centralised in districts representing about a third of the output, and it remains to be seen whether the increased co-ordinating powers of the central council will be used to bring about greater national unification.

The Coal Mines Bill, which was introduced in May, 1936, ended in a dismal fiasco. It was designed to give the Coal Mines Reorganisation Committee authority to impose colliery amalgamation schemes on a minority of colliery owners. However, in deference to the opposition of the colliery owners, Mr Runciman introduced three vital amendments whereby amalgamations were not to become compulsory within two years; an impartial authority was to be established to hear objections to any scheme; and collieries owned by undertakings interested primarily in the supply of coal for manufacturing processes were to be exempted. The Government was then caught between the fires of those wishing to proceed with the original Bill and the colliery owners, who continued to view with alarm any plan, however remote, providing for compulsory amalgamation. In the end the Bill was withdrawn, with the promise of re-introduction later on. Moreover, the Government have also promised to introduce a Bill for the unification of royalties this year.

Kinds of Fish	Quantity			Value		
	1934	1935	1936	1934	1935	1936
England and Wales:						
Cod	4,994	5,554	6,523	3,405	3,475	3,555
Haddock	1,398	1,410	1,599	1,585	1,588	1,531
Hake	443	429	465	1,145	1,047	978
Herring	2,297	2,654	2,858	760	863	1,212
Plaice	571	522	553	1,305	1,294	1,309
Halibut, soles and turbot	406	381	333	1,519	1,462	1,328
Ling, ray, skate and whiting	909	860	788	907	867	751
Total wet fish*	13,575	14,347	15,812	11,960	11,956	11,931
Oysters	120	158	192	107	140	176
Total shell fish*	...	...	...	397	403	443
Total value†	...	...	...	12,357	12,359	12,375
Scotland: Wet fish	5,053	5,506	5,065	3,544	3,852	3,789
Great Britain: Wet fish	18,628	19,854	20,876	15,504	15,808	15,719
Imports of fresh and frozen fish	2,035	2,174	1,957	2,778	2,840	2,812
Exports of fresh and frozen fish	912	1,039	1,362	943	978	1,192
Exports of cured or salted fish	3,331	3,457	3,098	2,440	2,527	2,530
Re-exports†	...	...	...	430	488	446

* Including other items not given above. † Fish of all kinds.

The table below summarises the development of the industry in recent years:—

Year	Output	Exports (including Bunkers)	Average Export Prices (Board of Trade), F.O.B.	Unemployment in Coal Mining Industry
	Thous. Tons	Thous. Tons	s. d.	%
1913 ...	287,430	94,424	13 10	0.4†
1929 ...	257,907	76,658	16 1	16.2
1930 ...	243,892	70,493	16 8	20.2
1931 ...	219,459	57,360	16 2	28.2
1932 ...	209,244	53,108	16 3	34.0
1933 ...	207,108	52,525	16 1	32.9
1934 ...	220,728	53,147	16 0½	28.2

† Trade Union figure. Other figures are Unemployment Insurance Returns.

The following table, compiled from figures published by the Mines Department of the Board of Trade, covering about 96 per cent. of the industry, show output, costs and proceeds for the first quarter of 1935 and for the first three quarters of 1936:—

Great Britain	1935			1936		
	Fourth Quarter	First Quarter	Second Quarter	Third Quarter		
Tonnage disposable ... tons	58,209,889	58,556,760	51,894,084	48,872,899		
Wages	22,721,390	24,416,181	22,350,958	22,732,780		
Stores and timber	4,083,111	4,113,924	3,856,847	3,947,631		
Other costs	6,248,868	6,312,520	6,282,962	6,305,626		
Royalties	1,286,748	1,284,899	1,132,915	1,169,877		
Net costs*	34,323,246	36,082,998	33,629,920	34,222,940		
Commercial disposals	37,811,445	39,996,831	34,508,029	35,108,221		
Balance	+3,588,101	+4,015,976	+968,176	+994,629		

* Includes Miners' Welfare Fund contributions and excludes proceeds of miners coal.

The destination of raw coal exports in 1929, 1935 and 1936 is shown below:—

	Quantity			Value		
	1929	1935	1936	1929	1935	1936
To—	Tons	Tons	Tons	Tons	Tons	Tons
U.S.S.R.	33,787	744,408	1,082,671	26,877	463,557	760,239
Finland	462,266	2,326,852	2,692,804	1,779,148	1,706,657	1,954,204
Sweden	2,935,855	1,311,044	1,397,178	1,025,604	893,563	952,166
Norway	1,444,467	137,812	108,439	110,999	97,447	97,447
Denmark	2,194,385	3,174,923	3,332,726	1,626,763	2,120,372	2,401,175
Germany	5,520,944	2,884,905	3,047,582	3,797,113	2,014,065	2,243,678
Netherlands	3,123,368	1,503,276	1,310,070	2,218,014	1,129,922	1,055,166
Belgium	4,139,634	630,778	523,606	2,817,292	419,136	372,246
France	13,065,033	7,129,908	7,147,957	10,390,391	6,587,325	6,694,986
Switzerland	1,050,469	1,547,657	1,002,328	835,206	95,037	182,574
Portugal	1,782,649	1,243,128	731,603	1,613,718	1,121,083	683,237
Spain	456,410	228,022	127,744	372,996	186,322	106,816
Canary Islands	7,094,808	3,189,365	60,214	5,989,323	2,649,055	41,457
Italy	589,281	186,367	120,772	812,136	164,271	107,071
Greece	2,267,874	1,757,256	1,257,471	1,869,395	1,440,847	1,049,708
Egypt	347,886	547,910	395,278	276,832	383,231	295,495
Tunis	184,953	73,450	76,390	156,377	61,632	67,820
Algeria	744,823	1,667,818	1,284,940	834,646	1,907,190	1,668,687
Newfoundland	177,430	202,152	202,152	145,822	185,925	185,925
Other countries	3,081,695	1,518,616	1,398,893	2,628,467	1,132,475	1,104,702
Total—	4,217,326	3,754,970	3,322,042	5,073,147	5,359,116	4,812,797
(a) Anthracite	40,805,453	27,317,671	24,284,192	31,996,397	20,639,007	19,132,631
(b) Steam	7,316,673	3,376,878	2,995,345	5,441,666	2,420,483	2,188,167
(c) Gas	1,855,364	1,283,238	1,493,355	1,841,025	1,181,879	1,540,307
(d) Household	6,071,802	2,981,347	2,437,843	4,264,576	1,658,193	1,637,881
(e) Other sorts	...	...	...	...	...	...
Total of Coal	60,266,618	38,714,104	34,532,777	48,616,811	31,558,678	29,311,683

Working results per ton, together with earnings and output per man-shift, are given below:—

Period	Pro-ceeds per Ton	Wages per Ton	Net Cost per Ton	Net Balance Credit (+) or Debit (-) per Ton	Output per Man-shift Worked	Earnings per Man-shift Worked
	s. d.	s. d.	s. d.	s. d.	Cwt.	s. d.
1934						
First quarter ...	13 7-57	8 5-46	12 7-25	+1 0-32	23-32	9 1-79
Second quarter ...	13 2-23	8 8-25	13 1-44	+0 0-59	22-59	9 1-11
Third quarter ...	13 1-76	8 8-73	13 3-18	-0 1-42	22-55	9 1-63
Fourth quarter ...	13 6-11	8 6-71	12 10-91	+0 7-20	23-23	9 2-70
1935						
First quarter ...	13 6-40	8 6-01	12 9-87	+0 8-53	23-40	9 2-68
Second quarter ...	13 2-85	8 7-42	13 2-19	+0 0-66	22-10	9 2-85
Third quarter ...	13 1-99	8 8-30	13 3-74	-0 1-75	22-93	9 3-15
Fourth quarter ...	13 11-61	8 4-72	12 7-70	+1 3-91	23-89	9 3-91
1936						
First quarter ...	14 8-46	8 11-72	13 2-74	+1 5-72	23-95	9 11-86
Second quarter ...	14 3-88	9 3-33	13 11-07	+0 4-81	23-24	10 0-22
Third quarter ...	14 4-40	9 3-63	13 11-52	+0 4-88	23-12	10 0-19

A description of developments in the chief producing areas of the United Kingdom is given in the following extracts from the *Iron and Coal Trades Review* of January 15, 1937:—

South Wales.—The year was principally outstanding for the revolutionary change made in marketing, following the introduction of the central selling scheme. This was followed later by the abandonment of minimum prices. When the danger of a stoppage was removed at the end of January, demand showed a considerable falling off, and overseas trade remained on a quiet scale until the closing months. This market felt the full effects of the loss of business with Italy and, in the second half of the year, of the suspension of shipments to Spain; exports consequently showed a decline of over 2,000,000 tons from the 1935 level. The French trade provided a series of surprises, while the seasonal trade with Canada provided the brightest feature of the anthracite section. Happily, 1936 was free from major stoppages. The tone at the close of the year was distinctly brighter and prospects for 1937 were better than those marking the opening of a new year for some time past.

Northumberland.—The year will stand out owing to the complete change which took place in the system of marketing; it is hoped that the result will be seen in higher average prices and greater stability in the trade. The markets have been built up mainly owing to large inland and Irish consumption, but there is also a gratifying improvement in demands from abroad. This is due largely to trade

agreements with Scandinavia. The persistent home demand early in the year resulted in a higher level of inland prices; but this had little effect on export prices, and it was considerably later before there was any improvement on this market. The year closed with strength in every section. Indications point to a higher average level of prices and continued healthy trading conditions. Given freedom from labour troubles, there is every reason to anticipate further improvement.

Durham.—Conditions have been less satisfactory than in Northumberland. Collieries are able to report better trading results, but the improvement was almost entirely due to increased home consumption; although as the year advanced the improvement was gradually accelerated, general conditions of trade cannot be regarded as satisfactory, taking the period as a whole. For many months producers found it impossible to secure sufficient trade to avoid idle times, and until the later months short-time working was a regular occurrence. Export trade has been very disappointing, the loss of the Italian market being a direct cause. Trade with France and Belgium, markets which were for many years main outlets for Durham coals, has also been considerably below normal. The most consistent class has been screened steam coals, which have benefited more than any other section from trade agreements—particularly with Scandinavia. Other Durham qualities have been erratic, but cokes have been a bright and consistent feature throughout 1936.

South Yorkshire.—The past year has justified all the predictions concerning improved trade. Increased activity in the industrial field has reacted advantageously on the coal trade, while the steady absorption of labour, consequent upon the general economic improvement, has stimulated the demand for domestic fuel. More workers are engaged than a year ago and slightly better time is being worked; but the development of mechanical mining precludes the possibility of the bulk of the large number of mine-workers who are unemployed being absorbed into the industry. But the employees have received some tangible share of the recovery in trade. The advantages of co-ordinated selling systems should bring further improvement and assure stability in the industry.

Derbyshire.—The domestic fuel market has been characterised by a shortage of supplies, largely due to restriction of output under the quota scheme. There has also been a shortage of most kinds of industrial fuel, and there has never been any stock of nutty slack. Activity in the iron and steel market has been reflected in the demand for oven coke, practically the whole output of the larger kinds having been sold under contract. Contract sales in general have



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constituted a much larger proportion of output than for some years past, which is in keeping with the general improvement in trade conditions.

Scutland.—The year began with a plethora of orders, and demand was accentuated by cold and foggy weather. Home consumption shot ahead, with the result that the export branch of the trade was kept comparatively bare. Happily, the wage question was amicably settled and an easier tendency developed. As the year drew to a close order books were full, and local markets were expanding, ensuring a complete clearance on the eve of the holidays. Inquiries were maturing into business over 1937, and in some cases right into 1938, buyers generally having realised that nothing was to be gained by waiting.

OIL

World production and consumption reached new records in 1936, output showing an increase of 8.9 per cent. and consumption one of 10.0 per cent. over 1935.

PRODUCTION AND CONSUMPTION OF CRUDE OIL AND RELATED FUELS

(In millions of barrels)

	Production			Consumption		
	U.S.A.	Rest of World	Total	U.S.A.	Rest of World	Total
1934	946	617	1,563	920	590	1,510
1935	1,035	661	1,696	981	617	1,598
1936	1,141	706	1,847	1,090	670	1,760

Source: Messrs. V. R. Garfias and R. V. Whetsel.

Both production and consumption in the United States increased by 10 per cent. between 1935 and 1936. Output outside the United States was 6.7 per cent. higher than in 1935, and consumption showed a rise of 8.7 per cent. The United States was responsible for 61.8 per cent. of world production, against 60.9 per cent. in 1935, while the United States' share of the world consumption increased from 61.3 to 62.0 per cent.

The rise in consumption outside the United States was fairly evenly distributed over the large consuming countries. Russia was again second in the list of producers, Venezuela third, Roumania fourth, and Iran fifth. In all these countries output rose appreciably. Among the smaller producing countries, the rise of the Bahrein output from 1,264,000 barrels in 1935 to 3,600,000 barrels in 1936 was outstanding. The Bahrein Islands, which started production on a very small scale as recently as June, 1932, are now seventeenth among oil producing countries. So far production has been restricted owing to lack of refining facilities, but in 1937 expansion will be more rapid, an output of some 7 million barrels being anticipated.

In view of the strong position of the United States, both as a producer and as a consumer, the situation of the oil market in that country deserves attention. Apart from the remarkable rise, both in production and consumption, nothing of outstanding interest occurred in that country during 1936. The new form of production control, which was discussed in the *Commercial History* of 1935, has worked fairly well in the past twelve months. Price-cutting has disappeared, and the States co-operating under the Interstate Compact have announced their intention of extending this agreement for another twelve months from September, 1937. The improvement of the organisation of the oil industry in the United States is an important factor in the greater stability of the international oil market.

Apart from the marked improvement in the United States oil industry, another factor contributed towards the restoration and maintenance of peace on the world oil market. The Near Eastern oil problem, which appeared to be a source of increasing trouble for a number of years, was solved in 1936. The production of the Iraq Petroleum Company has now reached the capacity of the pipe-line to the Mediterranean, and the distribution of the oil shipped through the pipe-line has provided no difficulties. Towards the middle of August, Italy disposed of its controlling interest in Mosul Oil Fields, Ltd., to Iraq Petroleum Company, so that possible future competition between these two Iraqi producers has been removed. Russia's export pressure continued to decline in 1936; moreover, the danger of price-cutting by Roumania has disappeared as a result of the barter agreements and long-term oil supplying contracts concluded by Roumania with France, Germany and the countries of the Little Entente. In addition, the Standard Oil Company of California and the Texas Corporation concluded an agreement in June, 1936, according to which all oil produced by the subsidiaries of the Standard of California east of the Suez Canal is to be distributed by the Texas Corporation. This agreement covers not only the whole of the Bahrein oil, but also the new oil discovered by the California Arabian Standard Oil Company in Saudi-

Arabia. As the Texas Corporation has an extensive distributing organisation in India, China, Japan, Indo-China, the East Indies, Philippines, Australia and New Zealand, the Bahrein and Arabian oil will go eastwards and will not endanger the stability of the South European and the Mediterranean markets. The fact that Iraq Petroleum Company has taken up search for oil in Arabia in 1936, and that Italy has started an intensive prospecting and drilling programme in Abyssinia, is not likely to disturb the stability of the Near Eastern market in the near future.

The improvement in the oil markets during the past year is reflected in the rising tendency of prices, revealed by the table below:—

OIL PRICES

	End of			
	1933	1934	1935	1936
Best crude oil, U.S.A. (\$ per barrel):—				
Pennsylvania	2.12	1.72	2.02	2.17
Mid-Continent	1.08	1.08	1.08	1.18
Gulf	1.14	1.14	1.14	1.22
Gulf bulk export, gasoline 64-66 deg. (cents per gallon)	5½	4½	5½	5½
England and Wales petrol, first grade (wholesale per gallon)...	1s. 5d.	1s. 4d.	1s. 5d.	1s. 5d.

Oil producers have pursued a cautious price policy in all parts of the world during 1936. Since the end of 1936, some independent producers in the United States have increased their crude oil prices by 17 cents per barrel, and a general increase of 10 cents per barrel in American crude oil prices is expected in the near future. British wholesale and retail prices of first-grade petrol were advanced by ½d. per gallon from January 14, 1937.

Drilling for oil in Europe for strategic reasons was actively continued in 1936. In this country the first of the wells (the Portsdown well, near Portsmouth) reached a depth of over 5,000 ft. by the end of 1936, while the second well (near Henfield, Sussex) was approaching the 4,000 ft. level on December 31, 1936. No oil has been found so far, but the drilling programme will be continued at full speed, and in the summer of 1937 operations (which have so far covered the South of England only) will be extended to the Midlands and the North. In Germany, too, the energetic search for oil was continued during 1936, but after a marked increase in previous years Germany's oil production remained stationary last year. Production of oil from coal made more rapid progress in 1936 than in any other year in the very short history of this industry. In relation to the production of mineral oil, however, the output of oil from coal remains insignificant.

Throughout the past year the leaders of the international oil industry have remained in personal contact. No international control scheme, however, was aimed at and no negotiations are in progress towards that end. This indicates that the basic position of the international oil market improved to such an extent in the past twelve months that oil leaders find an international scheme to secure stabilisation no longer necessary.

VEGETABLE OILS AND OILSEEDS

SUPPLIES of oilseeds generally were not so heavy as in the previous year, and with a rather better demand prices all round were on a higher and more remunerative level.

The Argentine linseed crop was smaller, but the deficiency was in part made up by larger Indian supplies, due to the higher prices ruling. Argentina and Uruguay together exported 1,542,000 tons, 335,000 tons less than in the previous year: India exported 306,000 tons, an increase of 180,000 tons. Including small supplies from the Baltic ports, world shipments aggregated 1,855,500 tons as against 2,018,500. Seventy-five per cent. of this was shipped to Europe, a decline of 138,500 tons. Shipments to the United States, down very little, absorbed most of the balance. So far as Great Britain was concerned, Plate linseed, subject to a 10 per cent. import duty *ad valorem*, was less in demand than Indian, which constituted 83 per cent. of imports as against 23 per cent. in 1935. Prices were at a moderate level in the first half of the year, the lowest being around £10 15s. for Plate on spot, advancing on reports of shortage to £13 in August. Expectations of a large crop later caused a sharp fall. The new crop for December-January shipment was down as low as £10 10s., but it subsequently stiffened when the prophecies of a 2,000,000 tons yield were belied. Rather more linseed was crushed in U.K. mills than in 1935, but crushers considered production unprofitable in the face of keen competition from the Continent. They enjoyed, however, a larger share

of the home market, thanks to the £5 per ton specific duty, which halved imports from abroad. The export trade was far from satisfactory, and shipments were even less than in 1935. The average spot quotation for the whole year for raw linseed oil ex Hull was £26 7s. 3d. per ton, as against £23 11s. 8d. in 1935, and £20 2s. 9d. in 1934.

Imports of cotton seed into England, mainly from Egypt and the Sudan, exceeded 600,000 tons, but were 50,000 tons less than in 1935. Prices fluctuated widely in consequence partly of a marked shortage of seed between the old and the new crop, and partly, towards the close of the year, of the very strong markets for commodities used in the production of edible oils. The peaks were £9 per ton black Egyptian on spot at Hull in August, and £9 17s. 6d. for new crop in mid-December. The average for the full twelve months was probably about £8.

The shrinkage of American demand caused a large fall in cotton oil exports; but supplies of edible oils were small enough for the home market for cotton oil to be consistently good. In the later months resumed American buying and the advance in seed prices combined to raise the price of crude oil from its lowest level, £23 10s. ex Hull per ton, to £32 10s., a range of £9.

The new duty on soya beans and the strong competition of cakes and oil in markets abroad reduced imports of soya beans to a half of the 1935 quantity. Oil production was thus limited. The tendency of prices was markedly upwards: crude extracted rose from £25 10s. in February to £34 10s. in December. A big demand from Germany raised palm kernels by 50 per cent. Crude oil also advanced from £19 10s. in April to £37 per ton ex Hull. A strong Continental demand, probably due to the shortage of olive oil, raised the price of ground nuts materially. Less rape-seed went to the mills, but trade was normal despite heavy arrivals of foreign made oils, prices moving between £32 and £34 10s. per ton. Trade in castor oil was well maintained, though there was severe competition from India. Prices rose steadily from £37 to £41 per ton (in barrels) for first pressure.

The following table gives the main statistics:—

BRITISH SUPPLIES OF VEGETABLE OILS

	(In tons)				
	1932	1933	1934	1935	1936
Home Production:					
Linseed oil	121,397	81,905	61,360	85,767	90,920
Cottonseed oil	71,620	76,313	90,980	109,207	100,352
Other seed oils	42,059	43,068	44,774	46,764	31,746
Palm kernel oil	71,106	57,605	61,158	67,540	65,258
Ground nut oil	38,290	52,547	50,792	68,367	82,815
Copra oil, etc.	59,532	61,748	60,506	73,634	77,996
Total	404,004	373,186	369,570	451,279	449,087
Deduct Exports:					
Unrefined	38,604	27,741	34,480	51,467	36,730
Refined	13,650	21,192	23,798	43,646	11,357
Remainder	351,750	324,253	311,312	356,166	401,000
Add net imports ...	171,256	154,171	196,489	223,326	212,891
U.K. Supplies	523,006	478,424	507,801	579,492	613,891

The principal cause of the reduced exports was the decline in shipments of cotton oil, which (refined and unrefined) amounted to 24,104 tons as against 42,800 in 1935. Imports of vegetable oils from abroad consisted of, refined, 16,988 tons, and unrefined, 195,993 tons. Coconut, olive and palm oils (which are not produced in Great Britain) constituted the unusually high proportion of 68 per cent. of imports. The estimated supply of oilcakes and meals, including net imports, was 1,530,000 tons in 1936 against 1,660,000 tons in 1935 and 1,460,000 tons in 1934.

RUBBER

The following extract is from Messrs S. Figgis and Company's report for 1936:—

The past year has been a better one for rubber producers than for some time past, and the outlook much more promising than for many years. Fluctuations in price have been exceedingly small until the last three months, and for long periods the quotation only moved one-sixteenth of a penny, which for those dealing in the article made trading very difficult, though the sharp rise in price, when it came, has no doubt been beneficial. Shipments of rubber have been kept well within the regulation quota, Sarawak being the only country to show any appreciable excess. The Dutch have controlled the native shipments within their allot-

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ment by increasing the tax as the market went up, until at the end of 1936 it was 57 cents per kilo.

On October 27th the International Rubber Regulation Committee fixed the permissible exportable amount of the basic quota at 70 per cent. for the first six months of 1937, and on December 15th they increased this to 75 per cent. for the first quarter and 80 per cent. for the second quarter. On January 26th the Regulation Committee met and decided to fix the July-September production at 85 per cent., but no alteration was made in the percentage for the first six months. During the first six months of 1937 we estimate the shipments under the basic quotas, including Siam, French Indo-China and the rest of the world to be:—

BASIC EXPORT QUOTAS

	1937 Whole year	First Six Months	77½ per cent.
Straits Settlements, F.M.S., U.M.S., and Brunei	589,000	294,500	= 228,237
Netherlands Indies	520,000	260,000	= 201,500
Ceylon	81,000	40,500	= 31,388
India	12,500	6,250	= 4,844
Burmah	9,000	4,500	= 3,487
State of North Borneo	15,500	7,750	= 6,000
Sarawak	31,500	15,750	= 12,208
Siam	40,000	20,000	= 18,000
French Indo-China (estimated shipment)	45,000	22,500	= 22,000
Rest of the World	25,000	12,500	= 12,500
			= 540,168

Total shipments of rubber for 1936 were 855,000 tons, including latex, and 8,000 tons from Africa, the Philippines, etc., against 872,000 tons during 1935.

STOCKS AT THE END OF THE LAST THREE YEARS
(In tons)

	Dec. 31, 1934	Dec. 31, 1935	Dec. 31, 1936
Stock in America	352,632	303,000	218,844
Stock in United Kingdom	134,931	164,549	78,493
Dealers' stocks in Singapore, Penang, etc.	51,255	22,385	18,017
Port stocks in Singapore and Penang	10,887	5,919	8,952
Stocks in Province Wellesley, Labuan and Malacca	3,757	3,038	3,268
Dealers' stocks up-country	10,683	7,608	5,833
Stocks on Estates of 100 acres and over	12,500	23,369	26,044
	578,645	529,868	359,441

There has been little or no new planting during the past year. The revised figures for the planted areas at the end of 1935 are as follows:—

AREA UNDER RUBBER
(In acres)

Ceylon	607,000	British North Borneo	
Malaya, Malacca	3,195,000	and Sarawak	350,000
Dutch East Indies		India and Burma	230,000
Java, Sumatra, etc.		French Indo-China,	
(excluding native		Siam and other	
areas)	1,480,000	countries	600,000

No excessive speculation took place in 1936, and it must be remembered that most estates had sold a fair part of their crop and therefore had less to sell for forward shipments. The spectacular rise in price during the last two months of the year has been entirely different from the state of the market during the first nine months, when for long periods there was practically no movement. The advance was rapid and became accentuated in the last week of the year. The year opened with the price of 6½d. for spot standard sheets, and advanced to 7d. on January 22nd; by the middle of February it was 7½d. and in April 7¾d. From then onwards to the end of June it remained mostly about 7¾d. In July the price rose to 7¾d. and remained between this and 7½d. until the beginning of October. The market then began to be distinctly firmer, the price rising to 8d. on October 27th, to 8½d. on November 17th and to 9d. on December 4th. Advances then became greater, the trade continually wanting spot or near rubber, and stocks were considerably reduced here each week; also by this time many estates had sold a fair part of their 1937 crops. The price of spot sheet jumped to 9½d. on December 16th, to 10½d. on the 24th, and to 11½d. on the 28th, after the Christmas holidays.

CONSUMPTION OF RUBBER (PARTLY ESTIMATED)
(In tons)

	1934	1935	1936		1934	1935	1936
America	464,500	493,000	573,500	Japan	70,000	58,000	62,000
U.K.	110,000	95,000	99,700	Russia*	47,000	38,000	31,000
France	50,000	52,000	55,000	Australia	10,000	10,000	14,000
Germany	59,000	63,000	72,000	Italy	21,000	24,000	17,000
Belgium	9,000	8,000	10,000	Other countries			
Canada	28,000	27,000	30,000	World	73,000	68,000	68,000
					944,000	943,000	1,033,000

Several of the 1935 figures have been altered from our estimates in our last Annual report.

* These are Russian figures for deliveries from warehouses. Imports into Russia in 1936 were more than 40,000 tons.

It is most gratifying to see that the consumption of rubber continues to increase, and, as the invisible supplies were absorbed to a considerable extent in 1935, there has been a greater visible consumption during the past three months than was expected, chiefly in America.

Consumption has reached the record total of 1,033,000 tons. We gave no estimate for the whole year in our last annual review, but for the first half we did calculate 500,000 tons consumption, and that there would be a reduction of 92,000 tons in the United Kingdom and United States stocks by the end of June; the actual reduction was 99,000 tons. At the end of the year stocks were reduced in the United States and here from 467,295 tons (Bulletin figures) to 297,327 tons.

There is no doubt that the modern car requires considerably more rubber than one manufactured a few years ago. Since 1932 consumption has increased from 692,000 tons to 1,033,000 tons—at the average rate of 68,200 tons a year. In the previous five years—1927-31—consumption increased from 597,000 tons to 684,000 tons, by only 90,000 tons, but during this period it had jumped to 805,000 tons in 1929, and in the two following years came the slump.

COPPER

A REMARKABLE advance in price of over 40 per cent. on the year occurred almost entirely during the second six months. Standard cash, at about £35 at the beginning of January, 1936, did not reach a monthly average level of £38 until August, at about which time the series of successive quota increases began. An increase of 5 per cent. to 75 per cent. in the output quota of the countries adhering to the international restriction scheme, was announced to operate as from August 1st, but the quota was again raised to 80 per cent. from October 1st, to 85 per cent. from October 15, to 95 per cent. from November 1st, and to 105 per cent. on November 5th. Since the period covered by the following review, which summarises briefly Messrs Brandeis, Goldschmidt and Company's annual survey, restriction on copper output has been abandoned until further notice.

The advance in price between the first and last days of 1936 of approximately £15 was, as for lead and spelter, one of the largest ever recorded for any peace-time calendar year, the last quotation for 1936 being also the highest, at £49 7s. 6d. standard cash. The upward movement had gained impetus during the second half and particularly towards the close of the year. The preponderance of the increase in the consumption of the United States over other countries will be noted, resulting from far greater progress in electrification and the use of the automobile in the United States, but consumption is still much below that for the boom years. During the past two years stress has been laid on the large amounts the United States public utility companies will shortly have to spend on necessary replacements and expansion. The estimate of the 1936 consumption outside the United States shows a slight falling off against last year. Russian consumption, however, is growing rapidly, and will probably continue to develop in proportion to home production, though imports show no increase. It is unlikely that consumption outside the United States during the next few years will approach total productive capacity, which is at least 1,650,000 to 1,750,000 long tons per annum.

PRODUCTION, CONSUMPTION, STOCKS AND PRICES OF COPPER
(In thousands of long tons)

	1928-29	1933	1934	1935	1936*
Mining Production					
United States	856	210	217	338	534
Chile	296	168	253	267	235
Canada	102	135	164	185	165
Northern Rhodesia	5	104	143	145	140
Belgian Congo	125	68	110	106	95
Other countries	436	339	357	397	427
Total	1,820	1,020	1,244	1,438	1,596
Consumption					
United States	1,000	345	375	470	675
Germany	250	220	300	290	270
Great Britain	155	150	225	245	255
France	135	110	95	110	110
Italy	75	60	82	88	80
Japan	82	89	110	130	125
Other countries	245	235	263	357	365
Total	1,942	1,200	1,430	1,690	1,880

Stocks, end of year in					
United States	466	315	205	150	
Other countries	157	208	225	165	
Average Price	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Standard cash London,					
per long ton	75 9 7	32 11 4	30 8 5	31 18 2	38 9 7

* Estimated

Production continued under strict supervision during the year. Of the 912,000 long tons of the world's mine production outside the United States, Japan and Russia, the producers' combine controls by far the larger part. In August it was officially announced that the rate of production under the agreement would be raised from 70 per cent. to 75 per cent. of "agreed" capacity, which, it was immediately apparent, was much smaller than the actual productive

capacity. The estimated full capacity of the large participants is 980,000 long tons, against the 70 per cent. original curtailment quota of 416,000 long tons. That the basis of capacity was more or less nominal had to be officially conceded when the successive increases brought the quotas to 105 per cent. This rate would mean an increase of 210,000 long tons per annum in the production of these properties over their original curtailment quotas.

The 1936 decrease in stocks is slightly larger than the preceding falls. Of the quantity held by producers outside the United States, it is estimated that perhaps 30,000 long tons or so could be considered excess. Some authorities have estimated excess blister stocks at between 50,000 and 100,000 long tons. The excess of world consumption over production is estimated at 105,000 long tons. The total of copper produced last year from secondary sources and marketed in alloyed or unalloyed form can be estimated at 320,000 to 350,000 long tons, not all of which is included statistically.

As regards 1937, an increase in consumption of 80,000 tons over 1935 is all that should reasonably be expected. Outside the United States 1937 production can be estimated at 1,050,000 tons and consumption at 1,040,000 tons, which, with American exports of 60,000 tons, gives excess production of 70,000 tons. To forecast copper consumption for the United States is far more difficult than for Europe. Can consumption be expected to go to and stay at the boom record of 1,120,000 short tons per annum without the help of the heavy takings by the public utilities that swelled the figures during the expansion of the 'twenties? The United States copper producers certainly seem to expect a lasting increase in demand. They are equipping properties for a greatly enlarged output and opening up mines closed in the depression. Even with an ultra-optimistic view of the situation, it is hardly possible to picture a cessation of American copper exports, but should such an unlikely event take place it would merely result in further tapping of the reserve capacity of other countries. But if the large increase in American mine production should find a smaller outlet in the domestic market than now expected, the accumulating surplus might exercise a disturbing influence on the European as well as the American markets. The equilibrium of the market can again be upset by a number of factors. Until these can be more exactly appraised, the course of events and the movement of prices should be watched closely. Nevertheless the position at the moment is sounder than for a good many years.

LEAD

THE marked rise in the price of lead was one of the chief events in the metal market in 1936. The quotation of £15 10s. in January exceeded £28 10s. by the end of the year, an increase of over 80 per cent. After a slight fall and then some irregularity early in the year, the price advanced steadily until the end of October, when the rapidity of the rise became spectacular. Except in U.S.A., where consumption remained considerably below that of the boom period, stocks were insufficient to meet the growing demand due to re-armament in particular, and also to activity in the building and electrical industries. The following summary of the year's movements is taken substantially from the annual report of Messrs Brandeis, Goldschmidt and Company:—

During the year there was a spectacular rise in the price of lead. The market had behaved during sanctions in 1935 much the same as it did towards the end of 1936, and there is no doubt that re-armament has been largely responsible—without meaning that the demand for ordinary peace-time industry has not increased. Despite the slight falling off in building activity in Great Britain, consumption is apparently on the increase, while stocks continue low. The quotation (which was at an average of £14 5s. in 1935) was £15 10s. at the beginning of the year for January shipment, and shortly after fell to the lowest point of £14 8s. 9d. The weakness was due partly to a seasonal slackening of building and partly to the liquidation of purchases made three months previously at far higher prices. By early February the undertone changed, and from then until mid-July fluctuations were comparatively narrow. In May the removal of sanctions tended to weaken the market, and in August the contango disappeared. The upward price movement was gradual until the end of October, when it increased in rapidity, partly owing to a large speculative interest. The highest price touched was on December 29th, with £29 2s. 6d. for March lead.

In the U.S.A. the market had meanwhile presented a rather different picture. The New York price advanced from 4.50c. to 5.50c. on December 15th, and closed the year at 6c. This advance was far smaller than that in London. Stocks had increased during the summer, being over 230,000 short tons in July, and though they fell sharply towards the end of the year, they were still relatively greater than those elsewhere. Neither production nor consumption approached the 1929 figure, but domestic demand was enough to prevent exports to Europe. Consumption has jumped by about 25 per cent. over 1935 and about 80 per cent. over 1932, but the per capita consumption only amounts to about 60 per cent. of the boom years 1928-9, and less than half of the corresponding English figure. In the world as a whole consumption outstripped production by

less than 100,000 tons, this tonnage being available in the U.S.A. in excess of immediate requirements, while stocks elsewhere were not enough to meet the sudden increase in demand.

Lead has become of ever increasing importance as an armaments metal. The development of the automatic rifle and the use of machine guns calls for vast quantities of small ammunition, for which lead is a prime essential. The increase in mechanisation has also brought an enormous demand for making battery plates and bearing metals. Another great field is in the covering of cables for electrical conduits, and there has been a large increase in the use of small cables for the wiring of factories and houses. So far as production is concerned, in countries like England and America, the influence of scrap material may seriously diminish the demand for virgin metal.

The very high price ruling at the end of the year is bound to encourage production from fresh sources, but the lack of new discoveries will prevent new supplies from reaching the market for some time. It is more likely that

PRODUCTION, CONSUMPTION, STOCKS AND PRICES OF LEAD
(in thousands of long tons)

	1928-9	1933	1934	1935	1936*
Production					
United States	600	260	295	330	365
Mexico	240	125	175	185	200
Australia	170	210	200	215	195
Canada	145	115	145	150	165
Germany	125	125	130	120	140
Other countries	405	340	385	400	400
Total	1,685	1,175	1,330	1,400	1,465
Consumption					
United States	650	285	300	350	435
Great Britain	260	270	330	325	345
Germany	210	145	155	170	200
France	105	140	115	85	100
Japan	65	70	100	100	100
Other countries	365	275	320	370	375
Total	1,655	1,185	1,320	1,400	1,555
Stocks (metric tons)					
United States	50	184	210	202	160½
United Kingdom	2	30	20	7	6
Average Price					
London cash per ton	£ 22.2	£ 11.68	£ 10.93	£ 14.25	£ 17.60

* Estimated.

† November.

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existing large producers, particularly in Canada, Australia and Mexico, will step up production. Part of the deficiency of Spain may be produced by Yugoslavia. In the U.S.A. an increase in production is possible, but is likely to be absorbed in the home market. The outlook for 1937 is quite good, but to avoid encouraging too much economy in the use of the metal, and to ensure the continuation of a healthy market, it would be better if a reasonable price level were maintained for some time. If the price were to rise enough to encourage indiscriminate production, whilst curtailing normal peace-time industrial demand, it would have a decidedly harmful influence.

SPELTER

In relation to lead, price changes in spelter in 1936 have behaved abnormally. The advance between the beginning and end of the calendar year was only £6, against £13 for lead, while a margin below lead prices of about £1 (against a normal £3 above) became converted in the course of the year to a lag of over £8. The rise did not begin till the latter part of the year, largely as a result of speculative support when the lag behind lead began to appear unjustified. An interesting feature has been the approach of U.S.A. consumption nearer to pre-depression levels than in the case of other base metals. The following survey for the year is extracted from Messrs Brandeis Goldschmidt and Company's annual report:—

At the beginning of the year the outlook was none too promising, and it appeared that without some kind of Cartel production would outstrip consumption considerably. The quotation of £14 5s. for January shipment at the beginning of the year did not seem unduly low in the circumstances. During the spring a rather firmer tendency developed, partly on account of rumours, found to be unjustified, about a re-formation of the Zinc Cartel. By early April the price, until then slightly below lead, began to lag, and for the rest of the year, the margin between the two metals grew wider. During June the market fell below its January level, and the lowest price for the year came on July 8th, with £13 3s. 9d. for July shipment. A level of £14 was not reached until early September, and even this improvement was lost early in October. By then lead had advanced to over £18 and the spread between the two metals was not considered warranted. Speculators began to enter the market for spelter, and as a result the price followed lead upwards, but the margin continued to widen and reached about £9 by the end of the year.

PRODUCTION, CONSUMPTION, STOCKS AND PRICES OF SPELTER
(in thousands of long tons)

	1928-29	1933	1934	1935	1936*
Production					
United States.....	560	290	328	385	465
Canada.....	75	85	120	135	150
Germany and Poland.....	261	130	163	205	220
Belgium.....	201	135	172	180	200
United Kingdom.....	55	41	51	60	200
Other countries.....	272	314	328	360	345
Total	1,424	995	1,162	1,325	1,445
Consumption					
United States.....	535	315	315	420	500
United Kingdom.....	185	125	170	195	210
Germany.....	200	150	170	195	210
Belgium.....	120	95	110	100	115
France.....	120	100	90	85	80
Other countries.....	275	220	270	335	350
Total	1,435	1,005	1,125	1,330	1,465
Stocks (metric tons)					
United States.....	4.5	7.0	10.9	8.2	17.6
United Kingdom.....	70.1	95.7	108.7	76.0	52.1†
Cartel.....	...	134.2	110.3	Nil	Nil
Average Price					
London "Ordinary" per long ton.....	£ s. d. 25 1 6	£ s. d. 15 13 7	£ s. d. 13 17 6	£ s. d. 14 1 8	£ s. d. 14 18 0

* Estimated.

† November.

The 1936 spelter consumption of the U.S.A. was not far short of the 1928-9 level, being 500,000, against 535,000 long tons, and nearly double the 1913 consumption of 270,000 long tons. The use of brass can hardly be diminishing, although the higher price for copper has made it more expensive, while the tonnage required for re-armament must be large. A steady decline in the popularity of galvanised products, however, may be assumed to be taking place. The chief reason for the discrepancy between the demand for spelter in the U.S.A. and in Europe is probably the progress of die-casting, requiring alloys containing the highest grades of zinc. For various reasons the U.S.A. have made greater progress in die-casting than the rest of the world, but it is difficult to foresee whether a similar increase in consumption for die-casting will take place in Europe. The outlook is favourable, as other uses are being found all the time in the alloy field through the use of high-grade spelter.

In Great Britain refiners have been dissatisfied with the price and have intimated that they might have to close down unless they receive additional tariff protection. Competition, however, does not come from foreign spelter but from Empire metal, which in 1936 accounted for 139,565 out of 170,907 tons of raw spelter imported (against 122,858 out of 148,015 tons in 1935—the relative position in 1934 being similar). Imports from Australia appear to be increasing more rapidly than those from other countries, and this is likely to continue.

The potential production of spelter is undoubtedly great, if the price remains at an economic level. The amount that is obtainable as a by-product of lead-zinc and copper-zinc ores, for instance, in Canada, is very large. So it is not only the zinc price itself but the prices of lead and copper, not to mention silver and gold, that will determine the course of actual production.

Whether spelter will regain its popularity sufficiently to restore the former margin of about £3 over lead is still an open question, but the experience of a spread of £9 in the opposite direction has certainly strengthened doubts. The outlook for 1937 is not unfavourable, and even if the present margin between spelter and lead is not likely to disappear, it will probably be substantially reduced. Consumption is running at the highest rate ever recorded, taking the world as a whole, and with stocks in the U.S.A. reduced to about the 1929 level, representing under one month's consumption at the present rate, the prospects can be viewed with greater confidence than for many years.

TIN

THE year has witnessed comparatively erratic price movements. Prices ranged between £172 per ton for three months' tin, to over £241 in November, the £200 mark being re-crossed at the end of September, when Holland and the Dutch East Indies abandoned the gold standard. Uncertainty as to the amount of the quota in successive quarters was in part responsible for much of the irregularity. Only in the last week of June was the third quarter quota known, and the agreement with Bolivia was not concluded till later. Reported difficulties with Siam also had their influence. The following summarises the annual report of Messrs Brandeis Goldschmidt and Company:—

During the whole year tin has been strictly controlled, and it might therefore have been expected that the price would have remained comparatively steady. This was not the case, standard cash being on January 2nd £217½-£218, on July 3rd £175-£175½, on November 10th £244½-£244½, and on December 31st £233-£233½. A fluctuation of £70 in four months, when world trade generally was enjoying a normal upswing, is certainly not an indication of a sound market. A backwardation of £10 between cash and three months during the earlier part of the year changed to a contango of about 10s. at the end. This took place fairly gradually and represents at last a real improvement in the market position. Stocks of tin in English warehouses, previously at 300 tons, increased to about 1,300 tons by the close of the year, but this is still too low for normal requirements. Incidentally, the disappearance of the backwardation caused an increase in business on the London Metal Exchange.

At the beginning of the year the producers under the restriction scheme were operating on a 90 per cent. quota, reduced during the second quarter to 85 per cent. This was interpreted to be connected with preliminary negotiations for a renewal of restriction. Until June 25th, uncertainty as to what would happen on July 1st caused a fall of as much as £10 in a single day. On the announcement of the raising of the quota back to 90 per cent., the market became weaker still, the three months' quotation falling to a low point of £172. It became known later that the 90 per cent. quota did not apply to Bolivia, who had to cede arrears equal to 15 per cent. to the other participants. The unproduced tonnage involved was about 10,000 tons, equal to over 75 per cent. of the visible supplies at the time. The market then began to recover, and by the end of September the price advanced to £200. On September 23rd it was announced that the quotas would be the same for the last quarter. Meanwhile it was known that negotiations with Siam had not been progressing too smoothly, and this gave the market an irregular undertone. When an agreement for the next five years was reached the three months' price advanced to £242½ per ton before it was announced that quotas for the fourth quarter would be increased retrospectively by 15 per cent. all round—i.e. to 90 per cent. in the case of Bolivia and to 105 per cent. for the other signatory countries. Finally, it was announced that the new agreement would, if ratified, last for five years from the beginning of 1937, starting with a basis of 100 per cent., with special scales for Siam and the Belgian Congo.

Visible supplies have increased steadily during the year to about 22,000 tons, compared with 14,000 tons at the end of 1935. But as regards consumption, the total of deliveries declined in the case of every country except the U.S.A., Russia and France. The U.S.A. took about 25 per cent. more than during 1935. So far as production is concerned, there has been a falling off in the proportion pro-

COTTON

As will be seen from the following table compiled from the January, 1937 issue of *Cotton Statistics*, published by The Liverpool Cotton Service, world production rose sharply in the 1935-36 season and is expected to increase still more in the present season:—

WORLD'S COTTON CROP
(Thous. bales of 500 lbs.)

Country	1931-32	1932-33	1933-34	1934-35	1935-36	Estimates 1936-37
United States Lint	17,096	13,002	13,047	9,637	10,638	12,407
Linters	1,067	912	982	1,001	1,100	1,100
Total	18,163	13,914	14,029	10,638	11,737	13,507
Mexico.....	203	99	255	223	235	348
Brazil.....	575	448	958	1,309	1,743	1,800
Peru.....	228	237	278	336	342	345
Argentina.....	165	148	196	295	354	475
Other South American.....	46	39	76	71	98	98
India*.....	4,007	4,657	5,108	4,858	5,728	5,850
China.....	1,733	2,195	2,652	3,001	2,322	3,740
Japan and Korea.....	99	133	197	224	230	275
East Indies, etc.	15	14	15	16	18	18
U.S.S.R.	1,846	1,776	1,917	1,744	2,430	3,040
Persia.....	107	79	137	200	120	120
Iraq, Ceylon, etc.	1	†	68	203	389	384
Asia Minor and Europe.....	131	99	171	1,511	1,707	1,889
Egypt.....	188	110	126	237	193	200
Sudan.....	183	269	274	273	323	372
East Africa (British) ...	3	2	3	3	4	4
South Africa (British) ...	5	20	23	47	40	40
West Africa (British) ...	96	121	154	160	175	180
Non-British Africa.....	2	2	3	4	4	4
West Indies (British) ...	31	26	23	31	23	23
West Indies (Others) ...	4	11	18	14	16	16
Australia, etc.	4	11	18	14	16	16
World's total	29,102	25,357	28,360	25,490	28,251	32,728
World (excl. United States).....	10,939	11,431	14,332	14,852	16,524	19,221
Per cent. of total.....	37.6	45.1	50.5	58.3	58.5	57.8

* Government estimate, 400 lb. bales.

† Less than 500 bales.

The principal rises last season took place in the United States, India and the U.S.S.R. and considerable further expansions are expected in the same countries. The next table shows world consumption of raw cotton by varieties, as compiled by the International Federation of Master Cotton Spinners' and Manufacturers' Associations, together with changes in stocks.

SWISS BANK CORPORATION

(A COMPANY LIMITED BY SHARES, INCORPORATED IN SWITZERLAND)

1872

BASLE, ZURICH, ST. GALL,
GENEVA, LAUSANNE,
LA CHAUX-DE-FONDS,
NEUCHÂTEL, SCHAFFHOUSE

Capital paid-up - S.Fcs. 160,000,000
Reserves - - S.Fcs. 32,000,000

LONDON OFFICE - 99, GRESHAM STREET, E.C.2

WEST END BRANCH : 11, REGENT STREET (WATERLOO PLACE), S.W.1

All descriptions of Banking and
Exchange Business Transacted.

: : Correspondents in all
Parts of the World : :

Foreign Trade

THE DOCUMENTARY CREDIT,
whereby the Exporter is assured
that he will receive payment im-
mediately his goods are shipped
for transit abroad, is the subject-
matter of

A Brief Survey of
the Financial Machinery of
Exports and Imports

copies of which may be had by
asking at any local branch of the
Westminster Bank

WESTMINSTER BANK
LIMITED

41 LOTHBURY, LONDON, E.C.2

WORLD CONSUMPTION AND STOCKS OF COTTON
(Thous. running bales, excluding linters)

Season ended July 31st	Consumption					World Stocks, July 31st
	American	Indian	Egyptian	Other Varieties	Total	
1929	15,066	5,178	989	4,639	26,751	7,599
1930	13,015	6,087	937	5,162	26,006	8,815
1931	10,901	5,863	853	4,864	23,195	10,906
1932	12,316	4,788	980	4,235	22,956	12,144
1933	14,170	4,220	934	5,028	25,114	12,580
1934	13,534	4,772	1,108	5,697	25,878	11,980
1935*	11,354	5,772	1,195	7,480	26,520	8,541
1936†	12,735	5,598	1,183	7,878	28,128	8,768

* No returns from Germany, 1935. † No returns from Germany or Italy.

It will be noticed that, though stocks have risen slightly since 1935, consumption has been higher than at any time since 1929, the rise in American and "other" varieties much more than offsetting the small falls in Indian and Egyptian.

The fluctuations of Liverpool prices are shown below:—

AVERAGE PRICE OF RAW COTTON, LIVERPOOL
(Pence per lb.)

Season ended July 31st—	American Middling	Egyptian Sakellaris
1929	10.52	18.14
1930	9.09	14.52
1931	5.71	9.04
1932	4.81	6.78
1933	5.62	7.79
1934	6.02	8.05
1935	6.92	8.44
1936	6.52	9.20
1936—March	6.30	9.22
June	6.87	9.01
September	6.94	10.35
December	6.94	10.30

The distribution of British imports of raw cotton by quantity and value in recent years is shown below:—

BRITISH IMPORTS OF RAW COTTON
(Excluding linters)

Country	Quantity			Value		
	1934	1935	1936	1934	1935	1936
Of 1½ in. staple and over:—						
From:—						
Anglo-Egyptian	444,320	550,032	577,095	1,772,159	2,125,309	2,427,159
Sudan						
British West India						
Islands	4,675	7,452	9,991	27,829	49,548	77,254
Other British countries	11,687	665	210	38,587	2,079	1,227
Egypt	1,856,764	1,693,970	1,628,845	5,902,278	5,702,922	5,872,940
Peru	94,254	77,530	76,290	295,167	243,241	273,031
Other foreign countries	23,354	12,569	3,870	69,922	46,515	14,203
Total	2,435,054	2,342,218	2,296,301	8,105,942	8,169,614	8,665,808
Under 1½ in. staple and over ½ in. staple:—						
From:—						
British W. Africa	109,467	156,548	111,259	265,215	408,344	316,336
British E. Africa	169,476	118,518	235,179	443,508	316,702	639,768
British India	846,777	824,307	1,096,985	1,797,680	1,853,932	2,452,445
Other British countries	111,402	97,920	238,789	344,720	309,445	758,726
Egypt	899,476	1,024,185	1,197,217	2,612,189	3,191,118	3,830,049
U.S.A.	4,493,250	5,558,256	6,003,382	11,983,600	15,088,495	16,361,574
Peru	783,863	591,902	722,330	2,436,092	1,828,628	2,387,795
Brazil	1,432,038	596,145	1,480,392	3,729,265	1,621,335	3,909,460
Argentina	429,959	243,353	440,543	1,219,971	664,129	1,248,517
Other foreign countries	130,402	176,821	233,335	354,106	481,322	652,802
Total	9,406,110	9,387,955	11,759,411	25,206,346	25,763,450	32,567,472
Of ½ in. staple and under ½ in. staple:—						
From:—						
British India	684,081	825,481	1,231,176	1,319,733	1,629,716	2,551,846
Other British countries	8,704	718	1,273	21,845	1,542	2,640
U.S.A.	85,910	158,117	166,960	234,080	407,669	444,183
Other foreign countries	6,166	6,034	17,094	14,297	11,952	30,576
Total	784,761	990,350	1,416,503	1,589,755	2,050,879	3,029,245
Grand Total*	12,625,925	12,720,523	15,472,215	34,902,043	35,983,943	44,252,525

* Total British imports of raw cotton in 1933: Quantity, 21,742,996 cents; value, £70,570,547.

Total imports, it will be seen, showed an appreciable increase in 1936—an indication of the improvement in home demand.

A survey of developments in raw cotton during 1936 is given in the following summary from Mr F. W. Tattersall's *Cotton Trade Review*, dated December 31, 1936.

On January 2, 1936, the quotation for middling American cotton on the spot in Liverpool was 6.44d., the price in the following weeks, but recovered towards the end of March. After little change in April and May it advanced steadily to its highest point of 7.66d. on July 11th. By the end of August it had fallen again to 6.60d., but throughout the remainder of the year quotations ruled higher, and closed on December 31st at 7.10d.

The American cotton crop for 1935 was 10,638,000 bales, against 9,636,000 bales in the previous season. At the end of last season the carry-over was about 7,000,000 bales. The main feature of the season was the reduction of the United States Government holdings from 6,000,000 to 3,000,000 bales. The first Government estimate of the area under cultivation was 30,621,000 acres, and the amount left for harvest on December was announced to be 30,054,000 acres. For some years the Department of Agriculture's crop forecasts have been remarkably correct, but this year the officials did not maintain their reputation. In August growth was estimated at 12,481,000 bales: but the September forecast caused some sensation, as the amount given had fallen to 11,121,000 bales. In October it rose again to 11,609,000 bales, in November to 12,400,000 bales, and in December to 12,407,000 bales.

An important development of the Government policy of crop restriction and control of prices was the reduction in the amount of loan cotton. The Commodity Credit Corporation has recently announced that some of the 3,000,000 bales of 1933-34 cotton, on which the Government had made loans, will be released during February and March of this year.

The world consumption of American cotton, at 12,500,000 bales, turned out to be larger than expected; and there is every expectation of a continued rise to, say, 13,000,000 bales in the current twelve months.

On January 2, 1936, the quotation for Fully Good Fair Sakellaris Egyptian cotton on the spot in Liverpool was 9.62d. In the next twelve months the price declined, touching bottom at 8.67d. on May 29th; but it rose steadily to 12.04d. on November 29th, and closed the year at 10.40d.

Egyptian production and production from other sources, most of which are competitive against the American staple, continue to increase.

SILK

SUPPLIES of raw silk have been tending downwards for a number of years and a further reduction took place in the season ended June 30th last. The following table, based upon the estimates of Messrs Morel-Journal and Company, shows that the reduction was general except in the case of exports from Shanghai, which recorded a marked recovery. An increase in the European crop, and a decline in supplies from other sources is forecast for the current season:—

WORLD SUPPLY OF RAW SILK
(In metric tons)

Season ended June 30th	1913-14	1932-33	1933-34	1934-35	1935-36	1936-37*
Export from Shanghai (including Tussah)...	5,800	2,716	2,274	1,447	3,388	3,000
Do. Canton	2,780	1,570	1,720	1,395	1,035	1,000
Do. Japan	12,120	31,100	29,940	31,275	29,058	28,000
Do. Persia and Central Asia	435	38	165	150	...	...
Do. India and Indo-China	115	...	...	...	...	...
European crop	4,235	3,640	3,514	2,942	1,786	3,100
Levant crop	1,890	698	689	780	672	650
Total	27,365	39,732	38,302	37,989	35,939	35,750

* Estimates.

Following the recovery recorded in 1935, prices again rose in the year under review. The following table, showing the trend of quotations at Lyons, is compiled from Messrs Morel-Journal and Company's annual review:—

RAW SILK PRICES—END OF DECEMBER
(In Francs—Lyons Terms).

	1929	1933	1934	1935	1936
Italian, Extra, 13/15	245-250	65-67	52-54	75-80	100-102
Syrian, 2nd class, 9/11	245-250	76-78	54-55	72-74	97-99
Shanghai steam fibre, double extra 13/15	290-300	75-78	60-61	80-82	107-109
„ Szechuen fibre, Extra A 13/15	234-245	68-70	48-50	69-70	100-101
„ native Tussah, extra 8 cocoons	34-36	35-36	35-36	35-36	49-51
Japan fibre, double extra crack 13/15	280-285	60-62	51-52	72-73	102-104
„ No. 1 13/15	265-270	58-60	51-52	72-73	101-103
Canton fibre, petit extra 13/15	215-220	55-58	52-54	60-62	91-93
„ best 1 par 13/15	180-185	50-52	48-49	58-59	90-91

After an indifferent period from January to May, producers raised their prices in June and the rise continued until August. Following the devaluation of the gold bloc currencies at the end of September, silk prices shared in the general rise in commodities, only to relapse in December, following the publication of the American consumption statistics for November.

WOOL

THE improvement in the raw wool markets that started in 1935 was continued in 1936. Despite the fact that the world wool clip has slightly increased, the index of raw wool prices, compiled by the *Weekly Wool Chart*, rose from 72 for 1935 to no less than 91 for 1936.

The following table, compiled by the Imperial Economic Committee, shows production of raw wool in the leading export countries:—

WORLD WOOL PRODUCTION
(In millions of lbs., greasy basis)

Season	Production						Index of Wool Prices (July, 1914 = 100)
	Australia	Argentina	New Zealand	Union of S. Africa	United States	United Kingdom	
1928-29	968	547	272	290	384	114	3,888
1929-30	938	353	273	309	400	112	3,915
1930-31	912	361	271	302	433	111	3,847
1931-32	1,007	378	283	314	464	113	3,846
1932-33	1,062	388	288	330	441	119	3,863
1933-34	996	385	301	284	460	120	3,745
1934-35	1,015	370	276	222	451	115	3,681
1935-36	992	350	317	251	453	109	3,668
1936-37	990†	375	295	285	450†	108†	91

† The figures in this column refer to the earlier calendar year. ‡ Provisional.

The next table brings out the great decline in New Zealand stocks in the course of the last year, a decline that leaves total stocks smaller than at any time in recent years:—

STOCKS OF RAW WOOL AT END OF SEASON
(In millions of lbs.)

	Australia (a)	Argentina (b)	New Zealand (a)	South Africa (a)
	In Store at Selling Centres	All Centres	All Centres	At Ports (unsold)
1932	44.5	67.0	84.0	17.0
1933	12.9	9.0	59.9	2.0
1934	65.0	41.9	26.0	2.0
1935	26.0	13.0	64.0	4.0
1936	23.2	18.0	17.0	7.0

(a) Season ended June 30th. (b) Season ended September 30th.

The third table shows that wool prices have now recovered to above the level reached in the 1933-4 boom:—

WOOL PRICES IN LONDON

In pence per lb. Fleeces Wools	July, 1914	Dec. 5, 1928	Mar. 15, 1933	Jan. 18, 1934	Dec. 6, 1935	Dec. 2, 1936
70's super	d.	d.	d.	d.	d.	d.
64/67's good medium	32	48	21½	37½	30	38
60/64's good medium	30½	45	19½	34	29	34
58/60's good medium	30	43	18½	33	27	31
56's fine crossbred	29	41	17	31	24	29
50/56's fine crossbred	28	36	13½	29	19	25
46/50's crossbred	23½	33	12	25	14½	19
46's crossbred	18	27	7½	18	11½	119
44's crossbred	17	25	6	14	10½	18½
44's crossbred	16	24	5½	13½	9½	18

* 50's super.

† 48's.

Recent changes in the wool market are summarised as follows in the *Weekly Wool Chart*, dated December 31, 1936:—

During the greater part of the year 1936 the course of trade in the wool textile industry was somewhat featureless: the position generally was sound and the 1935-36 wool clips were disposed of without difficulty. The carry forward of unsold wool at the sources of supply was substantially less than it was at the end of the previous season. After the opening of the 1936-37 wool selling season, developments were more exciting, and during the last quarter general progress was made. The United Kingdom was chiefly responsible for the change, but there were indications of advance also from the raw material countries.

In all the primary markets there has been a keen demand for raw material with an upward tendency of prices. In spite of the absence of Japanese support, from May onward—owing to tariff disputes with the Australian Government—offerings at Australian sales were disposed of at an average price per bale for the first half of the season of fully 1/1 above the average for the whole of the previous season. The Japanese demand for merino wool was concentrated in South Africa, where the price of Cape wool was forced well above the relative value of tops in the United Kingdom and the Continent. This had the effect of increasing the European demand for wool in Australia. In the Argentine and Uruguay, German, United States and Japanese buyers were active and so overbid Bradford importers that an unusually small proportion of the clip has been bought for the United Kingdom to date. The New Zealand season opened buoyantly, and

exceptionally heavy Japanese buying at the pre-Christmas sales were largely responsible for the almost complete clearance of the offerings at prices that caused an all-round advance in Bradford quotations for crossbred tops,

OTHER TEXTILE FIBRES

THE trend of the prices of Manila hemp and East African sisal continued upwards in 1936. The quotations for most other textile fibres showed a fall, however, for the first time since 1932.

FIBRE QUOTATIONS IN THE UNITED KINGDOM

	Jan. 1, 1929	Jan. 1, 1932	Jan. 1, 1934	Jan. 1, 1935	Jan. 1, 1936	Jan. 1, 1937
Italian PC/SD	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Flax Livonian ZK	67 0	40 0	50 10	61 10	69 5	69 5
Soviet IV Group flax	98 0	42 0	43 0	77 0	76 0	74 0
Soviet III Group tow	...	45 0	47 10	82 0	89 0	82 0
Bombay hemp H.J.F.	28 10	17 5	21 10	18 0	16 10	15 0
Bengal, Sunn, No. 2	34 0	19 0	22 0	21 0	22 0	20 0
Benares No. 2	23 0	13 0	15 5	13 10	18 0	14 5
Jute, Firsts	32 10	20 10	15 10	17 15	19 15	19 0
Manila J2 (U.K.)	33 10	20 10	14 10	15 0	27 0	36 0
New Zealand, Fair	34 10	19 0	14 0	15 0	20 15	24 10
African Sisal, No. 1	42 0	16 10	16 0	15 0	28 10	29 0
Cebu Magway, No. 2	34 10	16 10	12 0	11 10	19 10	25 15
Mauritius hemp, Primo	39 10	23 0	22 10	22 0	22 10	22 0
Mexican Henequen	6½c.	2½c.	3½c.	3c.	6½c.	Nominal

A description of developments in the fibre market, taken from the annual review of Messrs. Wigglesworth and Company, Ltd., is given below:—

The upward movement of Manila which set in in 1935 progressed still further, carrying the price to a higher point than any touched since 1929-30. Low prices had fostered increased consumption, and now that shipping is more active and the demand for roping increased, supplies of raw material are failing to keep pace with demand. Efforts to reform methods of the growth and preparation of flax are making but slow headway, and it is evident that there is not sufficient weight and enthusiasm behind those who are devoting brain and capital to modernise the industry.

Flax.—A study of the linen industry during 1936 reveals two sharply contrasting periods. Looking back, one is amazed at the transition from the gloom and poor trade of the first six months to the activity and almost boomlike conditions of the second half of the year. At the outset there

was a very considerable discrepancy between raw material costs and the selling prices of yarn and cloth, and except in the fine end of the trade business was exceedingly poor. Fortunately, the month of July witnessed a distinct increase in the demand for yarns and cloth. The natural result was a reversal of the downward movement in prices experienced over the first six months of the year. The foregoing remarks refer particularly to the trade in Great Britain, where a relatively stable exchange and freedom from industrial disputes greatly assisted manufacturers to maintain and in some cases expand their hold on the export markets. In the other centres of the linen industry conditions were less favourable, and in France and Belgium there was serious dislocation owing to strikes and recurrent difficulties with labour. It was not until February that any important transaction in flax was carried through. In that month about 14,000 tons of Soviet material were sold. In April, a further sale of Russian material, totalling about 16,000 tons, took place at a reduction of £10 per ton on the price accepted in February. Although conditions were quiet for the next two months there was no further serious fall in values. The greatly increased demand for yarns which developed in July and August encouraged shippers to cover their raw material needs, and this resumption of buying quickly revealed the underlying strength of the raw material position. Prices advanced rapidly from the low point of £68 for IV Group Slanitz, £58 for Latvian Livonian and £48 for Rato Raw No. 8, to £81, £78 and £65 respectively. By the end of November exceptionally large quantities of new crop Russian and Baltic flaxes had been sold, and sellers were then showing reluctance to back further quantities.

In 1936 there was no marked difference in the area under flax in the chief producing countries, except in Germany, where no less than 110,000 acres were sown compared with 55,000 acres for 1935, the yield of fibre being estimated at 30,000 tons. In Northern Ireland, the area unfortunately showed a decrease of more than 2,000 acres. The output in many countries was down as a result of a prolonged spell of hot dry weather which prevented the plants from reaching full growth.

Indian Hemp.—Bombay.—Following the great activity of the autumn of 1935, the market opened the New Year with a declining tendency. From an opening price of £16 5s. Fine Jubbulpore declined during the first six months to £14 5s. per ton, little above the lowest price recorded in recent years. After the usual quiet summer period there was an improvement in demand during the autumn, followed by a slight increase in values, the highest touched by Fine Jubbulpore in the closing period being £15 10s.

Jute.—Control of production resulted in an average price of £18 7s. 6d. for Firsts for the year 1936, which runs close to the average of £18 10s. per ton for 1935. Early in the year the price of Firsts was £20 10s. per ton; later prices declined, Firsts reaching £16 5s. per ton by the middle of the year. It was soon evident that the discounting of prices had been overdone and that the crop would not be sufficient for world requirements unless considerably in excess of the estimate. After a period of comparative steadiness in autumn prices moved up, Firsts again passing £19. The Government has now issued instructions that an effort be made to reduce the 1937 sowings by three-sixteenths of the 1934-35 area, and it is feared that, in view of expanding demand, restriction may be overdone.

ESTIMATED PRODUCTION OF HARD FIBRES

	1933	1934	1935	1936
Philippine manila	Tons	Tons	Tons	Tons
152,625	175,000	187,375	181,875	
Philippine manila	5,760	10,950	13,550	22,200
Mexican henequen	93,000	92,000	90,000	94,000
East African sisal	102,000	111,000	132,000	139,000
West African sisal	6,000	10,000	12,000	11,000
Java and Sumatra sisal and cantala	85,000	80,000	80,000	77,000
Do. Do. Abaca (manila)	10,000	5,000	4,000	5,000
West Indian sisal	6,000	10,000	6,000	8,000
New Zealand hemp and tow	6,400	4,900	4,500	6,500
Mauritius	500	500	600	600
	467,285	499,350	530,025	525,175

Manila Hemp.—The year may be regarded as satisfactory, many factors contributing to an improvement which gave producers and manufacturers a better margin of profit. The first five months showed no particular change of values. From then onwards a radical change set in, and by mid-summer a strong market was firmly established. A sharp

advance of 16s. per ton in European freights was arranged from October 1st, its notification stimulating buyers and helping activity through the customary dullness of summer time. At the end of May supplies of United Kingdom qualities at origin were stated to be 67,000 bales, but the loose hemp coming forward was insufficient to meet current demand, so that by the end of October stocks dwindled to 15,000/20,000 bales, barely two weeks' supply. Statistically, the general position is sound. Supplies have fallen from 1,480,000 bales to 1,295,000 bales. Stocks at origin have been reduced from 197,000 bales in January last to the present figure of 128,000 bales. Unexecuted inquiries indicate that European consumption would have been greater had the material been available.

East African Sisal.—The outstanding feature of the Sisal market during 1936 has been its remarkable stability in price. The year opened under firm conditions, with No. 1 ruling between £28 and £29. It closes this month equally firm at £29 to £29 10s., so that except for two brief periods during May and August, when it fell to £26, the average price of No. 1 for the year is £27 10s. per ton.

Contrary to general expectation, the higher values now ruling for Sisal have failed to yield a larger production, doubtless because of overcutting during the previous years of low prices and postponement of normal planting to replace cut-out areas. Increases in the cost of production and of freight, combined with a shortage of labour, have contributed to a fall in output. There are no indications of such a change in the situation as would justify any substantial increase in next year's crop.

Java and Sumatra Sisal.—Generally speaking, the market closely followed African, fluctuations being within 2s. 7d. to 2s. 5d. basis "A" grade.

Mexican Henequen.—Judging by the exports, the production has been stable throughout the year on the basis of the reduced output of previous seasons. It is therefore concluded that, in spite of much higher prices, existing conditions preclude any early expansion of the crop. The price has enjoyed similar stability to that obtained by African and Java.

The next table shows British imports of flax, hemp and jute in 1934, 1935 and 1936:—

BRITISH IMPORTS OF FIBRES

Country	Quantity			Value		
	1934	1935	1936	1934	1935	1936
Flax:—	Tons	Tons	Tons	£	£	£
From:—						
British countries.....	489	719	1,179	27,743	49,116	74,779
Soviet Union.....	11,413	6,879	7,374	589,247	528,678	516,428
Latvia.....	3,805	5,092	12,984	186,046	336,847	717,348
Belgium.....	16,905	15,278	17,548	1,351,058	1,409,467	1,661,021
Other foreign countries	5,207	5,990	6,474	293,038	430,474	592,241
Total.....	37,819	33,958	45,559	2,447,132	2,754,582	3,361,818
Flax tow or codilla:—						
From:—						
British countries.....	77	155	253	1,606	4,699	7,103
Soviet Union.....	18,612	15,991	13,282	533,603	1,004,215	737,147
Latvia.....	911	3,064	3,312	33,485	183,498	173,231
Other foreign countries	4,231	8,009	3,451	131,731	173,908	173,752
Total.....	23,831	22,219	20,298	700,425	1,366,320	1,091,233
Hemp, not further dressed						
after scutching or de-						
corticating:—						
From:—						
British East Africa.....	25,436	27,937	30,680	394,666	437,531	771,051
Other British countries	5,919	9,000	11,924	101,804	143,978	214,566
Italy.....	7,593	3,682	295	375,893	199,127	19,229
Philippine Islands.....	42,385	40,225	40,398	610,350	607,137	994,622
Other foreign countries	4,589	8,677	8,710	143,168	316,159	363,015
Total.....	85,922	89,521	92,007	1,625,871	1,703,932	2,362,483
Hemp, further dressed, and						
hemp tow or codilla.....	4,701	5,489	4,873	107,877	161,970	120,586
Jute, raw:—						
From:—						
British India.....	193,810	172,838	181,714	2,860,240	2,904,235	3,327,518
Other British countries	13	2	1	78	34	15
Foreign countries	795	402	28	11,389	6,910	594
Total.....	194,618	173,242	181,743	2,871,707	2,911,179	3,328,127

Imports of flax and jute, it will be seen, showed an appreciable increase.

MANUFACTURES

IRON AND STEEL

ACTIVITY in the iron and steel industry was intensified during the past year. Output of pig iron rose from 6.4 million tons in 1935 to 7.7 million tons in 1936, the highest recorded since the war. The output of steel ingots and castings established an absolute record by rising from 9.8 million tons in 1935 to 11.7 millions in 1936. Prices rose rapidly throughout the year, the index of iron and steel quotations, published in the *Board of Trade Journal*, rising from 102.1 (1930 = 100) in December, 1935, to 110.5 in the corresponding month of 1936. The demand for steel has been so strong that the industry has not only been working to capacity, but has suffered from a shortage of skilled labour, and has not had the material available to maintain its exports, which actually showed a slight decline.

The agreement between the British Iron and Steel Federation and the International Steel Cartel was established on a regular basis in July, 1936. The quota of imports permitted under this agreement is admitted at a reduced tariff rate of 20 per cent.; but this has since been supplemented by a licensing system, which came into operation in November, 1936, whereby licences are issued by organisations authorised by the Governments of the Cartel countries to export firms, whose products may then also be admitted at the reduced rate of duty.

During 1936 the industry has felt the long delay in plant modernisation and in the instalment of new capital equipment, and has had to consider to what extent it should now undertake large schemes of expansion, the fruits of which could hardly be reaped until after a delay of a year or two. One of the most outstanding of these plans for new capital equipment has been that for the rebuilding and modernisation of Richard Thomas's works at Ebbw Vale. The development of the industry in recent years is summarised in the following table:—

BRITISH IRON AND STEEL INDUSTRY

Year	Output (Thousand Tons)		Iron, Steel and Manufactures thereof (Thousand Tons)		Price of Cleveland G.M.B. No. 3 per ton	Unemployment	
	Pig Iron	Steel Ingots and Castings	Imports	Exports		Pig Iron	Steel
1913	10,250	7,660	2,230	4,969	s. d.	%	%
1929	7,589	9,636	2,822	4,380	60 0	12.1	19.8
1930	6,192	7,326	2,912	3,160	70 6	23.9	34.0
1931	3,779	5,203	2,845	1,979	66 11	39.3	45.9
1932	3,573	5,257	1,594	1,887	58 7	43.3	47.8
1933	4,136	7,024	971	1,922	62 6	37.6	38.0
1934	5,979	8,860	1,366	2,251	67 1	25.2	25.8

Month	Output (Thousand Tons)		Iron, Steel and Manufactures thereof (Thousand Tons)		Price of Cleveland G.M.B. No. 3 per ton	Unemployment	
	Pig Iron	Steel Ingots and Castings	Imports	Exports		Pig Iron	Steel
1935	1936	1935	1936	1935	1936	1935	1936
Jan.	521	596	758	912	131	120	181
Feb.	483	585	770	939	103	123	173
March	554	634	842	980	126	129	176
April	526	630	809	984	63	119	211
May	559	661	853	963	86	116	214
June	529	644	770	966	98	110	195
July	547	666	803	974	90	170	206
August	530	651	856	1,027	89	165	187
Sept.	543	636	760	973	74	141	202
October	530	643	903	1,001	77	90	216
Nov.	559	671	812	1,019	113	95	190
Dec.	6425	7687	9842	11699	1152	1479	2372
Year	6425	7687	9842	11699	1152	1479	2372

A description of the year's developments in the principal producing areas of the United Kingdom is given in the following extracts from the *Iron and Coal Trades Review* of January 15, 1937:—

North of England.—Still by far the largest pig-iron producing area in the country, and retaining by a slight margin its supremacy in steel production, the North-East Coast has enjoyed a year of unparalleled prosperity. The actual course of events has surpassed the most sanguine anticipations. Producers have been struggling in the wake of an ever-increasing demand, and, although outputs have been rapidly increased, stringency of supplies has been an almost chronic condition. The continuing pressure for supplies is such

that more plant will certainly be brought into operation early this year. This unexampled activity has derived its inspiration exclusively from the enormous expansion in home demand, and it is likely that domestic requirements will continue to provide full employment for the bulk of the plants now in operation. Apprehension is, however, expressed at the continued neglect of the export market, which has been necessary to keep pace with requirements of home consumers. A substantial export trade is still vital to the local industry. Expansion of pig-iron production has been limited by the fact that so many of the existing blast furnaces had fallen into decay through disuse. There are now 31 furnaces operating, against 28 a year earlier.

Scotland.—The pig-iron market was extremely active throughout 1936, the number of blast furnaces operating having varied from 12 to 15. England and India supplemented the local make, while Russian iron made its first appearance in the market. These were absolutely necessary to meet the requirements of the trade. Owing to lack of fuel it has not been possible to bring more blast furnaces into operation. Makers of light castings have been busy throughout the year, but have found it difficult to get sufficient Middlesbrough iron to meet their requirements. There has also been great difficulty in getting sufficient supplies of hematite, and the position has become more acute as time passed. The manufactured iron and steel industry has passed through a period of record activity, the expansion of business having exceeded expectations. Export business, while showing an increase, has varied considerably in the different sections. A steadily rising home trade has provided by far the most important outlet, and there is every indication of a continuance of these exceptionally active conditions for some time to come. Prospects for 1937 are thus very encouraging.

Sheffield and District.—The year has been a notable one. So great are present demands that the preparations made to cope with increased business have proved in many instances altogether inadequate, and extensions to plant and buildings have been imperative. The output of steel in 1936 surpassed all records. Throughout the year the iron market favoured producers—in eloquent contrast to conditions in recent times. Consumers were willing to place heavier contracts, particularly for foundry pig, than makers were always prepared to accept, and in some cases the latter were compelled to close their books for a time. Consumption of hematite was unusually heavy, and in the second half of the year considerable

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difficulty was experienced in securing full deliveries. The year was satisfactory for makers of finished iron, while a retrospective view under the heading of steel gives cause for great satisfaction. On every hand the outlook is such that there is a spirit of high confidence.

North-West of England.—A production that at its fullest was inadequate, and at its lowest was far too small to satisfy needs, and further development of plant were the cardinal features of a memorable year in the hematite pig-iron trade. The year began with seven furnaces in blast; for several months the total was nine, but at the close output fell to seven, with no prospect of a restoration to the maximum till April or May. Deeply disappointing was this contraction of production. The swelling volume of demand caught makers at a period when their plans for setting the industry on a more satisfactory footing technically had still to be completed. The industry is paying for the inaction enforced by a long period of depression. Apart from this, makers have had difficulties with foreign ore supplies, and efforts are now being made to increase production of local ore.

South Staffordshire.—A considerable tonnage of billets was brought into South Staffordshire during the period under review. Despite the heavy demand, there have been few changes in prices except in the case of hematite pig iron. The position at the end of 1936 was exceedingly strong. All through the year the demand for semi-finished steel has been good. The chief feature of the pig-iron trade was the expansion in demand from the general engineering, motor and jobbing foundries. In hematite pig iron conditions were moderately good at the beginning of the year, but afterwards considerable improvement in the call for this class of iron was noticeable from many sources. The year must be considered the most satisfactory for some years in respect to finished iron, and it has been an exceptionally good one for the steelmakers.

South Wales.—The iron and steel industry experienced almost unprecedented activity in 1936. In the later months producers, being unable to cope with the pressure for deliveries, became much in arrears. The condition of the steel industry is dependent on that of tinplates and sheets, which absorb approximately two-thirds of the total production of South Wales and Monmouthshire. The tinplate industry was better employed, at 60 per cent. of capacity, compared with 53 per cent. during 1935, and at the end of the year more activity was noticeable. The improvement is practically entirely due to expansion of the home trade. There were indications at the commencement of the year of an improved export demand, but these faded, and the final figures for the year are only expected to equal those of 1935. The outlook is most encouraging as makers of tinplates have been filling up their order books. The heavy steel makers also have full order books and are already assured of a busy time over the first half of 1937 and beyond.

The following table, compiled by the British Iron and Steel Federation, shows that production of iron and steel increased in the majority of countries in 1936:—

WORLD PRODUCTION OF PIG IRON AND STEEL
(In millions of tons)

	1929	1931	1932	1933	1934	1935	1936 (partly est.)
Pig iron:—							
United Kingdom ..	7.59	3.77	3.57	4.14	5.97	6.42	7.69
Germany ..	13.19	5.97	3.87	5.19	10.41†	12.64†	15.06†
Saar ..	2.07	1.49	1.33	1.57	6.06	5.70	6.10
France ..	10.20	8.07	5.45	6.22	2.91	3.01	3.13
Belgium ..	3.98	3.15	2.74	2.79	1.86	1.95	1.84
Luxembourg ..	2.86	2.02	1.93	1.86	1.95	1.84	1.96
Total, Western Europe	39.89	24.47	18.89	21.68	27.30	29.61	33.94
Other European Countries	9.14	8.15	8.79	9.71	13.56	16.01	18.33
United States	42.61	18.43	8.78	13.35	16.14	21.37	30.00
Australia, Canada & India	3.02	1.77	1.26	1.67	2.25	2.75	2.98
Other Countries	2.69	1.91	1.97	2.36	2.63	2.80	2.96
World total	97.35	54.67	39.09	48.43	61.88	72.54	88.21
Steel:—							
United Kingdom ..	9.64	5.20	5.26	7.02	8.85	9.86	11.69
Germany ..	15.99	8.16	5.68	7.49	13.65†	16.19†	18.98†
Saar ..	2.17	1.51	1.44	1.65	6.08	6.18	6.56
France ..	9.55	7.70	5.55	6.43	2.90	2.92	3.07
Belgium ..	4.04	3.06	2.76	2.70	1.90	1.81	1.95
Luxembourg ..	2.66	2.00	1.93	1.82	1.90	1.81	1.95
Total, Western Europe	44.05	27.63	22.62	27.11	33.38	36.96	42.25
Other European Countries	13.00	10.98	10.33	11.63	15.24	18.72	23.38
United States	56.43	25.95	13.68	23.23	26.06	34.09	46.92
Australia, Canada & India	2.40	1.53	1.13	1.48	2.06	2.39	2.75
Other Countries	2.49	1.98	2.35	2.29	3.90	4.13	5.01
World total	118.37	67.88	49.90	66.76	80.64	96.29	120.31

† Includes the Saar.

The expansion of world production of steel was even greater in 1936 than in the preceding year, and for the first time output exceeded the level of 1929.

The final table, taken from the *Iron and Coal Trades Review*, shows the extent of the rise in British prices of a number of iron and steel materials:—

IRON AND STEEL PRICES

Class of Material	Jan. 25, 1934	Jan. 10, 1935	Jan. 16, 1936	Jan. 14, 1937
Iron ore—	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Rubio, Middlesbrough	0 16 6	0 17 0	0 18 0	0 17 1½
Hematite, West Coast (at mines) ..	0 17 0	0 14 0	0 14 0	0 17 1½
Pig iron—				
No. 3 foundry, Cleveland	3 2 6	3 7 6	3 10 0	4 1 0
No. 3 foundry, Scotch	3 5 0	3 10 0	3 14 0	4 8 0
Hematite, mixed nos., West Coast ..	4 3 6	4 3 6	4 6 0	5 3 6
delivered Sheffield	3 2 6	3 8 6	3 10 6	5 3 0
Hematite, mixed Nos., East Coast ..	12 0 0	12 0 0	12 0 0	13 0 0
Finished iron and steel—				
Marked bars, S. Staffs	9 5 0	9 12 6	9 12 6	10 10 0
Crown bars, S. Staffs	8 7 6	8 7 6	8 7 6	8 7 6
Steel rails	11 5 0	11 5 0	11 15 0	14 15 0
Galvanised sheets (export)	8 7 6	8 7 6	8 7 6	9 3 0
Steel angles, Middlesbrough	8 7 6	8 7 6	8 7 6	9 3 0
Ship plates, Middlesbrough	8 15 0	8 15 0	8 15 0	9 11 0
Ship plates, Glasgow	8 15 0	8 15 0	8 15 0	9 10 6
Boiler plates, Glasgow	8 10 0	9 5 0	9 5 0	10 0 6
Tinplates, I.C. cokes, f.o.b.	0 16 3	0 18 2	0 18 9	1 0 0

ENGINEERING

ACTIVITY in the engineering industry continued to expand vigorously during the past year, when it reached the highest level since the war. As a result of the large-scale re-equipment and extension of the capacity of British industry, which is still in progress, the flow of orders to the engineering industry has been increasing rapidly. Moreover, the re-armament programme and the revival in shipbuilding. Home orders increased to such an extent that domestic output has had to be supplemented by heavier imports, while exports made no further headway. Moreover, the past year drew to its close without any decline in the pressure of demand. The expansion of activity, as the following table shows, has been accompanied by a substantial fall in unemployment:—

BRITISH ENGINEERING INDUSTRY

Year	Exports of Machinery	Unemployment		
		General Engineering	Electrical Engineering	Marine Engineering
	Tons	%	%	%
1913	689,389	...	...	...
1928	566,153	9.9	4.9	13.5
1929	562,472	9.7	4.5	18.2
1930	481,886	17.2	8.0	44.7
1931	329,264	27.7	14.7	53.6
1932	301,178	29.1	16.4	46.6
1933	276,312	25.2	15.3	31.9
1934	335,030	16.0	8.6	...
	1935	1936	1935	1936
January	31,134	30,023	14.6	11.3
February	29,918	32,662	14.6	10.8
March	31,883	32,834	14.0	10.1
April	31,839	30,807	13.9	9.8
May	33,680	32,685	13.2	8.9
June	30,662	27,550	12.7	8.0
July	34,537	37,100	12.5	7.9
August	28,339	28,243	12.0	7.7
September	29,564	32,059	12.3	7.5
October	35,980	32,565	11.5	7.0
November	32,729	31,997	11.1	6.6
December	30,320	32,257	10.7	6.6
Year	380,987	378,782	12.7	8.5

The following description of developments in the industry is summarised from the Annual Trade Review of the *Chamber of Commerce Journal*:—

It seems that the engineering trade is passing through a period of comparative prosperity, which cannot, however, be wholly accounted for by the re-armament programme. The improvement has been general, ranging from mass-produced articles for the multiple stores, the "tin toyshop," to electrical equipment, locomotives, dams and bridges.

The chief trouble is the shortage and rising price of iron. Supplies of ore are held up, and iron is being imported regardless of tariffs. But domestic steel plant is increasing in amount, and technical advances, especially in welding, have reinforced the tendency for "fabricated" steel structures to replace iron castings for large pieces of machinery, e.g. for the carcasses of turbo-alternators and big bed plates. The electrical engineering industry has been exceptionally prosperous, and now employs 10,000 more men than a year ago. Exports have increased by over 10 per cent., though imports have gone up by 28 per cent. The outstanding

event of the year has been the opening of the new Fulham power station. The Central Electricity Board has spent nearly £10 millions on the stations connected with the grid. Bridge building has taken much steel during the year, and has included the Stormstrong Bridge in Denmark, 2½ miles long.

Great changes have been made by the armament programme in the aeronautical engineering industry. For years the standard design of military aeroplanes in this country has been a braced biplane with a fabric-covered stress-bearing framework. That design has now been largely abandoned in favour of one in which the skin of the machine plays a part in the stress-supporting structure, and in which the monoplane arrangement takes the place of the biplane.

SHIPBUILDING

BRITISH SHIPBUILDING

Year	Output (Mercantile only) Thous. Gross Tons			Price of a New, Ready 7,500 Ton Cargo Steamer†	Unemployment
	Commenced	Under Construction	Launched		
1913	1,868	2,002	1,932	(Thous. £) ‡	%
1929	1,648	1,560	1,523	60.0	24.2
1930	948	1,909	1,479	51.8	32.8
1931	200	401	502	39.4	55.5
1932	72	225	188	32.0	61.7
1933	242	332	133	34.5	59.3
1934	520	569	460	49.2	49.1
	1935	1936	1935	1936	1935
Jan.	144	233	556	842	138
Feb.	...	...	...	...	...
Mar.	...	...	...	...	...
Apr.	108	282	560	849	116
May	...	...	...	...	...
June	...	...	...	...	...
July	...	...	...	...	...
Aug.	119	293	531	929	113
Sept.	...	...	...	...	...
Oct.	...	...	...	...	...
Nov.	311	273	743	964	132
Dec.	...	...	...	...	...
Year	682	1,081	743	964	499

† At end of year. ‡ According to "Fairplay." § Average.

CONSIDERABLE improvement in British shipbuilding can be recorded for 1936. The tonnage commenced was 58 per cent. above 1935, and though well below the 1929 level, was the

highest since that year. Towards the end of 1936, it is true, 45 per cent. of berths remained idle (against 57 per cent. for 1935), and the percentage of unemployed insured workers in mid-December was as high as 26.9 per cent.; but these figures give a misleading impression of the possibility of expansion, owing to the shortage in some districts of certain classes of skilled labour.

Wage increases were given amounting to 2s. per week for time- and 4s. per week for piece-workers. Another illustration of the year's progress is given by the sharp fall in the net tonnage laid up, which was almost halved in the last quarter of 1936. The decrease in Newcastle alone accounted for 17½ per cent. of the total fall in 1936. About a third of the laid-up tonnage at the end of 1936 had been out of commission for a year or more.

TONNAGE LAID UP IN UNITED KINGDOM

Laid up on:—	(Thousand tons net)			
	Average, 1927-30	1934	1935	1936
January 1	355	1,240	878	423
April 1	433	1,079	706	452
July 1	554	1,042	586	457
October 1	460	818	502	373

Unlike 1935, the increase in mercantile shipping launched by British shipbuilders was relatively greater than that for foreign countries, being 72 per cent. against 57 per cent. But a somewhat smaller proportion in this country was for foreign owners—10.9 per cent. against 12.8 per cent.—though the ratio as recently as 1930 was 44 per cent. The average tonnage launched in the world over the five years 1932-36 was, however, still 1,369,000 tons below the average for 1909-13.

MERCANTILE SHIPPING LAUNCHED

(Thous. gross tons)

Period	Tons launched			British Per-centage	Output as Percentage of 1909-13		
	U.K.	Abroad	World		British	Foreign	World
Average—							
1909-13	1,522	967	2,489	61	100	100	100
1922-25	1,050	1,087	2,137	49	69	112	86
1926-29	1,208	1,155	2,363	51	79	119	88
1932	188	539	727	26	12	56	29
1933	133	356	489	27	9	37	20
1934	460	507	967	48	30	52	39
1935	499	803	1,302	38	33	83	52
1936	856	1,262	2,118	40	56	130	85

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Only one vessel of over 20,000 tons was launched in Great Britain, but 11 others each exceeded 10,000 tons. The proportion of tanker tonnage, at 17.4 per cent., although higher than in 1935, remained considerably below the highest recorded. Again, though still not the highest, the proportion of tonnage fitted with internal combustion engines comprised 48 per cent. of the steam and motor total. As before, the Clyde launched the greatest tonnage—282,000 tons out of 856,000—the improvement on the North-East coast also being considerable; the only important decline was shown by Belfast.

Particulars of mercantile tonnage launched abroad as given in the following table, show substantial increases by Germany, Japan, Sweden and the United States. The German output, for instance, was the highest since 1925, and the Japanese more than twice that for 1935. Merchant vessels launched in Sweden were almost entirely motorships, but most of the Swedish output was destined for registration elsewhere—particularly Norway. The foreign tonnage launched included 14 vessels of over 10,000 tons each, while 62 per cent. of the total consisted of steel motorships.

MERCANTILE TONNAGE LAUNCHED ABROAD

	(Thous. gross tons)				
	1929	1933	1934	1935	1936
Denmark	111	34	62	122	98
France	82	34	16	43	39
Germany	249	42	74	226	380
Holland	187	36	47	57	94
Italy	71	17	27	23	11
Japan	164	74	152	146	295
Sweden	107	61	50	106	154
U.S.A. (coast)	101	11	25	33	101

Tonnage under construction is of greater interest than usual on account of rearmament. According to Mr F. E. Rebeck, the president of the Shipbuilding Employers Federation, 20 per cent. of berths are occupied with naval work, and the naval tonnage added to the mercantile brings total activity back to the 1929 level, when, however, the amount of warship work was trifling. Another characteristic, according to the same authority, is that present construction is mainly for home account, so that in effect naval work has replaced the lost export work. The loss of foreign connections in the last four years is viewed with concern.

MERCANTILE TONNAGE UNDER CONSTRUCTION

(Thous. gross tons)					
End Year	1929	1933	1934	1935	1936
United Kingdom	1,560	332	597	743	964
Germany	253	22	140	254	408
Italy	78	11	37	26	34
France	167	91	121	56	67
Holland	232	40	48	104	151
Denmark	105	25	79	61	76
Japan	184	107	105	119	203
Sweden	98	65	60	95	124
U.S.A.	179	12	20	33	110
World total	3,111	757	1,252	1,543	2,252

BRITISH SHIPPING

Year	Tonnage engaged in British Overseas Trade		<i>The Economist</i> Index of Freight Rates (1913 = 100)	Unemployment						
	Entered (With Cargo)	Cleared (With Cargo)		Shipping Services	Dock, etc., Services					
	Thousand Tons	Thousand Tons		%	%					
1913.....	49,064	67,820	100							
1929.....	62,701	68,680	96.8	17.7	30.7					
1930.....	63,716	65,853	79.1	25.0	35.5					
1931.....	60,275	58,340	79.5	33.4	39.6					
1932.....	59,369	55,441	75.4	34.4	35.0					
1933.....	60,430	55,653	72.7	33.2	33.0					
1934.....	62,671	56,090	73.9	30.9	31.5					
	1935	1936	1935	1936	1935	1936				
January...	4,564	5,002	4,655	4,564	72.0	80.8	32.8	30.5	32.1	30.8
February..	4,220	4,697	3,980	4,118	70.0	77.9	31.7	29.5	33.0	33.2
March.....	4,707	5,207	4,616	4,267	70.5	77.2	30.8	28.2	32.7	32.1
April.....	5,058	5,048	4,416	4,345	71.6	77.3	30.0	27.3	32.9	32.6
May.....	5,551	5,587	5,035	4,935	71.9	76.3	29.6	25.0	32.7	30.8
June.....	5,442	6,082	4,715	4,726	72.2	77.8	28.0	25.0	31.0	29.1
July.....	6,070	6,172	5,199	5,221	71.3	79.4	27.0	23.1	29.7	28.1
August....	5,933	6,468	5,311	5,117	70.6	83.8	26.5	23.2	31.2	28.7
September	5,829	5,981	4,881	5,039	74.4	86.2	26.9	23.1	31.2	26.9
October...	5,608	6,002	5,151	5,234	83.5	91.1	29.2	25.1	30.2	28.2
November	5,236	5,627	4,937	4,637	82.2	96.6	30.6	25.0	29.3	26.1
December	5,389	5,534	4,885	4,663	82.3	110.2	30.1	24.7	31.3	27.3
Year	63,629	67,427	57,322	56,866	74.4	84.6	29.4	25.8	31.4	29.5

The freight markets witnessed a transformation in the second half of the year, after months of despondency that might have been still worse but for the occupation of the Italian tramp fleet elsewhere, and the strikes of Spanish seamen. The 42 per cent. rise in the freight index between June and December was initiated by fears of poor North American crops. The increased River Plate chartering (accentuated by poor European harvests), and the higher consumption of ores for war material were among the more important factors contributing to this movement.

ENTRANCES AND CLEARANCES

Tons net entered (in thousands): -	Monthly Average				
	1932	1933	1934	1935	1936
British	2,960	2,947	3,011	3,009	3,171
Foreign	1,987	2,089	2,212	2,293	2,445
Total	4,947	5,036	5,223	5,302	5,616
Percentage British	60.0	58.6	57.6	56.7	56.5
Tons net cleared (in thousands): -	Monthly Average				
	1932	1933	1934	1935	1936
British	2,904	2,821	2,816	2,859	2,859
Foreign	1,716	1,817	1,858	1,918	1,876
Total	4,620	4,638	4,674	4,777	4,735
Percentage British	63.0	61.4	60.2	59.9	60.4

As shown by the above table, the proportion of entrances and clearances in British vessels has not altered appreciably. The tendency for the British percentage of entrances to fall has continued, albeit at a slower pace, while a similar tendency among clearances has been reversed.

MOTORS

THE British motor industry had another record year in 1936. The salient statistics in regard to private cars are set out in the following table:—

UNITED KINGDOM—PRIVATE CARS AND TAXIS

Year to September 30	Production	Imports	Exports	Total in use
1929	182,347	21,520	33,792	1,047,492
1930	189,669	9,751	23,209	1,123,664
1931	188,997	2,118	18,992	1,142,988
1932	171,244	2,762	31,797	1,188,052
1933	220,779	3,619	41,028	1,266,946
1934	256,866	10,851	43,907	1,374,039
1935	311,544	13,563	54,260	1,533,500
1936	353,743	12,650	64,787	1,713,108

In consequence of growing prosperity at home, and stimulated by the development of new housing estates outside the large towns, sales of cars attained record dimensions last year. The improvement in demand was most marked in the 11–14 h.p. class, and there was apparently a decline in the popularity of the smallest class of car. The rapid expansion of imports in 1934 and 1935 was mainly a reflection of the growing demand for higher-powered cars in the post-depression years. A growing home production in this category was mainly responsible for the check to imports last year. On the other hand, exports forged ahead, and were 19 per cent. larger than in 1935; the main increase was to Empire countries. The growth of exports has been assisted by the reduction in the horse-power tax, which gave a fillip to home demand for larger cars, and thus brought about a lowering of costs. Cut-throat competition is, however, common on the export markets, there being a tendency for the British manufacturer to use exports to compensate for the seasonal fluctuations in home demand.

The development of the commercial vehicle section is epitomised in the table below:—

UNITED KINGDOM—COMMERCIAL VEHICLES

Year	Production	Imports	Exports	Total in use
1929	56,458	16,264	8,219	412,241
1930	66,859	1,527	6,545	435,859
1931	67,310	1,490	5,320	445,082
1932	61,475	310	8,381	454,523
1933	65,508	400	10,664	473,447
1934	85,633	1,637	13,742	501,510
1935	92,176	1,838	13,648	508,500
1936	107,609	2,700	16,926	554,542

Production achieved a further striking advance last year. Largely in consequence of Government policy, the improvement was most marked in the lighter goods vehicles and in the medium to heavy passenger vehicles. On the passenger side, the Diesel is making rapid progress, though it received a setback last year on the goods side. An item of growing importance is the sale of trolley buses. The growing tendency for American trucks—such as Dodge, Studebaker and Reo—to gain a footing on the English market is reflected in the growth of imports. On the other hand, the unpopularity of the heavy lorry on the English market is forcing the British manufacturer in this class to seek an outlet overseas. His success in this quest during the past year may be seen in the remarkable growth in the export figures.

BUILDING

DURING 1936 building activity in this country was maintained on a high level. The improvement may be traced in the movements of *The Economist* index (1935=100) which, after reaching a "low" of 57 in 1932, rose to an average of 107 last year. Judging by the slight decline in the index since the summer, any further expansion in general building activity would appear unlikely. Despite a further

influx of workers into the industry, the decline in the percentage of operatives unemployed continued last year. From a peak of 29.2 attained in 1932, this percentage fell to a monthly average of 16.8 in 1935, and of 14.9 in 1936.

The record number of 339,538 houses was completed in England and Wales during the twelve months to September 30, 1936, but the number built by private enterprise was slightly below the previous year's figure—274,348, against 275,069. During the six months ended September 30th last, 127,727 houses were completed by private enterprise. This was 2,000 more than in the corresponding period of the previous year, but 19,000 fewer than in the half-year ended March 31, 1936. House-building by local authorities in the

second half of 1936 constituted a record. House-building for slum clearance under the 1930 Act and for the relief of overcrowding under the 1935 Act may be sufficient to prevent any serious fall in total residential building during 1937.

An indication of the probable level of activity in coming months is provided by the building plan figures. Plans approved for houses last year by 146 Local Authorities fell to £75,061,000, against £78,145,000 in 1935. On the other hand, plans approved for non-residential purposes rose from £35,573,000 to £41,963,000 in the period under review thus carrying the total to a new high record. Meanwhile, the rise in costs, which became marked in 1935, continued last year, and the wages of craftsmen were again increased by 3d. per hour to 1s. 7d. per hour, and of labourers to 1s. 2½d. per hour from February 1, 1937.

BRITISH BUILDING INDUSTRY

	Value of Plans Approved by 146 Local Authorities in Great Britain (£'000)			Percentage Unemployed	Index of Building Costs* 1935=100	Index of Building Activity† 1935=100
	Dwelling-Houses	Other	Total			
1924	37,669	20,517	58,186	11.1	112.8	45½
1927	38,889	24,393	64,282	10.2	108.0	53½
1928	40,124	27,311	67,435	12.4	106.1	54½
1929	44,280	28,834	73,094	13.3	102.9	60
1930	46,764	27,841	74,605	16.4	102.9	65½
1931	40,492	22,518	63,010	22.5	101.5	62
1932	46,888	19,366	66,254	29.2	96.9	57
1933	62,308	21,373	83,681	24.6	93.6	73½
1934	69,588	25,975	95,563	18.7	93.3	88
1935	78,145	35,573	113,730	16.8	100.0	100
1936	75,061	41,963	117,024	14.9	103.8	107½
January	6,261	3,006	9,267	28.1	102.5	106½
February	6,391	3,712	10,103	20.7	102.6	107½
March	5,991	3,367	9,358	14.8	102.6	107
April	6,272	3,286	9,558	12.8	102.6	106½
May	7,777	4,996	12,773	11.1	102.7	107½
June	6,857	3,621	10,478	10.7	103.5	109
July	6,675	4,168	10,843	11.5	103.5	109½
August	5,051	2,549	7,600	11.3	103.7	109½
September	5,945	3,410	9,355	12.1	104.4	108½
October	6,035	2,951	8,986	13.2	104.5	107
November	6,411	3,268	9,679	15.1	105.6	105
December	5,395	3,629	9,024	17.7	107.7	103½

* The method of compilation of this Index and its limitations are explained in Notes in *The Economist* of November 11, 1933, and September 5, 1936.

† Corrected for seasonal fluctuations. Method of compilation explained in the Trade Supplement to *The Economist* of July, 1936.

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highest hopes, and is now being manufactured also in Germany, the United States and Japan.

Imports rose somewhat, but it should be remembered that by no means all of them are competitive with domestic products. Exports have shown a slight decline in value, as a result of trade restrictions, and the Empire market is now first in importance to the trade.

It has been a good year for tar products, particularly for cresylic acid, the price of which has more than doubled in the last twelve months. Naphthalene, with a growing demand and an embargo on German exports, has been an active item, and is now almost beyond the reach of manufacturers of firelighters.

Prices have risen as a whole, some considerably, in the latter half of the year, chiefly as a result of rising metal and other raw material prices. The chief exception has been the fall, following increased supplies, in the quotation for acetic acid.

World production and consumption of fertilisers, as recorded by the British Sulphate of Ammonia Federation, showed a marked increase in the past year:—

WORLD PRODUCTION AND CONSUMPTION OF PURE NITROGEN
(Years ended June 30th. In Metric Tons)

	1931-32	1932-33	1933-34	1934-35	1935-36
Production					
Sulphate of ammonia:—					
By-product	301,655	257,719	307,050	321,000	365,000
Synthetic	522,207	559,984	534,743	533,000	630,000
Consumption					
Cyanamide	823,862	817,703	854,000	895,000	995,000
Nitrate of lime	134,604	168,495	195,245	232,000	270,000
Other forms of nitrogen:—					
Synthetic	78,939	118,241	107,192	153,000	156,000
By-product	347,842	462,060	515,477	607,000	720,000
Chilean nitrate	29,970	39,560	48,259	45,000	45,000
Chilean nitrate	170,000	70,800	84,300	179,000	192,000
Total production ...	1,585,217	1,676,859	1,792,266	2,070,000	2,378,000
Consumption					
Manufactured nitrogen	1,417,126	1,619,705	1,714,040	1,878,000	2,182,000
Chilean nitrate	138,208	127,242	163,550	195,000	218,000
Total consumption ...	1,555,334	1,746,947	1,877,590	2,073,000	2,400,000
Estimated agricultural consumption	1,412,000	1,588,000	1,673,000	1,812,000	2,068,000

* Including nitrogen products used for industrial purposes (except Chilean nitrate) and ammonia in mixed fertilisers.

Both output and consumption in the year ended June, 1936, were substantially higher than in 1929-30.

COTTON TEXTILES

The following table, giving mill consumption of raw cotton, has been compiled from the publications of the International Federation of Master Cotton Spinners' and Manufacturers' Associations. Recovery has continued. World consumption was higher than at any time since 1929, and United States demand has shown a remarkable rise after the decline of the two previous years.

WORLD CONSUMPTION OF RAW COTTON

(Thous. running bales, excluding linters)

Season ended July 31	United Kingdom	Other European Countries	United States	Asia	Other Countries	World
1929	2,800	8,112	7,023	6,720	1,217	25,872
1931	1,964	6,861	5,239	7,407	1,010	22,481
1932	2,386	6,280	4,844	7,723	1,086	22,319
1933	2,248	6,675	6,109	8,136	1,184	24,351
1934	2,470	7,473	5,870	8,149	1,332	25,111
1935	2,507	5,955†	5,321	9,139	1,498	25,801†
1936	2,773	5,642†	6,329	9,003	1,682	27,394†

† No returns from Germany.

† No returns from Germany or Italy.

The statistics of the British industry continue to be satisfactory but for the uninterrupted decline in the export of piece goods. Imports of raw cotton are now above the 1929 figure; yarn exports have increased; and the unemployment percentage has fallen from 20.9 in 1935 to 15.5 for 1936, the figure for December being as low as 12.4—little above that of the country as a whole. Average earnings are well on their way back to the pre-slump level.

BRITISH COTTON TRADE STATISTICS

Year	Imports of Raw Cotton		Exports		Prices—Middling American (Spot)	Unemployment	Average Earnings
	Million Lbs.	Million Sq. Yds.	Yarn	Piece goods			
1913	1,917	210.1	2,057.3	7.27	1.77	20.5	434.62
1928	1,438	169.2	3,866.5	10.95	12.0	31.2	434.62
1929	1,462	166.6	3,671.6	10.33	13.2	31.2	434.62
1930	1,140	137.0	2,406.7	7.46	37.1	31.2	434.62
1931	1,048	133.5	1,716.3	5.08	38.4	32.2	434.62
1932	1,204	141.6	2,198.0	5.25	28.7	32.2	434.62
1933	1,348	135.1	2,031.2	5.54	24.2	31.4	434.62
1934	1,200	130.0	2,067.0	6.02	22.7	31.8	434.62

Month	1935	1936	1935	1936	1935	1936	1935	1936	1935	1936	1935	1936
	Mn. lbs.	Mn. lbs.	Mn. lbs.	Mn. lbs.	Mn. sq. yds.	Mn. sq. yds.	Per lb.	Per lb.	%	%	s. d.	s. d.
Jan. ...	104	138	13.0	12.8	167	13.6	18.22	17.63	51	32	42	42
Feb. ...	87	115	12.3	13.5	174	169	7.05	6.07	22.5	17.0	31	32
March ...	87	106	11.7	13.3	183	173	6.62	6.30	21.8	16.7	31	32
April ...	78	119	10.5	11.9	159	141	6.60	6.53	21.4	16.7	31	32
May ...	81	103	11.7	12.4	158	146	6.91	6.54	20.9	16.0	31	32
June ...	77	127	11.8	12.3	138	130	6.78	6.87	22.2	15.8	31	32
July ...	71	130	11.9	13.3	170	176	6.89	7.35	22.6	15.8	31	32
August ...	55	106	11.9	11.7	161	159	6.50	6.82	22.0	15.0	31	32
Sept. ...	57	93	10.1	11.6	150	154	6.28	6.94	22.0	15.0	31	32
Oct. ...	132	139	12.6	13.0	161	178	6.47	6.94	19.2	14.4	31	32
Nov. ...	162	153	12.4	12.4	158	154	6.64	6.81	17.5	13.6	32	32
Dec. ...	207	166	11.9	12.3	148	170	6.51	6.94	16.6	12.4	32	32
Total ...	1,195	1,495	141.8	150.7	1,917	1,917	6.70	6.69	20.9	15.5	32	2

* Million linear yards at end of year.

† Trade Union figure; other figures are Unemployment Insurance returns.

American cotton and yarn prices fell slightly on an average of the year with rising production, but Egyptian rose. The price of shirtings fell to the lowest figure on record.

RAW COTTON, YARN AND CLOTH PRICES
(Average of weekly quotations)

Year ending July 31st	Cotton Middling American	Cotton F.G. Fair Sakellariadis Egyptian	American Yarn 32's Twist, Per lb.	Egyptian Yarn 60's Twist, Per lb.	39-in. Shirtings, 16 by 15, 3 1/2 lbs.
1930	d. 9.09	d. 14.52	d. 13.60	d. 23.10	d. 12.9
1931	d. 5.71	d. 9.04	d. 9.52	d. 18.79	d. 10.4
1932	d. 4.81	d. 6.78	d. 8.51	d. 14.58	d. 9.5
1933	d. 5.62	d. 7.79	d. 9.26	d. 15.01	d. 9.5
1934	d. 6.02	d. 8.05	d. 9.84	d. 16.46	d. 9.6
1935	d. 6.92	d. 8.44	d. 10.29	d. 16.06	d. 9.6
1936	d. 6.52	d. 9.20	d. 10.34	d. 16.08	d. 9.2

Month	1935	1936	1935	1936	1935	1936	1935	1936	1935	1936	1935	1936
	d.	d.	d.	d.	d.	d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.
Jan. ...	7.13	6.18	8.96	9.70	10.40	10.19	16.35	16.44	9.74	9.13	10.4	10.4
Feb. ...	7.05	6.07	8.81	9.15	10.25	10.00	16.25	15.81	9.31	8.11	9.1	9.1
March ...	6.62	6.30	8.43	8.22	9.97	10.13	15.81	15.65	9.31	8.11	9.1	9.1
April ...	6.60	6.53	8.31	8.22	10.05	10.22	15.55	15.69	9.31	8.11	9.1	9.1
May ...	6.91	6.54	8.35	8.02	10.31	10.25	15.56	15.56	9.31	8.11	9.1	9.1
June ...	6.78	6.87	8.04	8.01	10.13	10.45	15.00	15.90	9.2	9.3	9.3	9.3
July ...	6.89	7.35	8.04	10.42	10.25	11.06	15.20	16.94	9.3	9.3	9.3	9.3
August ...	6.50	6.82	8.08	10.74	10.09	10.90	15.69	16.75	9.2	9.3	9.3	9.3
Sept. ...	6.28	6.94	8.29	10.35	9.98	10.97	15.85	16.75	9.1	9.3	9.3	9.3
October ...	6.47	6.84	8.81	11.02	10.28	11.19	16.00	16.81	9.3	9.3	9.3	9.3
Nov. ...	6.64	6.84	9.84	11.42	10.56	11.55	16.56	17.30	9.5	9.6	9.6	9.6
Dec. ...	6.51	6.94	9.76	10.30	10.72	11.43	16.81	17.25	9.5	9.7	9.7	9.7

The following description of developments in the spinning and manufacturing branches during the year is drawn from Mr F. W. Tattersall's *Cotton Trade Review*, dated December 31, 1936:—

Conditions in the Lancashire industry at the end of 1936 were distinctly better than at the beginning of the year. The first six months were not very favourable, but in the middle of the summer demand began to improve, and a larger and increasing business was done during the last three months. As a result of the contracts on the books, the year closed with spinners and manufacturers in a stronger position than for many years past.

During the last few months of the year there were signs of demand overtaking supply, and prices for manufactured goods hardened, irrespective of raw cotton values. The costs of spinners and manufacturers were increased by the higher wages for the operatives, dearer coal and mill stores, and the levy under the Cotton Spinning Industry Act.

Price-fixing schemes in the spinning branch were extended, and now a large proportion of the yarn produced is being sold under an arrangement for minimum prices. The Cotton Spinning Industry Act has come into operation for dealing with redundant spindles. The first levy was paid on September 14th; it will amount for a full year to £500 for an average-sized mill. No official information is available yet as to the number of spindles purchased by the board.

An important development during the last twelve months has been the greater disposition on the part of members of the industry to unite to protect their interests.

WOOL TEXTILES

The continued rise of raw wool prices and production has again been accompanied by increased activity in the wool textile industry in most countries. But as the table below shows, the advance has been by no means universal:—

RETAINED IMPORTS OF RAW WOOL
(In millions of lbs.)

Year	United Kingdom	France	United States	Germany	Japan	Italy	Belgium
	Jan.-Dec.	Jan.-Nov.	Jan.-Nov.	Jan.-Dec.	Jan.-Nov.	Jan.-Oct.	Jan.-Nov.
1932	600	409	51	303	179	142	76
1933	592	509	140	335	206	174	64
1934	522	310	103	306	160	139	63
1935	581	360	182	269	211	59†	106
1936	638	304	225	226	204	...	118

† January-September.

The greatest progress has been shown in Great Britain, the United States and Belgium, while there have been remarkable declines in Germany, France and probably Italy (where wool substitutes are playing a rapidly increasing part).

The striking developments in the British industry are summarised in the following table:—

BRITISH WOOL TEXTILE INDUSTRY

Year	Retained Imports	Exports		Price of Raw Wool* per Lb.	Unemployment (Woolen and Worsted)	Earnings (Ministry of Labour Figures) Wool Textile Industry per Week
	Sheep's and Lambs' Wool	Woollen Tissues	Worsted Tissues			
1913 ...	Mn. Lbs. 494.1	Thou. Sq. Yds. 105,884	Thou. Sq. Yds. 62,490	s. d. 2 1	% 11.7	s. d. 41 0†
1928 ...	440.5	128,339	42,111	3 10½	13.9	40 6†
1929 ...	483.3	108,135	47,281	3 2†	24.0	36 10†
1930 ...	494.1	79,042	34,712	2 0	28.3	36 9†
1931 ...	591.9	56,331	29,746	1 8†	20.8	34 9†
1932 ...	600.2	53,537	28,297	1 7†	14.2	35 11
1933 ...	600.9	61,307	32,893	1 11½	16.0	35 5†
1934 ...	528.7	68,940	33,262	2 2†		

Month	1935	1936	1935	1936	1935	1936	1935	1936	1935	1936	1935	1936
	d.	d.	d.	d.	s. d.	s. d.	d.	d.	%	s. d.	s. d.	d.
Jan....	68.7	71.9	6,814	7,315	3,472	3,429	1 10	2 1	17.0	9.3	5.37	0
Feb....	54.4	74.3	6,792	7,888	3,412	3,447	1 10	2 3	16.3	9.7	5.36	10
Mar....	72.2	89.5	6,200	7,077	2,979	3,149	1 10	2 3	18.1	8.6	5.37	3
Apr....	96.3	74.1	4,549	5,174	2,461	2,372	2 0	2 3	14.5	9.9	5.35	11
May....	88.1	63.1	4,589	5,297	2,570	2,782	1 11	2 3	14.5	11.1	5.36	11
June....	22.0	44.6	4,795	5,383	2,941	3,006	1 11	2 3	14.9	11.1	5.36	11
July....	42.0	17.3	6,477	7,882	4,107	4,272	2 0	2 2	14.0	11.2	5.36	2
Aug....	17.7	17.7	8,026	7,907	3,946	3,889	2 0	2 2	10.8	10.5	5.36	6
Sept....	20.5	25.0	6,419	6,856	3,057	3,046	2 0	2 3	10.7	9.1	5.37	2
Oct....	20.2	39.8	6,271	6,209	3,250	2,990	2 1	2 3	8.2	7.6	5.38	1
Nov....	49.3	53.8	5,584	5,178	3,166	3,181	2 1	2 5	8.2	6.7	5.37	6
Dec....	56.8	65.8	5,407	6,159	3,282	3,802	2 1	2 6	7.9	6.4	5.38	5
Total....	605.1	651.9	71288	76326	38612	38969	1 11	2 3	13.0	9.2	5.37	2

PRODUCTION OF STAPLE FIBRE

(In thousands of lb.)

Country	1933	1934	1935	1936*
Italy	11,000	22,000	66,000	100,000
Germany	9,900	18,000	32,000	65,000
Japan	963	2,500	13,500	40,000
Britain	2,750	3,000	10,000	28,000
France	2,200	4,000	8,000	12,000
U.S.A.	2,100*	2,200	6,000	12,000
Other countries	440	700	1,200	2,150
Total	29,353	52,400	136,700	259,150

* Provisional.

It will be seen that Japan is now the largest producer of rayon, but difficulties with the supply of pulp and increasing trade restrictions make further increases in her share of world trade uncertain. In the United States a remarkable recovery took place in 1936, and, after the lean years of 1934-5, an urgent need for new plant has shown itself. Italy by now is by far the greatest producer of staple fibre, and the large additional output of "Lanital" wool substitute (made from casein) shows that synthetic textiles now play a great part in the affairs of that very nationalist economy.

The British industry suffered in the latter half of 1936 from a temporary over-production, for which national mourning and a wet summer were largely responsible. There has been a tendency for business to be concentrated upon the lower quality and cheaper yarns, which in some cases has led to the production of goods the public would not touch. Much progress has been made in the spinning of rayon with cotton and wool; and in the worsted industry, despite a prosperity that has impeded the making of experiments, a leading company is going ahead with a demonstration worsted spinning plant to attract the attention of spinners to the possibilities before them.

The outlook for 1937 is in the main good, and the manufacturers appear to have considerable faith in the future of the industry.

Transparent Paper.—An increasing number of trades used transparent cellulose wrappings in 1936. In Great Britain the tobacco trades took much more, and two of the best-known brands of cigarettes have been wrapped in the product since June. The new British Cellophane factory is nearly complete, and is expected to be in operation very shortly. Moisture proof qualities of transparent paper have steadily risen in popularity, and efforts are being made to produce this type of paper in the actual manufacturing process and not by after-treatment as is the present practice. A heat-scalable quality is now employed for giving a glazed finish to showcards, display cards, etc.; further developments are expected.

Imports of Japanese transparent paper at very low prices led to an appeal for protection being made to the Import Duties Advisory Committee; but the quality was very poor and no permanent success was likely to attend it. Domestic competition remains keen. Progress has been considerable in France, Germany, Canada and the United States; and the future of this industry is very promising.

LEATHER AND FOOTWEAR

THERE was a large increase during the past year in the demand for leather in this country, accompanied by a

continued rise in the price of hides. The index of sterling hide prices, calculated by the United Tanners' Federation, rose from 80 (1923 = 100) in January, 1936, to 90 at the end of December in the same year. The improvement of demand in this country is reflected in the increase in imports of hides and leather, shown in the following table:—

BRITISH IMPORTS OF HIDES AND LEATHER

Country	Quantity			Value		
	1929	1935	1936	1929	1935	1936
Hides—						
Wet—						
Ox and cow ..	Cwts.	Cwts.	Cwts.	£	£	£
From Irish Free State ..	86,306	117,550	108,376	275,995	204,296	228,341
„ Union of S. Africa ..	68,689	29,036	24,128	280,638	63,332	54,718
„ Australia	29,915	20,344	11,901	110,481	37,842	26,040
„ New Zealand	27,306	77,087	59,419	132,474	181,684	150,475
„ Other British ..						
„ countries	15,540	85,449	92,062	60,227	149,937	170,901
„ Germany	118,455	38,808	11,632	418,410	92,902	36,076
„ Italy	85,841	51,893	...	376,935	187,853	...
„ Argentina	65,188	197,459	291,032	280,236	443,079	728,375
„ Other Foreign ..						
„ Countries	97,111	419,418	462,370	312,690	1,049,283	1,313,234
Total	594,359	1,037,054	1,060,920	2,248,086	2,410,210	2,708,160
Other descriptions	55,016	103,703	135,877	233,477	349,727	541,081
Dry and dyed—						
Ox and cow ..						
From Union of S. Africa ..	151,223	74,585	113,121	843,257	202,066	331,053
„ British East Africa ..	42,403	29,967	23,940	214,116	71,750	76,225
„ Australia	24,615	60,278	98,322	115,639	147,264	281,642
„ Other British ..						
„ countries	83,433	74,965	100,901	392,449	198,058	305,071
„ Abyssinia	15,857	41,572	34,559	84,831	100,148	94,425
„ Argentina	9,440	52,868	73,877	51,723	130,164	213,713
„ Other Foreign ..						
„ Countries	115,050	128,015	164,530	568,469	339,788	537,481
Total	442,021	462,250	609,250	2,270,484	1,189,236	1,839,608
Other descriptions	83,006	83,911	80,231	368,388	208,496	195,750
Leather and manufactures thereof—Total	...	...	...	1,582,157	8,112,835	9,726,711

Developments in the market for hides and leather, and in the footwear trade, are summarised in the following extract from a survey in the *Leather Trades' Review*:—

The leather and allied industries do not appear to have shared in the industrial awakening of the year 1936 to any great extent. Throughout the year there was an atmosphere of expectancy which somehow just failed to merge into strong and brisk trading. All through the year the prices of raw materials have been on an ascending scale. The predominant cause was greater strength in the general world demand and, in some cases, a tendency for supplies to shrink. The average price appreciation over the year was about 7 per cent. The boot and shoe manufacturers put up a remarkably stiff resistance against higher prices. One of the difficulties is that "fixed price" footwear is a feature of quite a large part of the retail shoe trade. Until October, however, there was a steady upward trend of leather prices. Since October there has been a lull in the leather market; sales have generally been on a small scale, and leather prices may be described as firm, but practically unchanged.

The activities within the industry during the year have been more than fully maintained. Production has been on a fairly full scale, and there has not been much stock accumulated. In October there were nearly 1,000 persons more employed in the tanning and currying trades than at the corresponding date in 1935. The export of leather showed no marked alteration from the figures for 1935.

RETAIL TRADE

In 1936 preparatory work for the extension of the statistical information available with regard to retail trade was undertaken, but no information in greater detail than for the previous five years has yet been published. The only source is still the voluntary inquiry initiated jointly by the Retail Distributors Association and the Bank of England. The figures in the monthly returns relate to the trade of a number of department stores, of concerns operating multiple shops,

of independent retailers and of a representative section of the Co-operative societies. In the first five years of the inquiry the number of collaborating concerns grew rapidly from a small beginning until the sample became representative of large-scale distribution as regards class of trade, type of organisation and geographical area. By now the turnover of contributing firms amounts probably to more than 15 per cent. of the total retail trade of the

country. But no practical way has yet been devised of including a representative sample of the trade of small independent shops. Apart from the difficulty of persuading a sufficient number of such businesses to contribute regularly and punctually, the expense of analysing some tens of thousands of schedules each month would be considerable.

In the circumstances pressure has been revived from several quarters for the institution of a Census of Distribution. This would make it possible at stated intervals to take stock of the progress of distribution as a whole and would give added significance to the inter-censal figures obtained from this voluntary inquiry. The matter has been recently ventilated in the House of Commons and in a debate nationally broadcast; but it is to be feared from the reply of the Government spokesman that there is little likelihood of the institution of such a Census unless there is a much more determined and general demand for it from business circles in the future than there has been in the past.

Percentage changes as compared with the corresponding period a year earlier in the aggregate value of retail turnover from February, 1934, to December, 1935, are given in the following table together with changes in the value of stocks at cost.

PERCENTAGE CHANGES ON THE CORRESPONDING PERIOD IN THE PREVIOUS YEAR

	Value of Sales (at Selling)						Value of Stocks (at Cost)		
	Month			Year to Date			Month		
	1934-35	1935-36	1936-37	1934-35	1935-36	1936-37	1934-35	1935-36	1936-37
Feb..	+3.0	+4.9	+7.3	+3.9	+5.9	+7.3	+1.3	-1.7	+0.8
Mar..	+5.7	+0.6	+7.9	+4.5	+2.5	+7.6	+2.9	-0.7	+0.3
Apr..	-3.2	+10.3	+5.0	+1.8	+5.0	+6.7	+3.0	-1.4	+1.3
May..	+7.7	+2.2	+7.2	+3.3	+4.3	+6.9	+2.2	-0.1	+2.1
June..	+2.0	+5.8	+4.7	+3.0	+4.6	+6.4	+2.3	Nil	+1.7
July..	+3.1	+4.7	+5.8	+3.0	+4.9	+6.3	+1.1	+0.5	+1.7
Aug..	+4.8	+6.7	+7.4	+3.2	+4.9	+6.4	+0.4	-0.8	+2.9
Sept..	+4.1	+6.1	+7.4	+3.3	+5.8	+6.2	+2.2	-1.6	+3.6
Oct..	+3.2	+7.4	+4.5	+3.3	+5.6	+6.3	+1.2	Nil	+3.2
Nov..	+3.9	+7.0	+6.5	+3.4	+5.7	+6.3	+2.8	+0.3	+2.6
Dec..	+1.8	+9.1	+5.5	+3.2	+6.1	+6.2	+0.9	-0.6	+2.8
Jan..	+4.2	+10.8	...	+3.3	+6.5	...	-1.2	+2.3	...

The decline in the money value of retail turnover ceased in the middle of 1933 and there has since been an uninterrupted increase—apart from dislocations due to the changing dates of Easter and Whitsun.

The rate of increase, which grew steadily throughout 1935 reached its peak early in 1936, and has since been stabilised at rather over 6 per cent. It must be remembered, however, that this fairly high percentage is now showing after three and a half years of steady improvement so that further acceleration in the rate of increase was hardly to be expected. The third series is particularly interesting in that during 1936 a definite increase in the cost of stocks has manifested itself. The rise in stocks during 1934 was to be explained by the necessity of general re-stocking at the end of the slump. In 1935 increased turnover was achieved without any further increase in stocks. During the latter half of 1936 the anticipation as well as the fact of rising prices has no doubt been partly responsible for a significant increase in stocks which can hardly fail before long to be passed on to the consumer in higher retail prices.

Rather more than one half of the turnover considered above consisted of food and perishables, a category including sweets and tobacco and café and restaurant sales in addition to the more obvious products. The value of sales in this group increased during the period February to December, 1936, by 7.9 per cent., while non-food sales in the same period increased by 4.5 per cent.

The principal changes in the sub-divisions of the non-food group were as follows:—

Increases: Boots and shoes (+6.3 per cent.); furnishing departments (+5.5 per cent.); women's wear (+5.1 per cent.); hardware (+4.6 per cent.); fancy departments (+3.9 per cent.); men's wear (+2.6 per cent.); sports and travel (+2.3 per cent.); and miscellaneous sales not included above (+6.4 per cent.).

Decreases: The only sub-division to decrease was piece-goods (-0.8 per cent.). The whole of this decline was attributable to dress piece-goods (-3.0 per cent.). Household piece-goods increased (+2.5 per cent.). The decline in piece-goods was thus much less severe than for many years and it would not be surprising to see an increase in 1937.

Turning to geographical divisions, London Suburbs show the largest increase for the eleven months (+7.4 per cent.), followed by South of England (+7.3 per cent.), North of England (+6.0 per cent.), Scotland (+5.5 per cent.) and London West-end (+3.6 per cent.). For the second year in succession substantial increases are recorded in every geographical division and not least in Scotland and the North—which include the whole of the distressed areas. Recovery started far sooner in London West-end than in the other areas so that the lower percentage increase probably represents a larger measure of prosperity than higher percentages in the areas which have only recently improved.

The Bank of England index numbers of Retail Sales shown below are based on the average daily sales in the year 1933 = 100. These indices are compiled from the same material as the percentage change figures described above. Separate indices are available for Food Sales, Non-Food Sales, and Total Sales split up by geographical areas.

BANK OF ENGLAND INDEX NUMBERS OF TOTAL RETAIL SALES

(Average Daily Sales in 1933 = 100)

	Scotland	Wales and North of England	South of England	London Central and West-end	London Suburbs	Total, Great Britain
1935—January	101	105	104	114	104	105
February.....	98	98	98	74	103	95
March	105	101	101	86	105	100
April	105	112	113	106	114	111
May	113	109	109	112	112	110
June	118	109	110	101	105	109
July	100	105	111	122	106	109
August	99	97	104	68	94	94
September.....	108	103	109	95	104	104
October	107	113	114	117	113	113
November.....	112	114	115	113	123	115
December.....	132	139	147	161	154	146
1936—January	112	116	116	122	117	116
February.....	106	106	106	77	111	102
March	113	108	111	92	113	108
April	118	118	120	106	121	117
May	116	118	119	113	124	118
June	125	112	117	105	111	114
July	105	112	119	124	114	115
August	103	104	112	71	104	101
September.....	113	108	115	98	109	109
October	113	120	123	124	122	121
November.....	117	120	123	123	132	123
December....	138	147	157	164	166	154

The only other statistics which throw more detailed light on particular aspects of retailing are the Retail Distributors Association index numbers of Department Store Sales. Probably the experience of department stores does not differ very widely from that of other types of large-scale retail organisation and with some reservations conclusions drawn from these figures may have a wider application. The R.D.A. index numbers are based on the monthly average of sales in the year 1933-34 = 100. These indices represent twelve monthly moving totals of the money value of sales and refer to a constant sample of department stores. Taking the monthly average sales of the year 1933-34 = 100 the number for January, 1931, was 107. It fell to 103 by January, 1932, and to its lowest point—97—in April, 1933. By January, 1934, it had recovered to 100, by November, 1934, to 101.4, by November, 1935, to 102.3, and by November, 1936, to 106.4. Nearly all the ground lost since 1930 had thus been recovered by the end of 1936 and more than half of it during that year. The index number of transactions in November, 1936, stood at 107.9, having increased more rapidly than the value of sales though latterly this tendency has been less pronounced.

Taking individual categories of merchandise in these same Department Store series the outstanding feature of 1936 has been the renewed boom in furniture departments. Another welcome feature is that sales of piece-goods have at last ceased to decline. Other categories have continued to improve steadily, in line with the aggregate index number.

The rate of stock turn in this constant sample of stores has steadily improved during 1936, in spite of the rise in stocks due to higher wholesale prices. These rates—obtained by dividing total sales (at selling) for all departments for each successive period of twelve months by the

average stocks (at cost) during the same period—have in recent years been as follows:—

RATE OF STOCK TURNOVER

January, 1931...	6.37
1932...	6.53
1933...	6.54
1934...	6.91
1935...	6.95
1936...	7.22
November, 1936...	7.44

The steady increase in these rates through periods of falling and rising prices and their maintenance at a level distinctly higher than five years ago suggests that these stores are much more efficient than before the depression.

An international comparison of department store turnover is given in the following table.

	Great Britain	U.S.A.	Canada	Germany	Belgium	
					Clothing	Furniture
January, 1931...	129	120	111	173	103	119
" 1932...	119	95	91	144	95	106
" 1933...	106	73	76	126	85	99
" 1934...	116	85	83	82	79	92
" 1935...	117	88	80	85	67	84
" 1936...	122	94	79	88	78	97
November, 1935...	110	135	131	100	91	89
" 1936...	113	154	126	...	94	98

British stores have suffered less severely during the depression than stores in the other countries compared. Progress in America and Canada has recently been rapid from very depressed levels. Recovery in Belgium seems well under way and there has even been some improvement in Germany during 1936.

APPENDIX

(A) WHOLESALE PRICES OF COMMODITIES

CEREALS AND MEAT

	Wheat		Flour	Barley	Oats	Maize	Rice	Potatoes	Beef	
	No. 2 Northern Manitoba	English Gazette Average	London Standard, Ex-Mill	English Gazette Average	English Gazette Average	La Plata, Landed	No. 2 Burma	Good English	English Sides	Argentine Chilled Hind-Qrs.
End of 1927	58 0	9 10	41 0	11 4	9 3	38 0	14 3	6.00	4.67	4.17
End of 1928	49 3	9 6	35 6	10 2	8 11	42 3	13 9	6.00	5.33	4.17
End of 1929	55 6	9 6	40 0	8 8	7 0	31 0	12 6	3.75	5.67	5.17
End of 1930	24 6	6 0	23 6	8 3	5 6	17 9	8 0	6.00	5.25	4.67
End of 1931	30 9	6 1	23 9	8 3	6 8	18 6	8 7½	10.25	4.50	3.75
End of 1932	25 3	5 4	21 3	6 11	5 9	19 0	7 1½	5.75	4.50	3.75
End of 1933	25 3	4 5	20 3	9 3	5 3	20 0	6 0	5.25	4.42	4.08
End of 1934	30 3	4 10	22 3	8 9	6 9	22 6	6 9	5.75	4.08	3.75
End of 1935	35 6	5 10	27 9	8 4	5 10	18 3	7 6	8.00	3.92	3.75
End of January, 1936	35 3	6 6	28 3	8 2	6 0	17 6	7 6	8.25	4.25	3.75
" February	34 0	6 4	27 3	7 9	6 1	17 3	7 6	8.25	3.83	3.50
" March	33 0	6 5	27 3	7 7	6 0	19 6	7 7½	8.25	3.92	3.33
" April	32 9	6 7	27 9	7 4	5 11	19 9	8 0	9.00	4.00	3.83
" May	30 0	6 10	26 3	6 10	6 2	19 3	7 7½	7.50	4.33	3.58
" June	31 9	6 8	26 3	6 4	6 3	20 6	7 6	5.50	4.33	3.58
" July	37 6	7 2	28 9	5 10	6 6	23 6	7 9	6.50	4.67	3.92
" August	37 3	7 9	31 9	10 1	7 1	25 0	8 1½	6.25	4.17	4.17
" September	42 3	7 7	34 3	10 3	6 8	25 0	8 1½	7.00	4.08	4.08
" October	43 6	8 8	35 3	10 3	6 9	23 9	7 10½	8.50	3.92	3.67
" November	46 0	8 5	35 3	9 8	6 10	24 0	8 4½	9.25	4.00	4.17
End of 1936	52 0	9 1	38 9	9 9	7 2	25 9	9 6	9.25	3.92	3.67

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Over 210 Branches throughout Scotland

(A) WHOLESALE PRICES OF COMMODITIES—Continued

	CEREALS & MEAT (Cont.)			OTHER FOOD PRODUCTS							
	Mutton		Bacon	Tea	Coffee	Cocoa	Sugar		Cheese	Butter	Coconut Oil
	English Wethers	N.Z. Frozen Wethers	Danish	Indian Auction Average	Costa Rica, Good to Fine	Trinidad	B.W.I. Crystallised	Refined Granulated, London	Canadian	Danish	Crude
End of 1927	6.67	4.75	79 6	18.62	177 0	74 0	31 3	29 9½	101 0	181 0	42.50
End of 1928	7.00	5.00	98 0	17.50	160 0	60 6	24 3	24 7	105 0	200 0	39.00
End of 1929	7.00	4.83	105 0	13.12	165 0	62 6	22 3	22 9	97 0	180 0	34.00
End of 1930	6.83	3.92	62 6	14.25	122 6	49 6	20 6	19 6	76 0	142 0	25.50
End of 1931	5.17	2.83	45 0	10.18	112 6	46 0	19 10½	20 8	65 0	136 0	25.00
End of 1932	4.83	2.92	65 0	7.31	94 0	42 0	17 4½	18 11½	64 0	122 0	23.00
End of 1933	5.33	3.50	78 0	13.84	72 0	35 0	18 9	18 11½	48 0	101 0	17.00
End of 1934	6.33	3.75	86 0	11.34	73 6	42 0	18 7½	19 6	56 0	122 0	20.00
End of 1935	5.33	3.67	85 0	12.52	60 0	42 0	18 1½	21 0	63 0	128 0	22.50
End of January, 1936	4.83	3.67	90 0	12.74	60 0	42 0	18 0	20 6½	62 0	115 6	25.25
" February	5.00	3.83	94 0	12.80	61 0	42 0	18 0	20 0½	62 0	128 0	24.00
" March	5.33	3.75	96 0	14.05	64 6	42 0	17 9	20 3½	63 9	112 0	23.00
" April	5.08	3.67	92 0	14.00	63 6	42 0	17 9	20 3½	64 0	102 0	22.75
" May	6.67	3.33	89 0	13.00	62 0	44 6	17 9	20 0½	65 0	108 0	21.50
" June	6.17	3.33	93 0	12.26	62 0	47 6	17 9	18 5½	65 6	117 0	21.75
" July	6.00	4.92	96 0	12.01	62 0	60 3	17 7½	18 5½	64 6	127 6	23.12
" August	6.00	3.33	100 0	11.99	64 0	54 6	17 7½	18 5½	71 0	128 0	23.62
" September	6.67	3.50	100 0	12.04	66 0	57 0	17 7½	18 2	69 0	125 0	23.62
" October	6.33	3.33	94 0	12.08	68 0	61 0	17 7½	18 8	69 6	120 0	24.50
" November	5.67	3.50	90 0	12.44	69 0	67 6	17 9	18 9½	71 0	118 0	29.62
End of 1936	5.83	3.67	92 0	12.58	67 0	67 6	17 9	19 5½	71 0	108 0	34.50

English, Scottish & Australian Bank, Limited

Head Office: 5 GRACECHURCH ST., E.C.3
and 383 Branches and Agencies throughout Australia.

Subscribed Capital	£5,000,000
Paid-up Capital	£3,000,000
Further Liability of Proprietors	£2,000,000
Reserve Fund	£1,680,000
Special Currency Reserve	£1,585,000

Board of Directors:

ANDREW WILLIAMSON, Esq., Chairman.
C. L. BAILLIEU, Esq., C.M.G. | SIR GEORGE SCHUSTER, M.C.
LORD HUNSDON. | K.C.S.I., K.C.M.G., C.B.E., M.C.
E. M. JANION, Esq. | SIDNEY M. WARD, Esq.
SIR FREDERICK W. YOUNG.

Manager & Secretary—A. A. SHIPSTON.
Asst. Mgr.—F. C. HOUNSFIELD | Sub-Mgr.—H. L. BALDING
Accountant—R. J. ALLEN.

Bankers: Bank of England: Westminster Bank Limited.

Chief Office in Australia:

COLLINS STREET, MELBOURNE

Drafts issued on the Branches and Agencies of the Bank throughout Australia. Circular Letters of Credit and Travellers' Cheques issued.

Remittances made by Telegraphic Transfer.
Bills Negotiated or forwarded for Collection.

Wool and Produce Credits arranged.

Banking and Exchange Business of every description transacted with Australia.

THE UNION BANK OF AUSTRALIA Limited

Established 1837

CAPITAL AUTHORISED AND ISSUED - £12,000,000

Paid up Capital - £4,000,000

Reserve Liability of Proprietors £8,000,000

(Not capable of being called up except in the event of and for the purpose of the Bank being wound up.)

Reserve Fund - £3,250,000

Special Currency Reserve - £1,600,000

DIRECTORS:

The Hon. EDMUND W. PARKER, Chairman.
COLIN S. ANDERSON, Esq. | Sir MALCOLM HOGG.
Maj.-Gen. Sir JOHN H. DAVIDSON, | ARTHUR TERENCE MAXWELL,
K.C.M.G., C.B., D.S.O. | Esq.
HUGH D. FLOWER, Esq. | ROBERT C. NESBITT, Esq.
J. W. HELY-HUTCHINSON, Esq. | The Rt. Hon. LORD STONEHAVEN,
The Rt. Hon. LORD HILLINGDON. | P.C., G.C.M.G., D.S.O.
ALFRED W. TURNBULL, Esq.

HEAD OFFICE:

71 Cornhill, London, E.C.3

Manager—F. H. McINTYRE | Assistant Manager—C. E. MURCH
Secretary—C. R. PEARSE

BRANCHES THROUGHOUT AUSTRALIA AND NEW ZEALAND

Drafts upon the Branches are issued by Head Office, and may be obtained from the Bank's Agents throughout England, Scotland and Ireland. Commercial and Circular Letters of Credit and Travellers' Cheques issued—available throughout the World. Telegraphic Remittances are also made. Bills on the Australian States and Dominion of New Zealand are purchased or sent for collection. Deposits are received at Head Office at rates of interest and for periods which may be ascertained on application.

(A) WHOLESALE PRICES OF COMMODITIES—Continued.
TEXTILES

	Cotton				Wool			Silk	Flax	Hemp	Jute
	American Middling	Egyptian f.g.f., Sak.	Yarn—32's Twist	Cloth—39-inch Shirtings	English, South-down, Washed	Queensland, Scoured Super Combing	Tops, 64's	Italian, Raw, fr. Milan	Livonian Z.K.	Manila	Native Firsts
	Per Lb. d.	Per Lb. d.	Per Lb. d.	Per Piece s. d.	Per Lb. d.	Per Lb. d.	Per Lb. d.	Per Lb. s. d.	Per Ton £	Per Ton £	Per Ton £
End of 1927	11.06	17.75	15.25	14 0	28.50	48.0	51.0	20 3	92.0	41.50	31.75
End of 1928	10.59	19.45	15.50	14 0	27.50	44.0	46.0	22 6	91.0	36.00	32.25
End of 1929	9.42	14.15	13.87	13 0	23.00	33.0	31.0	18 9	58.0	35.50	27.75
End of 1930	5.34	7.70	9.00	10 1½	13.50	22.0	22.0	10 9	35.0	23.00	15.50
End of 1931	5.34	7.10	9.12	9 9	13.50	22.0	23.5	11 9	41.0	20.25	19.25
End of 1932	5.10	7.15	9.00	9 2	10.00	19.0	23.0	9 0	55.0	18.75	14.75
End of 1933	5.46	8.05	9.50	9 5	14.50	29.0	40.0	7 9	42.5	14.50	15.62
End of 1934	7.22	9.02	10.50	9 8	13.50	22.0	24.5	6 9	78.0	14.75	16.94
End of 1935	6.39	9.60	10.50	9 4	13.50	24.0	32.0	9 3	77.5	27.50	19.94
End of Jan., 1936	6.14	9.79	10.12	9 0	13.50	26.0	33.0	9 3	75.0	27.00	19.50
" Feb. "	6.01	8.94	10.00	8 10	13.75	26.5	33.0	9 3	68.5	27.00	19.25
" Mar. "	6.51	9.19	10.37	9 0	13.75	27.2	33.0	9 3	61.2	25.50	19.62
" Apr. "	6.52	9.00	10.12	9 0	13.75	27.2	32.7	9 3	57.0	25.50	19.19
" May "	6.59	8.74	10.25	9 1	13.25	26.2	32.2	9 3	53.2	25.50	17.87
" June "	7.16	9.47	10.75	9 4½	12.75	26.0	31.0	9 3	52.0	27.75	17.12
" July "	7.28	11.20	11.12	9 6	13.50	26.0	32.0	9 3	58.0	28.50	16.69
" Aug. "	6.73	10.39	10.75	9 2	13.50	26.0	32.5	9 3	60.0	29.25	17.31
" Sept. "	6.96	10.33	11.00	9 2	14.00	27.0	32.0	9 3	59.5	29.75	17.25
" Oct. "	6.90	11.55	11.25	9 4	14.50	27.5	32.5	9 3	63.0	30.00	18.12
" Nov. "	6.82	11.11	11.62	9 6½	17.00	30.0	36.0	8 9	71.0	32.00	18.69
End of 1936	7.04	10.14	11.62	9 7½	17.50	30.0	36.0	8 9	72.5	35.50	19.31

MINERALS

	Pig Iron	Steel Rails	Iron Bars	Tin Plates	Coal			Lead	Tin	Copper	Spelter
	Cleveland, G.M.B. No. 3	Middlesbrough	Middlesbrough	I. C., S. Wales	Welsh, Best Ad'ty.	Durham, Best Gas	Sheffield, Best House	English Pig	Standard	Standard	G.O.B.
	Per Ton s.	Per Ton £	Per Ton £	Per Box s. d.	Per Ton s. d.	Per Ton s. d.	Per Ton s. d.	Per Ton £	Per Ton £	Per Ton £	Per Ton £
End of 1927	65.0	8.25	10.25	18 6	19 1½	15 0	20 6	23.75	265.12	60.91	26.25
End of 1928	66.0	8.50	10.25	18 0	19 4½	14 9	21 0	22.25	225.75	74.00	26.67
End of 1929	72.5	8.50	10.75	18 9	20 1½	16 9	21 0	23.25	178.12	68.00	19.87
End of 1930	63.5	8.50	10.75	15 6	20 0	15 3	23 0	16.25	116.50	46.50	13.75
End of 1931	58.5	8.50	10.00	14 6	19 6	14 7½	23 0	17.00	141.18	38.53	14.59
End of 1932	58.5	8.50	9.75	16 0	19 6	14 6	23 6	12.50	148.44	28.56	15.44
End of 1933	58.5	8.50	9.75	16 7½	19 6	14 8	23 0	12.50	226.94	32.15	14.56
End of 1934	63.5	8.50	9.62	18 2	19 6	14 8	22 0	12.00	228.44	28.37	12.15
End of 1935	66.0	8.50	9.62	18 9	19 6	14 10	24 0	17.75	218.12	35.06	14.56
End of Jan., 1936	66.0	8.50	9.62	18 9	19 6	16 0	24 0	18.00	207.75	34.91	15.25
" Feb. "	66.0	8.50	10.12	18 9	19 6	14 10	24 0	18.50	209.87	35.81	15.87
" Mar. "	66.0	8.50	10.12	18 9	19 6	14 8	23 6	18.00	213.12	36.47	15.75
" Apr. "	66.0	8.50	10.12	18 9	19 6	14 8	24 0	18.25	207.87	37.03	15.00
" May "	66.0	8.50	10.12	18 9	19 6	14 8	22 6	17.50	201.25	36.65	14.53
" June "	71.0	8.50	10.12	18 9	19 6	14 8	22 6	17.25	178.37	36.59	13.53
" July "	71.0	8.50	10.12	18 9	19 6	14 8	24 0	18.00	184.25	37.97	14.12
" Aug. "	71.0	8.50	10.12	18 9	19 6	14 8	24 0	18.75	187.62	38.56	13.59
" Sept. "	71.0	8.50	10.50	18 9	19 6	14 8	24 0	19.75	203.75	39.15	13.81
" Oct. "	71.0	8.50	10.50	18 9	19 6	14 8	24 0	20.50	205.75	42.50	15.25
" Nov. "	77.0	8.50	10.50	18 9	19 6	16 0	24 0	22.75	231.50	43.34	16.25
End of 1936	77.0	8.50	10.50	19 9	19 6	16 6	24 0	29.62	233.25	48.53	19.94

STOCKHOLMS ENSKILDA BANK
AKTIEBOLAG

STOCKHOLM

Established in 1856

Capital: 100,000,000 Kronor

TELEGRAPHIC ADDRESS:
NITTON-STOCKHOLMHEAD OFFICE:
STOCKHOLM 16

(A) WHOLESALE PRICES OF COMMODITIES—Continued.

MISCELLANEOUS

	Timber		Cement	Hides	Leather	Petrol	Petroleum	Fuel Oil	Linseed Oil	Rubber	Crystals	Creosote
	Eng. Oak Planks	Swed. U/S 2½ x 7	Best Portland	Market, Best Ox	Sole Bends 8/14 Lbs.	No. 1 Spirit	Paraffin	Inlaid Furnace Bx. Inst.	Naked, net	Plant. Sheet	Soda	London
	Per C. Ft. s. d.	Per St. £	Per Ton s. d.	Per Lb. d.	Per Lb. d.	Per Gal. d.	Per Gal. d.	Per Ton s. d.	Per Ton £	Per Lb. d.	Per Ton £	Per Gal. d.
End of 1927	7 0	19.00	54 0	9.62	31	11½	12	75 0	28.00	20.00	5.12	8.87
End of 1928	7 0	19.00	47 0	8.25	26	15½	10½	67 6	29.00	8.69	5.12	6.25
End of 1929	7 0	19.00	47 0	6.31	21	17½	12	67 6	45.00	8.06	5.12	4.25
End of 1930	7 0	18.00	47 0	5.81	22	15½	11½	67 6	22.50	4.25	5.12	3.75
End of 1931	6 6	16.00	43 0	5.12	22	15½	9½	60 0	14.62	3.31	5.12	4.00
End of 1932	6 6	15.00	43 0	4.12	15	18½	9½	60 0	17.25	2.42	5.12	3.50
End of 1933	6 6	18.00	43 0	4.87	18	17	9	80 0	18.25	4.25	5.12	3.75
End of 1934	6 6	18.00	40 0	4.56	14½	16	9½	80 0	19.25	6.40	5.12	4.12
End of 1935	6 6	17.00	39 0	5.37	22	17	9½	80 0	27.75	6.50	5.12	5.87
End of Jan., 1936	6 6	17.00	39 0	5.62	22	17	9½	80 0	27.25	6.94	5.12	5.87
" Feb. "	6 6	17.00	39 0	5.87	22	17	9	80 0	26.37	7.44	5.12	5.75
" Mar. "	6 6	17.50	39 0	5.93	21½	17	9	80 0	26.25	7.19	5.12	5.62
" Apr. "	6 6	17.75	39 0	5.93	21½	17	9	80 0	24.12	7.25	5.12	5.68
" May "	6 6	17.50	39 0	5.93	21½	17	9½	80 0	25.50	7.62	5.12	5.62
" June "	6 6	17.75	39 0	6.12	21½	17	8½	80 0	26.50	7.69	5.12	5.50
" July "	6 6	17.75	39 0	6.25	21	17	8½	80 0	25.25	7.68	5.12	5.44
" Aug. "	6 6	18.50	39 0	6.37	21½	17	8½	80 0	24.37	7.81	5.12	5.31
" Sept. "	6 6	18.50	39 0	6.00	21½	17	8½	80 0	24.50	8.06	5.12	5.56
" Oct. "	6 6	19.25	39 0	6.00	21½	17	8½	80 0	25.25	8.81	5.12	5.56
" Nov. "	6 6	19.50	39 0	5.69	21½	17	8½	80 0	28.00	10.75	5.12	5.81
End of 1936	6 0	20.00	39 0	6.00	21½	17	8½	80 0				

(B) WHOLESALE PRICES

THE ECONOMIST INDEX NUMBER, 1934-1936

1927 = 100							1913 = 100						
Date	Cereals and Meat	Other Foods	Textiles	Minerals	Miscellaneous	Complete Index	Date	Cereals and Meat	Other Food	Textiles	Minerals	Miscellaneous	Complete Index
End 1934							End 1934						
Jan. ...	66.7	57.2	57.5	77.8	68.9	65.7	Jan. ...	93.4	91.1	88.6	94.6	85.9	90.4
Feb. ...	65.7	59.5	57.5	78.4	68.4	65.9	Feb. ...	91.9	94.7	88.6	95.3	85.2	90.6
Mar. ...	64.7	59.3	57.2	78.4	67.9	65.4	Mar. ...	90.5	94.5	88.0	95.3	84.6	90.0
Apr. ...	66.2	59.1	54.6	79.0	68.3	65.3	Apr. ...	92.7	94.1	84.0	96.1	85.0	89.9
May ...	67.6	59.4	52.7	78.1	68.5	65.2	May ...	94.6	94.7	81.2	95.0	85.3	89.7
June ...	68.4	58.7	52.9	77.0	69.2	65.2	June ...	95.7	93.4	81.5	93.6	86.1	89.7
July ...	73.3	58.3	52.6	75.0	69.9	66.0	July ...	102.6	92.9	81.0	91.2	87.0	90.8
Aug. ...	76.8	59.3	53.5	76.1	69.4	67.1	Aug. ...	107.5	94.4	82.4	92.6	86.4	92.3
Sept. ...	74.1	57.9	51.3	76.0	69.1	65.7	Sept. ...	103.7	92.2	78.9	92.4	86.0	90.4
Oct. ...	69.2	59.5	51.5	76.2	68.6	65.0	Oct. ...	96.8	94.8	79.4	92.6	85.4	89.4
Nov. ...	66.4	59.6	53.3	75.8	68.8	64.7	Nov. ...	93.0	94.9	81.3	92.1	85.7	89.0
Dec. ...	69.9	60.2	54.5	75.8	69.4	66.1	Dec. ...	97.9	95.8	84.0	92.2	86.4	90.9
End 1935							End 1935						
Jan. ...	69.7	61.2	54.7	75.6	71.0	66.6	Jan. ...	97.6	97.5	84.2	92.0	88.4	91.6
Feb. ...	69.3	61.2	54.0	75.0	71.8	66.4	Feb. ...	96.9	97.5	83.1	91.2	89.4	91.3
Mar. ...	67.7	61.2	52.7	77.4	71.7	66.1	Mar. ...	94.7	97.5	81.1	94.2	89.3	90.9
Apr. ...	69.7	60.4	54.4	79.4	72.5	67.3	Apr. ...	97.6	96.2	83.8	96.5	90.3	92.6
May ...	71.6	60.6	55.1	80.3	75.5	68.7	May ...	100.2	96.5	84.9	97.6	93.9	94.5
June ...	68.4	59.1	55.5	78.7	75.0	67.5	June ...	95.8	94.2	85.4	95.7	93.4	92.9
July ...	68.3	60.1	56.6	80.3	75.0	68.1	July ...	95.5	95.7	87.1	97.6	93.3	93.7
Aug. ...	69.0	58.0	56.4	81.0	74.4	67.9	Aug. ...	96.6	92.4	86.8	98.5	92.6	93.4
Sept. ...	71.5	61.3	58.8	82.3	76.7	70.3	Sept. ...	100.1	97.6	90.6	100.1	95.5	96.7
Oct. ...	71.7	60.9	61.1	82.3	78.3	71.1	Oct. ...	100.3	97.0	94.0	100.1	97.5	97.8
Nov. ...	70.2	61.2	63.5	83.4	77.8	71.4	Nov. ...	98.3	97.4	97.7	101.4	96.9	98.2
Dec. ...	71.9	61.7	61.7	82.3	78.2	71.4	Dec. ...	100.6	98.3	95.0	100.1	97.3	98.2
End 1936							End 1936						
Jan. ...	72.7	59.5	61.4	82.9	78.7	71.3	Jan. ...	101.7	94.7	94.5	100.9	98.0	98.1
Feb. ...	71.6	59.8	60.2	83.5	78.5	70.9	Feb. ...	100.2	95.2	92.7	101.6	97.8	97.6
Mar. ...	72.3	59.8	60.4	83.3	78.4	71.1	Mar. ...	101.2	95.2	93.1	101.3	97.6	97.8
Apr. ...	73.3	59.0	59.6	83.1	78.1	70.9	Apr. ...	102.6	94.0	91.8	101.0	97.2	97.5
May ...	72.0	58.7	58.4	81.7	76.9	69.8	May ...	100.7	93.6	90.0	99.4	95.7	96.0
June ...	70.2	58.9	59.4	80.7	77.9	69.7	June ...	98.2	93.8	91.4	98.2	96.9	95.9
July ...	76.9	61.2	61.7	82.4	77.7	72.3	July ...	107.6	97.4	95.1	100.2	96.7	99.5
Aug. ...	79.7	61.5	61.1	82.6	77.5	72.8	Aug. ...	111.5	98.0	94.1	100.5	96.4	100.2
Sept. ...	82.0	61.6	61.7	84.2	77.0	73.6	Sept. ...	114.8	98.1	95.1	102.3	95.9	101.3
Oct. ...	82.0	62.5	63.6	86.0	77.8	74.6	Oct. ...	114.8	99.6	97.9	104.5	96.9	102.7
Nov. ...	83.2	65.0	66.6	89.7	78.8	76.9	Nov. ...	116.3	103.6	102.7	109.1	98.1	105.8
Dec. ...	86.4	65.6	67.5	95.4	81.2	79.3	Dec. ...	120.9	104.5	103.9	116.0	101.1	109.1

(C) RATES OF EXCHANGE ON LONDON

	Paris	Brussels	Milan	Zurich	Madrid	Amsterdam	Stockholm	Oslo	Copenhagen	Berlin	Vienna
	Francs to £1	Belgas to £1	Lire to £1	Francs to £1	Pesetas to £1	Florins to £1	Kronor to £1	Kronor to £1	Kronen to £1	Marks to £1	Schillings to £1
Par level*	124.21	35.00	92.46	25.22½	25.22½	12.107	18.159	18.159	18.159	20.43	34.58½
Highest, 1935	75.50	29.53	66.00	15.40	36.50	7.43½	19.45	19.95	22.45	12.39	27.50
Lowest	70.56½	19.95	55.62½	14.33	34.00	6.87	19.35	19.85	22.35	11.57	24.25
Highest, 1936	106.50	30.02	93.50	21.57	62.00½	9.40	19.45	19.95	22.45	12.90	28.00
Lowest	74.37½	28.80	61.12½	15.06	35½	7.24½	19.35	19.85	22.35	12.10	25.50
Beginning of—											
January, 1929	124.10½	34.88½	92.64	25.18½	29.74	12.08	18.13	18.19	18.17½	20.38½	34.44½
January, 1930	123.91	34.88½	93.22	25.13½	36.62½	12.09½	18.13½	18.20½	18.20½	20.43½	34.65½
January, 1931	123.66½	34.76½	92.74	25.04½	46.30½	12.05½	18.13½	18.16	18.16½	20.38½	34.48½
January, 1932	86.37½	24.37½	66.62½	17.37½	40.18½	8.44½	17.75	18.25	18.12½	14.25	30.00
January, 1933	85.50	24.09½	65.12½	17.34½	40.90½	8.31½	18.37½	19.40½	19.31½	14.00	28.50
January, 1934	83.00	23.39½	61.84½	16.79½	39.53½	8.09½	19.40	19.90	22.40	13.71	29.50
January, 1935	74.68½	21.02½	57.62½	15.22	36.06½	7.29½	19.40	19.90	22.40	12.26	26.50
January, 1936	74.43½	29.24	61.25	15.15½	35.93½	7.25½	19.40	19.90	22.40	12.24	26.50
February, "	74.84	29.33	62.12½	15.18	36.06	7.29	19.40	19.90	22.40	12.28	26.50
March, "	74.71	29.27	62.62½	15.10	36.25	7.26½	19.40	19.90	22.40	12.28	26.50
April, "	75.18	29.30	62.62½	15.21	36.25	7.29½	19.40	19.90	22.40	12.31	26.50
May, "	75.18½	29.20	63.12½	15.29	36.18½	7.28	19.40	19.90	22.40	12.30	26.50
June, "	75.90	29.56	63.37½	15.47	36.62½	7.40	19.40	19.90	22.40	12.41½	26.75
July, "	75.62½	29.71½	63.75½	15.34	36.55	7.37½	19.40	19.90	22.40	12.45	26.75
August, "	76.06½	29.75	63.82	15.36½	37.00½	7.38½	19.40	19.90	22.40	12.46	26.50
September, "	76.40	29.82	63.87	15.42	41.00½	7.41	19.40	19.90	22.40	12.50½	26.75
October, "	104.37½	29.26½	64.50	21.46½	—	9.50	19.40	19.90	22.40	12.42	26.50
November, "	105.16	28.96	92.87	21.27½	—	9.03	19.40	19.90	22.40	12.15½	26.50
December, "	105.06½	29.04	93.12	21.36	—	9.01½	19.40	19.90	22.40	12.19½	26.50
January 1, 1937	105.12½	29.12½	93.25	21.37	—	8.96½	19.40	19.90	22.40	12.19	26.50

	New York	Buenos Aires	Rio de Janeiro	Monte Video	Valparaiso	Bombay	Hong-kong	Shanghai	Kobe	Singapore
	Dollars to £1	Pence to £1	Pence to £1	Pence to £1	Pesos to £1	Sterling to Rupee	Sterling to Dollar	Sterling to Dollar	Sterling to Yen	Sterling to Dollar
Par level*	4.86½(b)	47.62	5.899	51	40.00	s. d.	s. d.	s. d.	s. d.	s. d.
Highest, 1935	4.98½	49.83½	5.93	51½	128	1 6	2 8½	1 10½	1 2½	2 4
Lowest	4.71½	17.40c	2½	19½	115	1 6½	1 3½	1 2½	1 2½	2 4
Highest, 1936	5.07½	18.90c	2½	27½	136	1 6½	1 4	1 2½	1 2½	2 4½
Lowest	4.87½	16.00c	2½	22½	127	1 6½	1 2½	1 2½	1 2½	2 4
Beginning of—										
January, 1929	4.85½	47½	5.88	51	39.64	1 6½	2 0½	1 10½	1 2½	2 3½
January, 1930	4.87½	45½	5.88	46½	39.80	1 5½	1 8½	1 10½	1 2½	2 3½
January, 1931	4.85½	35½	4½	35½	39.89	1 5½	1 1½	1 10½	1 2½	2 3½
January, 1932	3.38½	40½	4½	31½	28.00	1 6½	1 5½	1 11½	1 3	2 4½
January, 1933	3.33½	42½	5½	30	—	1 6½	1 3½	1 7½	1 3	2 3½
January, 1934	5.15	35½	4½	35½	—	1 6½	1 5½	1 4½	1 2½	2 4½
January, 1935	4.94½	27½	3½	20½	117	1 6½	1 8½	1 5	1 2	2 4½
January, 1936	4.92½	18.25c	2½	22½	127½	1 6½	1 3½	1 2½	1 2½	2 4½
February, "	5.00½	18.05	2½	23½	129½	1 6½	1 3½	1 2½	1 2½	2 4½
March, "	4.99½	18.05	2½	22½	128½	1 6½	1 3½	1 2½	1 1½	2 4½
April, "	4.95½	18.05½	2½	22½	132½	1 6½	1 3½	1 2½	1 1½	2 4½
May, "	4.93½	17.97½	2½	22½	131½	1 6½	1 3½	1 2½	1 2½	2 4½
June, "	4.99½	18.05	2½	23½	136½	1 6½	1 3½	1 2½	1 2½	2 4½
July, "	5.01½	18.47	2½	24½	130½	1 6½	1 3½	1 2½	1 2½	2 4½
August, "	5.01½	18.15	2½	24½	130½	1 6½	1 3½	1 2½	1 2½	2 4½
September, "	5.03½	17.70	2½	25½	131.5½	1 6½	1 2½	1 2½	1 2½	2 4½
October, "	4.94½	17.63	2½	26½	131.5½	1 6½	1 2½	1 2½	1 2½	2 4½
November, "	4.88½	17.55	2½	25½	131.5½	1 6½	1 2½	1 2½	1 2½	2 4½
December, "	4.90½	17.55	2½	26½	131.5½	1 6½	1 2½	1 2½	1 2½	2 4½
January 1, 1937	4.90½	16.05	2½	26½	131.5½	1 6½	1 2½	1 2½	1 2½	2 4½

* Unofficial quotations. † Nominal (export rate). ‡ Nominal. (b) Par, 8.23½ since dollar devaluation on February 1, 1934. (c) Paper pesos to £ from January, 1935. * Previous to September 20, 1931.

(D) VARIATIONS IN VOLUME OF IMPORTS AND EXPORTS OF THE UNITED KINGDOM

(Average of year 1930 = 100)

Period	Total Imports	Exports of Imported Merchandise	Net Imports	British Exports
1934—January–March	96.5	84.2	97.6	80.9
April–June	93.5	78.7	94.9	80.6
July–September	91.1	61.0	93.9	84.7
October–December	98.5	67.7	101.3	91.4
Year	94.9	72.9	96.9	84.4
1935—January–March	92.1	84.7	92.8	90.6
April–June	94.5	89.9	95.0	87.3
July–September	92.7	71.7	94.6	94.5
October–December	107.0	85.4	109.0	97.2
Year	96.6	82.9	97.9	91.3
1936—January–March	98.5	86.8	100.6	90.5
April–June	100.2	88.0	101.3	86.3
July–September	101.2	75.8	103.5	94.5
October–December	112.3	76.0	115.6	101.1
Year	103.3	81.6	105.3	93.1

VARIATIONS IN AVERAGE VALUES OF IMPORTS AND EXPORTS

(Average values of year 1930 = 100)

Period	Total Imports	British Produce	Imported Merchandise	Wholesale Prices Index No.
1934—January–March	73.0	82.1	81.5	88.7
April–June	73.1	82.6	82.5	87.6
July–September	73.4	82.2	80.5	88.2
October–December	75.6	82.0	78.8	87.7
Year	73.8	82.2	80.9	88.1
1935—January–March	74.2	81.6	75.7	87.8
April–June	73.3	81.1	76.6	88.1
July–September	74.4	82.0	75.3	88.7
October–December	77.5	82.2	79.6	91.3
Year	75.0	81.7	76.8	89.0
1936—January–March	77.1	82.1	84.2	91.7
April–June	77.4	82.7	86.6	92.2
July–September	77.7	83.2	79.7	95.0
October–December	82.2	83.6	90.3	98.9
Year	78.7	82.9	85.2	94.4

(E) DAILY AVERAGE MONEY RATES

Years	Bank Rate	Market Rate, 3 Months' Bills	Deposit Rate, Banks	Short Loans
1924	£ s. d.	£ s. d.	£ s. d.	£ s. d.
1925	4 0 0	3 10 9	2 0 0	2 12 5
1926	4 11 0	4 2 0	2 11 0	3 9 3
1927	5 0 0	4 10 3	3 0 0	4 1 1
1928	4 13 0	4 4 10	2 13 0	3 15 0
1929	4 10 0	4 3 0	2 10 0	4 12 3
1930	5 10 0	5 5 4	3 10 0	2 9 6
1931	3 8 5	2 12 3	2 1 0	3 0 10
1932	3 18 7	3 11 0	1 8 5	1 15 7
1933	3 0 2	1 16 9	1 5 2	0 15 5
1934	2 0 0	0 13 10	0 10 0	0 15 5
1935	2 0 0	0 16 7	0 10 0	0 16 10
1936	2 0 0	0 11 3½	0 10 0	0 14 10½
1936	2 0 0	0 11 10½	0 10 0	0 15 6

(G) NEW CAPITAL

DESTINATION OF NEW CAPITAL

Years	United Kingdom	British Possessions	Foreign Countries
1926	129,175,700	53,174,300	48,432,600
1927	206,885,600	99,812,400	48,470,000
1928	263,881,100	63,158,400	42,316,800
1929	198,026,500	60,977,000	26,235,900
1930	170,646,100	61,448,200	35,706,400
1931	54,502,000	38,508,400	9,133,900
1932	163,072,000	25,547,000	291,000
1933	210,240,500	29,150,800	5,389,200
1934	137,890,300	28,923,400	1,495,000
1935	220,651,100	15,240,500	256,000
1936	230,345,000	24,798,000	698,000

ANALYSIS OF NEW CAPITAL APPLICATIONS (EXCLUDING CONVERSIONS)

Old Basis		New Basis	
Year 1935	Year 1936	Year 1935	Year 1936

(F) STOCK MARKET PRICES IN 1936

	Prices		Rise or Fall	Highest & Lowest of Year 1936	
	End of Year 1935	End of Year 1936		Highest	Lowest
	BRITISH FUNDS				
3½% War Loan	106	105½	— ½	108 7/8	104
4½% Funding, 1960-90	117	116½	— ½	119½	115 ½
3% Funding	102½	101½	— 1½	104½	101
Consols 2½% red. at Govt. option	86½	84½	— 2	87½	82½
Consolidated Loan, 4%	114½	113½	— 1½	116½	112½
Conversion Loan, 3½%	107½	106½	— 1½	108 ½	104½
Conversion Loan, 2½%	101½	100½	— 1½	102½	100
Conversion Loan, 5%	120	117½	— 2½	121½	116½
Local Loans, 3%	96½	96½	+ ½	98½	96
India 3½%	97	98½	+ 1½	100	96
Do. 5%	86	85	— 1	89½	83½
MISCELLANEOUS SHARES					
Midland Bank £1 fully paid	96/6	94/6	— 2/-	98/9	91/-
Anglo-Dutch Plantations, Java (£1) ..	1 ½	2 ½	+ ½	2 ½	1 ½
United Serdang Rubber (2/-)	1 ½	1 ½	+ ½	2 ½	1 ½
Yorbaute Tea (£1)	2 ½	1 ½	— 1	2 ½	1 ½
Brazilian Traction Co. (no par)	2 ½	\$18½	+ \$7½	\$19½	\$9½
Gas Light and Coke Ord. (£1) ..	1 ½	1 ½	— ½	1 ½	2 ½
J. and P. Coats (£1)	3 ½	2 ½	— 1	3 ½	2 ½
Courtaulds (£1)	2 ½	2 ½	+ ½	3 ½	2 ½
English Sewing Cotton (£1)	2 ½	2 ½	+ ½	2 ½	1 ½
Birmingham Small Arms, Ord. (£1) ..	1 ½	1 ½	+ ½	2 ½	1 ½
Guest, Keen & Nettlefolds Ord. (£1) ..	1 ½	1 ½	+ ½	2 ½	1 ½

British Government Loans	88,000,000	60,253,900	88,000,000	60,253,900
Colonial Government Loans	2,907,500	375,000	3,171,500	384,900
Foreign Government Loans	Nil	Nil	519,400	3,460,100
British Corporations, Counties and Public Boards	51,088,900	79,462,200	54,909,400	62,090,500
Colonial Corporation Loans	Nil	1,980,000	Nil	1,980,000
British Railways	Nil	Nil	690,500	27,300
Foreign Railways	Nil	Nil	270,100	612,000
Australasian Mines	4,532,500	1,172,500	8,351,400	1,408,200
South African Mines	2,821,100	11,063,000	8,418,500	15,231,600
Other Mines	1,762,400	2,659,800	4,566,400	9,758,100
Exploration, Financial and In- vestment Trust	17,270,000	12,989,400	27,762,100	27,340,800
Breweries and Distilleries	1,081,800	3,549,800	3,889,000	15,800,900
Merchants, Importers, etc.	50,000	3,649,800	3,889,000	893,100
Stores and Trading	3,980,000	2,168,000	10,205,500	*78,050,800
Estate and Land	4,382,600	1,302,600	4,588,000	1,660,500
Rubber	252,300	401,200	1,261,700	1,980,200
Oil	30,300	1,870,600	1,363,600	2,243,000
Iron, Coal, Steel and Engineering	5,505,200	21,758,500	15,230,900	36,695,200
Electric Light, Power, Tele- graphs and Telephones	9,052,200	5,892,200	12,181,900	10,727,100
Tramway and Omnibuses	455,000	363,400	5,014,700	7,611,700
Motor Traction and Manufac- turing	3,230,600	2,106,400	4,636,200	13,096,400
Gas and Water	4,074,000	2,659,200	10,597,700	10,870,800
Theatres, Hotels and Entertain- ments	1,807,800	2,575,100	2,130,800	5,114,200
Patents and Proprietary Articles	1,260,000	2,757,800	2,757,800	1,891,400
Docks, Harbours and Shipping	1,526,400	1,600,000	14,555,000	4,092,900
Banks and Insurance	1,500,000	3,920,900	1,795,000	3,920,900
Manufacturing and Miscellaneous	32,025,600	36,090,900	70,865,000	95,336,000
Totals	236,147,600	255,671,000	557,279,400	493,887,500

THE EASTERN BANK LTD.

Head Office: 2 & 3 CROSBY SQUARE, LONDON, E.C.3

Authorised Capital - £2,000,000
Paid-up Capital - £1,000,000
Reserve Fund - £500,000

BRANCHES:

BOMBAY, CALCUTTA, KARACHI, MADRAS,
COLOMBO, SINGAPORE, BAGHDAD, BASRA,
AMARAH, MOSUL, KIRKUK, BAHRAIN

Conducts all descriptions of
Banking business with the East.

Current Accounts are opened
and Fixed Deposits are received
at rates of interest which may
be ascertained on application.

EXECUTORSHIPS and TRUSTEESHIPS
UNDERTAKEN.

NATIONAL DISCOUNT COMPANY, LIMITED

ESTABLISHED 1886

35 CORNHILL, LONDON, E.C.3

Telegraphic Address:
"NATDIS, STOCK, LONDON."

Telephones:
MANSION HOUSE 5241 (3 lines)

SUBSCRIBED CAPITAL - £2,153,335
PAID-UP CAPITAL - £1,000,000
RESERVE FUND - £1,000,000

DIRECTORS:

Col. The Hon. Sir SIDNEY PELL, BART., C.B., D.S.O., Chairman
Lt.-Col. The Hon. GEORGE AKERS-DOUGLAS
The Hon. ARTHUR M. ASQUITH, D.S.O.
FRANCIS GOLDSMITH
FREDERICK W. GREEN
H. S. H. GUINNESS
Sir SIGISMUND F. NIENDL, K.B.E.
Sir CHARLES D. SELIGMAN

Manager—FRANCIS GOLDSMITH

Sub-Manager—ROBERT E. de B. BATE

Asst. Sub-Manager—HARRY R. W. BROWN

Chief Accountant & Secretary—SEYMOUR S. JOHNSON

Registrar—GERALD H. ELLARY

Auditors:

PRICE, WATERHOUSE & CO.

Bankers:

BANK OF ENGLAND

NATIONAL PROVINCIAL BANK, LIMITED

Treasury Bills, Bank and Mercantile Bills negotiated.

Money received on Deposit at Call and Short Notice at the
Current Market Rates of Interest, and for longer periods
upon specially agreed terms.

Loans granted upon approved securities.

All communications to be addressed to the Manager.

ROYAL BANK OF SCOTLAND

Incorporated by Royal Charter, 1787.

Capital (fully paid):
£3,780,192

Reserve Fund:
£3,944,171

Deposits:
£66,800,985

Governor:

HIS GRACE THE DUKE OF BUCCLEUCH AND QUEENSBERRY, G.C.V.O.

Deputy-Governor:

RIGHT HON. THE EARL OF STRATHMORE AND KINGHORNE, K.T., G.C.V.O.

General Manager: WILLIAM WHYTE.

HEAD OFFICE: EDINBURGH

249 Branches throughout Scotland.

LONDON OFFICES:

CITY:

3 Bishopsgate, E.C.2
8 West Smithfield, E.C.1

WEST END:

(Drummonds)
49 Charing Cross, S.W.1

WESTERN:

Burlington Gardens, W.1
(formerly Branch of Bank of
England)

64 New Bond Street, W.1

World-Wide facilities for banking business of every description.

Associated Bank—Williams Deacon's Bank, Ltd. (Members of the London Bankers' Clearing House).

BANK OF SCOTLAND

CONSTITUTED BY ACT OF PARLIAMENT, 1695

AUTHORISED CAPITAL	£4,500,000
PAID-UP CAPITAL	£1,500,000
RESERVE FUND and BALANCE CARRIED FORWARD	£2,554,157
DEPOSITS and CREDIT BALANCES as at 29th February, 1936	£39,518,484

Governor: The Rt. Hon. LORD ELPHINSTONE, K.T. Deputy Governor: THE LORD HENRY SCOTT
A. W. M. BEVERIDGE, Treasurer.

Head Office: THE MOUND, EDINBURGH

GLASGOW, Chief Office: 2 St. VINCENT PLACE, J. W. MACFARLANE, Manager.

LONDON OFFICES: City Office—30 BISHOPSGATE, E.C.2, J. W. JOHNSTON, Manager.

Piccadilly Circus Branch—16/18 PICCADILLY, W. C. D. ALLISON, Manager.

259 Branches and Sub-Branches in Edinburgh, Glasgow, and throughout Scotland
Every description of British and Foreign Banking Business transacted

The Hongkong and Shanghai Banking Corporation

(Incorporated in the Colony of Hongkong. The liability of members
is limited to the extent and in manner prescribed by Ordinance No. 6 of
1929 of the Colony)

AUTHORISED CAPITAL	£50,000,000
ISSUED AND FULLY PAID UP	£20,000,000
RESERVE FUNDS (STERLING)	£6,500,000
(HONGKONG CURRENCY)	\$10,000,000
RESERVE LIABILITY OF PROPRIETORS	\$20,000,000

Head Office - HONGKONG

BOARD OF DIRECTORS:

Hon. Mr. J. J. PATERSON, Chairman
G. MISKIN, Deputy-Chairman
A. H. COMPTON
Hon. Mr. S. H. DODWELL
Hon. Mr. M. T. JOHNSON
A. L. SHIELDS
J. R. MASSON
K. S. MORRISON
T. E. PEARCE
V. M. GRAYBURN
CHIEF MANAGER

BRANCHES:

Amoy, Bangkok, Batavia, Bombay, Calcutta, Canton, Chefoo,
Colombo, Dairen (Dalny), Foochow, Haiphong, Hamburg,
Hankow, Harbin, Hongkew (Shanghai), Ipoh, Johore, Kobe,
Kowloon, Kuala Lumpur, London, Lyons, Malacca, Manila,
Moukden, Muar, New York, Peiping (Peking), Penang, Rangoon,
Saigon, San Francisco, Shanghai, Singapore, Sourabaya, Sungei
Patani, Tientsin, Tokyo, Tsingtao, Yloilo, Yokohama.

COMMITTEE IN LONDON:

The Hon. Alexander Baring
A. H. Barlow
D. G. M. Bernard
C. A. Campbell
Sir George Macdonogh,
G.B.E., K.C.B., K.C.M.G.
C. F. Whigham

MANAGERS IN LONDON:

O. J. Barnes
Sub-Manager: G. M. Dalgety
R. E. N. Padfield
Accountant: A. M. Knight

9 GRACECHURCH ST., LONDON, E.C.3

BANK GOSPODARSTWA KRAJOWEGO

(NATIONAL ECONOMIC BANK)

JEROZOLIMSKA 1, WARSAW

Telegraphic Address: KRAJOBANK, WARSAW

Paid-up Capital: Zl. 150,000,000
Reserve Fund: Zl. 51,239,977

Total of Balance Sheet, as on December 31, 1936
Zl. 2,504,122,781

18 Branches
in Poland

Correspondents all
over the world

HANDLING OF BANKING
TRANSACTIONS OF EVERY
DESCRIPTION

THE NATIONAL BANK OF SCOTLAND LIMITED



Head Office:
EDINBURGH

Branches throughout
SCOTLAND

LONDON OFFICES: 37 Nicholas Lane, E.C.4, and 18/20 Regent Street, Piccadilly Circus, S.W.1

The Bank undertakes the duties of Trustee or Executor under Wills, Trustee under Marriage and other Settlements, etc.

THE P. & O. BANKING CORPORATION LIMITED.

Head Office: 117-122 LEADENHALL STREET, LONDON, E.C.3.

Authorised Capital	£5,000,000	Subscribed Capital	£2,594,160
Paid-up Capital	£2,594,160	Reserve Fund	£180,000

Every description of Banking Business transacted

Correspondents in all parts of the World

BRANCHES: 14 Cockspur Street, London, S.W.1; Bombay; Calcutta; Calicut; Coimbatore; Colombo;
Hongkong; Madras; Pollachi; Shanghai; Singapore

Affiliated Bank:

ALLAHABAD BANK, LIMITED

Head Office:

CALCUTTA; with 36 Branches and Sub-Agencies in India

Authorised Capital	Rs. 40,00,000	Subscribed Capital	Rs. 40,00,000
Paid-Up Capital	Rs. 35,50,000	Reserve Fund	Rs. 44,50,000

One Hundred and Fifth Annual Statement The Bank of Nova Scotia

Capital Paid Up
\$12,000,000



Reserve Fund
\$24,000,000

PROFIT AND LOSS

Balance December 31st, 1935		
Net profits for the year ending December 31st, 1936, after Dominion and Provincial taxes \$474,268.46 and after making appropriations to Contingent Accounts out of which accounts full provision for Bad and Doubtful Debts has been made	\$ 711,629.74	
	1,926,686.56	
	\$ 2,638,316.30	
Dividends Nos. 265, 266, 267 and 268 at twelve per cent. per annum	\$ 1,440,000.00	
Contribution to Officers' Pension Fund	145,000.00	
Written off Bank Premises	250,000.00	
Balance carried forward December 31st, 1936	803,316.30	
	\$ 2,638,316.30	

GENERAL STATEMENT AS AT DECEMBER 31st, 1936

LIABILITIES		
Capital paid up	\$ 12,000,000.00	
Reserve fund	24,000,000.00	
Dividends declared and unpaid	362,017.95	
Balance of profits, as per profit and loss account	803,316.30	\$ 37,165,334.25
Notes in circulation	\$ 9,415,910.50	
Deposits by and balances due to Dominion Government	\$ 635,848.36	
Deposits by and balances due to Provincial Governments	964,737.72	
Deposits by the public not bearing interest	58,077,948.87	
Deposits by the public bearing interest, including interest accrued to date of statement	178,833,025.87	238,511,560.82
	\$247,927,471.32	
Deposits by and balances due to other chartered banks in Canada	2,711,043.12	
Deposits by and balances due to banks and banking correspondents in the United Kingdom and foreign countries	2,128,374.63	
Bills payable	23,888.70	\$252,790,777.77
Acceptances and letters of credit outstanding		6,699,886.11
Liabilities to the public not included under the foregoing heads		303,269.15
		\$296,959,267.28
ASSETS		
Gold held in Canada	\$ 2,120.64	
Subsidiary coin held in Canada	365,621.98	
Gold held elsewhere	4,564.01	
Subsidiary coin held elsewhere	1,763,801.03	
Notes of Bank of Canada	3,561,986.75	
Deposits with Bank of Canada	20,125,842.49	
Notes of other chartered banks	434,640.24	
Government and bank notes other than Canadian	3,948,200.58	\$ 30,206,777.72
Cheques on other banks		11,894,927.62
Due by banks and banking correspondents elsewhere than in Canada		7,808,371.11
		\$ 49,910,076.45
Dominion and provincial government direct and guaranteed securities, maturing within two years, not exceeding market value		34,614,771.14
Other Dominion and provincial government direct and guaranteed securities not exceeding market value		55,571,899.30
Canadian municipal securities, not exceeding market value		12,702,695.69
Public securities, other than Canadian, not exceeding market value		820,066.96
Other bonds, debentures and stocks, not exceeding market value		14,111,656.64
Call and short (not exceeding thirty days) loans in Canada on stocks, debentures, bonds and other securities, of a sufficient marketable value to cover		14,164,751.45
Call and short (not exceeding thirty days) loans elsewhere than in Canada on stocks, debentures, bonds and other securities, of a sufficient marketable value to cover		2,684,758.96
Current loans and discounts in Canada, not otherwise included, estimated loss provided for	\$ 71,608,491.41	\$184,580,676.59
Current loans and discounts elsewhere than in Canada, not otherwise included, estimated loss provided for	16,676,469.14	
Loans to provincial governments	887,467.14	
Loans to cities, towns, municipalities and school districts	5,770,363.15	
Non-current loans, estimated loss provided for	718,661.23	\$ 95,661,452.07
Liabilities of customers under acceptances and letters of credit as per contra		6,699,886.11
Mortgages on real estate sold by the bank		99,668.62
Bank premises, at not more than cost, less amounts written off		6,653,837.29
Deposit with the Minister of Finance for the security of note circulation		584,013.62
Shares of and loans to controlled companies		2,600,000.00
Other assets not included under the foregoing heads		79,732.98
		\$296,959,267.28

J. A. McLEOD, President.

H. F. PATTERSON, General Manager.

Auditors' Report to the Shareholders:
We have examined the above General Statement of Liabilities and Assets as at December 31st, 1936, and compared it with the books at the Chief Office and with the certified returns from the Branches. The Bank's investments and cash on hand at the Chief Office and at the Toronto and Montreal Branches were confirmed by us at the close of business on December 31st, 1936. We have obtained all the information and explanations that we have required, and in our opinion the transactions of the Bank which have come under our notice have been within the powers of the Bank. We report that in our opinion the above statement discloses the true condition of the Bank and is as shown by the books of the Bank.

TORONTO, CANADA, 15th January, 1937.

The Bank of Nova Scotia conducts a general banking business. Fully equipped for Exchange, Collection and Letter of Credit Transactions with all parts of the world. Particular attention is devoted to business with Canada, Newfoundland and the West Indies, where Branches of the Bank have long been established.

LONDON OFFICE: 108 OLD BROAD STREET, E.C.2.

E. C. MACLEOD, Manager.

THE ECONOMIST

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The Toll of Armament

THE White Paper on Defence Expenditure issued by the Government on Tuesday confirms the gloomiest forebodings. Even those who accepted the CHANCELLOR OF THE EXCHEQUER's argument that some portion of re-armament could legitimately be defrayed out of borrowed money might have hoped that Defence Loans would at least set a limit to the rise in the amount of defence expenditure to be met by taxation. MR CHAMBERLAIN has falsified even those expectations. He has told the country that it would be imprudent to expect the total cost of re-armament in the next five financial years to be less than £1,500,000,000. And as he can raise, under the financial resolution debated on Wednesday and Thursday, as much as £400,000,000 of this by borrowing, we must also expect our annual Defence Votes to average £220,000,000 during the next five years—that is, just double their average amount in the five years between 1930-31 and 1934-35.

In these columns last week we described the enormous cost of this additional five years' defence programme—i.e. the excess over the normal defence expenditure in recent years—as four times the cost of the Boer War. But the final figures, in MR CHAMBERLAIN's words on Wednesday, challenge comparison with our vast expenditure in the Great War itself—which was the chief source of the dislocation of our economic life during the entire post-war epoch, of the crushing burden of our towering National Debt, of the world's currency troubles and of the unemployment of the Great Depression. In simple terms, the total cost of our re-armament in the next five years is equal to the cost to this country of waging the last war for a whole year.

From another angle, the contemplated Defence Loan considerably exceeds the total repayments of National Debt that have been made since 1924 when MR BALDWIN came into power. Thus are the effects of twelve years of frugality swept away. The comparison is not, however, one of scale alone. The Government's proposals inevitably recall the steps taken during the Great War to divert our economic resources into war channels. Now, with its trebled expenditure on defence, the Government is going to bid in almost every basic market—including the all-important labour market—against manufacturers and traders engaged in normal production. Further controls and the regimentation of industry must inevitably follow.

Again, the White Paper conveys political implications of the gravest nature. Thus, as we show in a series of Notes on pages 400 to 402, despite the gentleman's understanding that our capital ship programme would in fact conform to the Washington Treaty, the Government have given the naval race a titanic impetus. Before us, therefore, looms the prospect of renewed competition with Japan; and as we add to our capital ship programme, we raise the effective strength of the 35 per cent. of our tonnage which Germany can build. Crucial questions, also, of strategy have been dropped in the haste for re-armament; as, for example, the bomber v. battleship dispute. The answer is, we are to have both. As in the famous Caucus race, all have won, and all are to have prizes.

On the financial side of the Government's plan, the CHANCELLOR on Wednesday sought to put the best face on a bad business. He suggested that the country's credit

A

could comfortably stand a Defence Loan or Loans of £400 millions; the setback in gilt-edged was not so important, nor so unhealthy; and the fears of an inflationary cycle set up by re-armament expenditure were exaggerated. But the CHANCELLOR cannot, unfortunately, assume that our credit will come through this crisis unscathed. The announcement of his intentions last week was quietly received in the City; but in the last seven days uneasiness over its effects has been growing. However it may be financed, this stupendous programme must constitute a very heavy burden on the productive capacity of the country. Not one penny of the whole £1,500 millions will enlarge our resources or revenue-producing assets. Indeed, as more and more of our resources and economic activity are diverted to the production of armaments, the current and future annual charges for their efficient upkeep and obsolescence must expand.

The proposals also have a bearing on economic policy generally. The White Paper reveals, for example, that the Government are to lay up—presumably by entering the open markets—big stores of fuel, both for military and civil purposes, and of raw materials essential to those branches of industry vital to the defence services. This raises at once the question of our tariff system. Are the Government proposing to borrow from the people in order to spend part of the money by out-bidding manufacturers and traders working for civil demand—thus driving prices up faster than they are at present rising—and, in addition, giving the Exchequer the extra customs duties on Government purchases from abroad? We trust not. They should import free of all duties; and should take instant steps to free the British industrialist, and the British consumer, from

the effects of the fiscal measures introduced in the depression. It will be intolerable if the cost of living, the wages that depend on it, and the basic costs of British industry, are henceforth sent rocketing upwards by a combination of the protectionist and monopolistic devices which this same Government introduced into our national economy in quite other circumstances. We have especially in mind the import quotas on foodstuffs, and the monopoly of the home market, as well as the effective fiscal autonomy, granted to the British Iron and Steel Federation. Now that world prices of these vital commodities are rising, to maintain protective measures and intensify their effect by adding this vast unproductive defence expenditure would be madness. A headlong boom in costs and prices would be the outcome—no safe preparation for the stress of war.

It is natural that the debate in the Commons on Wednesday and Thursday should have been concentrated on the CHANCELLOR'S proposal to defray part of our defence expenditure out of loans. It is natural that the British Dominions should welcome the United Kingdom Government's willingness to lay on the inhabitants of this country the cost of Imperial defence. It is no less natural that Germany should welcome the British Government's adherence to a re-armament policy and financial canons which the German Government have chiefly propagated. It is also natural that the members of the potential bloc of States prepared to co-operate against an aggressor should welcome, *en défaut de mieux*, this access of British military strength. But, when all is said and done, the Government's programme and MR CHAMBERLAIN'S finance—in spite of the exordium in the White Paper—cannot be taken as bull points either for peace or for prosperity.

The Mediterranean and the Empire

THE recent scares over the alleged intervention of Germany in Morocco and of Italy in the Balearics are the latest of a long series of events which have focussed attention upon the problem of defending the vital communications of the Empire. The Abyssinian war and the consequent Anglo-Italian tension have been followed in rapid succession by the disturbances in Palestine, by the Egyptian treaty, by the Spanish civil war and by the Anglo-Italian accord. This sequence of events has produced two effects on British political opinion: namely, anxiety over our strategic situation in the Mediterranean, and renewed interest in the problem of Commonwealth co-operation in Imperial defence. For the Mediterranean is a unique focus of the vital interests of most of the self-governing Dominions, of India and of a large part of the dependent Empire, and is thus a test case for the working of Commonwealth co-operation in defence, and therefore in foreign policy.

The 1923 Imperial Conference laid down certain principles of Imperial defence, which were re-endorsed by its successor in 1926. It is a rather disparate list, for it includes the primary responsibility of each self-governing member of the Commonwealth to provide for its own local defence, the adequate safeguarding of maritime communications, the provision of naval bases, the maintenance of a one-Power naval standard, and the need for uniform technique in air defence throughout the Commonwealth. The 1926 Conference added the provision of an adequate chain of air bases. In the application of these principles, the earlier Conference took note of "the necessity for the maintenance of safe passage along the great route to the East through the Mediterranean and the Red Sea."

The nature of this joint obligation depends on the

interpretation given to the phrase "safe passage." It might mean that British diplomacy, backed by defensive strength, must make it impossible for any Power to deny free passage through the Mediterranean to vessels under the British flag. "Impossible" in this context would mean that such a denial must involve a challenge to war, in which the hostile Power would be surely defeated by the Empire and its associates. Viewing the Mediterranean in isolation, British statesmen may feel satisfied that the duty is performed. So long as the League of Nations means anything, so long as we have the goodwill of France, so long as we retain at least our present ratio in naval armaments, no single Mediterranean Power or group of Mediterranean Powers could hope to succeed in a contest with the British Empire. "Safe passage" might be interpreted, however, to mean securing the flow of British shipping through the Mediterranean during a world war into which the Commonwealth had been drawn for quite other reasons than a direct challenge in the Mediterranean. The doubt whether the duty can be performed in this larger sense is causing hard thinking both here and in the overseas Empire.

In the Great War, the Mediterranean was kept open for a number of reasons. Both the chief Mediterranean naval Powers were on the Allied side. Neither Turkey nor Austria-Hungary had any first-class naval force. The greater part of the German navy was bottled up in northern ports, and the British fleet was adequate to keep it there and at the same time to supply convoy for Allied merchant ships. To-day conditions have changed. The German navy may be weaker, but the Italian navy is stronger, and we are obliged to regard Germany and Italy as potential allies. The Anglo-Japanese alliance,

which enabled the British battle fleet to evacuate the Pacific, and the Washington Conference system which replaced it, have both been swept overboard. The growth of air power presents a new threat to safe passage through narrow waters.

Recognition of these facts prompted recent rumours that British naval plans were now based on the assumption that safe passage through the Mediterranean would be out of the question in a world war. On the outbreak of hostilities, therefore, it was said, both ends of the Mediterranean would be navally sealed, and transport to the East and to Australia would be diverted round the Cape. Colour was lent to these rumours by the visit of the South African Minister of Defence to London last year to discuss the future of the Capetown defences.

Second thoughts, as well as emphatic denials by Ministers, made it clear that this picture of Imperial strategy could not be complete. The extra length of route would absorb a dangerously large proportion of a depleted merchant fleet. The British Empire has direct defensive responsibilities towards more than one Mediterranean country—Egypt, Palestine, Malta, Cyprus. And the Mediterranean is not merely, as Mussolini described it, a maritime short cut for the Empire. It is also a vital section of the main air routes, civil and military, between Great Britain and Africa, India, Australia and the East. Here again South Africa comes into the foreground of the new picture, since her statesmen are tending more and more to regard the air route as a vital lifeline which she must help to defend. Hence, even though the Mediterranean can never be wholly safe for merchant shipping in time of war, the maintenance of naval and air strength in the Mediterranean zone will continue to be of supreme importance in British Commonwealth defence policy. The defensive development of Malta and Cyprus is thus to be regarded as complementary to the development of bases along the alternative route, and air defence as complementary to naval strength.

What is the co-operative Commonwealth aspect of Mediterranean defence, which in so many ways is the

clue to Imperial defence as a whole? For some time to come the local defence of the Dominions will remain their chief peace-time contribution towards the defence of the whole Commonwealth. But that is by no means a negligible contribution, especially as the interpretation of local defence by the several Dominions is not always narrow. For South Africa, for instance, it may include the security of all southern Africa and perhaps of the East African air route. In a world war, such local defence must rank first. In a localised Mediterranean war the Dominions' contribution might be more direct. Two Australian cruisers (one of them on exchange with a British cruiser in Australian waters) served with the Mediterranean fleet in the period of Anglo-Italian tension. That is perhaps the sum total of naval force that the Dominions could spare, since none of them but Australia has a navy designed for more than purely local defence. But different conditions apply to the air. Each of the Dominions is building up a respectable air force, and the concentration of these forces in a threatened zone is a question chiefly of available bases and ground equipment. The 1926 resolution on this subject was a first move towards a new plan for Commonwealth defence co-operation.

Such co-operation demands, however, one prerequisite—mutual understanding in foreign policy. If Great Britain's foreign policy is purely national in conception, she can rely only on her national defence resources. An indispensable condition of willing Empire co-operation is a conviction in all the Dominions that Great Britain's interests are their own, that every possible method of maintaining these interests, short of war, has been tried, and that victory itself is an Imperial interest—and the only one. And it is difficult to envisage any cause in which Great Britain could rightly and righteously take up arms, to which these conditions would not apply. In any case, however, it is evident that this country must still bear the main brunt of actual expenditure on Imperial defence. The more urgent, therefore, does the need for co-ordinated foreign policy and defence policy become.

The Uses of Advertisement—!

How Much is Spent on Advertising?

WE spend a great amount of time in these days in trying to escape from the more assertive features of our civilisation. With a little ingenuity we can evade the talkie, the crooner and even the motor car; but no amount of effort will keep away the advertiser. The newspaper, the hoarding, the bus, the tram, the train, the things we eat and drink, and even the sky above, are pressed into his service. He shapes our culture and environment; and it behoves us to look at his business, to ask if what he does for us is good or bad, and if it is all worth while.

The object of all this advertisement is to bring to our notice things which we may want or need, and to persuade us to buy them. There are so many of us, and so many things to be sold, that manufacturers are ready to spend a great deal of money in a great many ways to attract our attention. It is not easy to work out the cost of advertisement, because it is hard to say exactly what is and what is not advertising, and because very little precise information is published. But some forms of publicity are obvious. Goods are displayed in shop windows, their merits are vaunted on posters; and we are told about them by post. Science lends a hand, and we are cajoled by flashing street signs, on the screen

at the cinemas, and even, in lesser countries without the B.B.C., over the wireless.

Perhaps the most persistent medium of advertisement, however, is the Press. Newspapers publish what they charge for advertisements, and it is therefore easier to estimate what is spent on publicity of this sort than it is to calculate the cost of other ways of advertising. A recent series of articles in *The Economist* (January 2nd, 9th and 16th, pages 3, 51 and 103 respectively) showed the importance of advertising in the finances and the policy of newspapers; how over half the revenue of a representative daily may be derived from advertisements; and how the race for circulation between newspapers is intended to attract advertisers and so to increase revenue.

The amount of money spent on Press advertising is growing year by year. Given knowledge of newspaper charges by specified lengths and positions, it is possible by a process of painstaking computation to reach a moderately close estimate of the amount of money spent each year on certain forms of advertising. Thus, by the courtesy of the London Press Exchange, we are enabled to give the following figures of expenditure on "display" advertising of manufacturers' branded

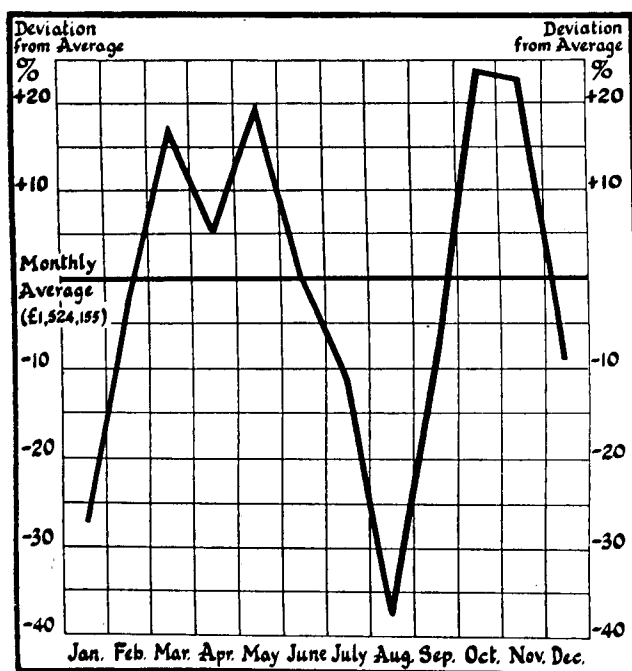
goods, exclusive of financial, retailing or classified advertisements. It will be seen that in the last five years the annual total has risen by 37 per cent. :—

	Cost of Display Advertising of Branded Goods	Increase over Previous Year
1931	13,299,867	£
1932	13,829,095	529,228
1933	14,764,158	935,063
1934	15,777,253	1,013,095
1935	17,464,401	1,687,148
1936	18,269,867	805,466

The first and most striking feature about this important part of Press advertising, therefore, is that the amount spent upon it is rising year by year. The Great Depression may have temporarily checked the rate of its advance, but it has done no more. A second characteristic is the marked rhythm which recurs in display advertising expenditure every year. Advertising is a highly seasonal industry; some months are profitable from the viewpoint of the advertiser and others are his bugbear. Here, for example, are the figures of branded goods display advertising for every month of 1936, shown as a percentage above or below the monthly average figure of £1,524,155. The figures for December were unfavourably affected by the abdication crisis:—

NEWSPAPER DISPLAY ADVERTISING OF BRANDED GOODS, 1936

Deviation from Monthly Average of Computed Expenditure



It will be seen that expenditure on this form of advertising tends to be greatest, on the whole, in the months preceding public holidays. In March, May and October-November, respectively, we are prepared for our buying at Easter, Whitsuntide and Christmas.

The third significant feature of branded goods advertising is that it is by no means evenly divided throughout the available newspapers of the country. The "national" daily papers, which enter more than a million homes each day, receive the greatest revenue from advertising. Of the total of £18½ millions the national morning papers received nearly as much (43 per cent.) as the Sunday papers, the weekly papers, the evening papers and the provincial papers put together.

When we turn from branded goods advertising in the newspapers to other forms of Press advertising, and still more to advertising through other media than the Press, we are compelled to abandon even the most approximate attempt at measurement and to rely on a process of assumption based on fragmentary and unsatisfactory data. A few broad facts are known; as, for instance, that

the total expenditure on Press advertising considerably exceeds the figures for branded goods display, which have already been quoted, and that the value of advertising in other media than the Press is probably at least equal to, or even greater than, that of Press advertising proper. There are at least four other kinds of advertising on which considerable annual sums are expended, namely, poster advertising, mail advertising, window display, and a miscellaneous group of relatively new media, like the radio, the films, the electric sign and the sky itself. The following figures show the result of one attempt to convey some idea of the order of the amounts involved, but they are far too tentative to justify any but the most provisional conclusions:—

	£
Press advertising (including display and classified advertisements in all periodicals).....	35,000,000
Poster advertising (including recognised sites, railways and transport vehicles).....	4,000,000
Direct mail advertising (based on an estimate by the Postmaster-General).....	25,000,000
Window display.....	20,000,000
Miscellaneous—Radio.....	320,000
Films.....	300,000
Sky and neon signs.....	380,000
	1,000,000
Total.....	£85,000,000

Even now, the limits of the total field of advertising have not been reached. Sometimes it is hard to decide where the cost of making and selling an article ends and where the expense of advertisement begins. Some types of chocolates are packed in boxes; but handsome boxes do more than contain chocolates: they attract customers. Business men must write letters; but if they use elaborate stationery it will catch the eye of possible clients. Goods have to be delivered to customers; but decorated delivery vans, sometimes fantastically shaped like an onion or a bottle, call the attention of other people to the firms and the things they have to sell. The cost of this quasi-advertising cannot even be guessed at; but it is by no means negligible.

In the light of these facts, we can safely say that the annual advertising bill runs to a very large absolute total. Even if some of the figures we have quoted have a wide margin of possible error, it remains true to say that business men spend on advertising each year a sum which is not unworthy to be compared, say, with the average amount Mr Chamberlain proposes to borrow for defence; or, again, with the par value of the issued capital of a great industrial enterprise like Imperial Chemical Industries.

It is obvious that the expenditure of annual amounts of this order must produce tangible results from the advertisers' point of view; otherwise the amounts would not be so large and they would not be continually growing. From the broader social viewpoint, the indirect consequences of advertising on this huge scale must needs be momentous. They bear on national amenities, they have a subtle influence on æsthetic standards, and some of their repercussions which are less obvious may be hardly less important. For example, we have already shown (see *The Economist*, January 16, 1937, page 104) that the money spent by advertisers enables newspapers to give their readers more special features, a better news service and bigger papers generally than they could afford in its absence. But if advertising is effective from the advertisers' point of view, it must do more. It must produce an increased demand for the products advertised—in other words, it must significantly affect the direction of the stream of annual consumption. Here, indeed, advertising touches the national life most closely. Which industries are the largest advertisers? What methods do they employ? And how do their efforts affect demand for goods and services? These questions will form the subject matter of a further article.

Britain's Overseas Markets

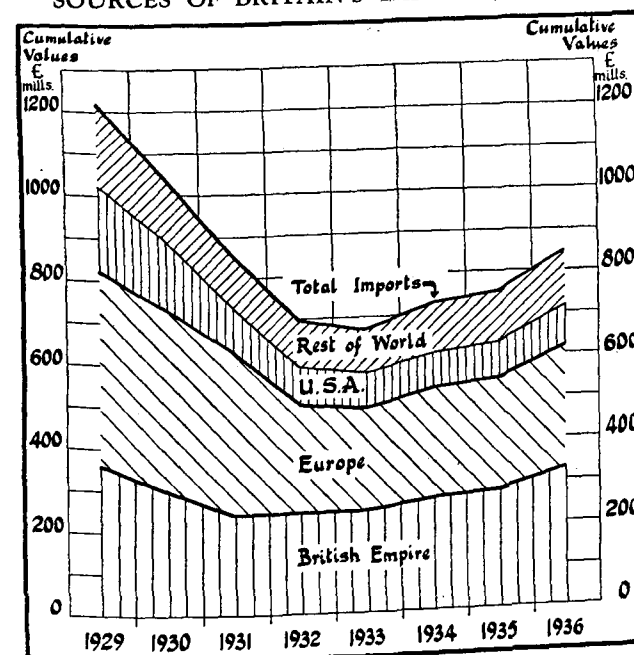
THE main feature of Britain's overseas trade last year, was a marked increase which occurred in imports, as a result of expanding activity and increasing prosperity at home. Total imports in 1936 showed an increase of 12 per cent. in value and of 7 per cent. in volume over the figures of the preceding year. British exports, however, registered an increase of only 3½ per cent. in value and of 2 per cent. in volume, partly owing to the inability of certain important industries to meet the expanding requirements of both home and overseas customers, and partly owing to the imposition of sanctions on Italy. A rise of 9 per cent. in the value of re-exports between 1935 and 1936 was due entirely to higher prices, and the volume of re-export trade actually declined by 1½ per cent.

These general tendencies, which were discussed in *The Economist* of January 23rd and February 13th, are reflected in the changes in the distribution of our overseas trade during the past year, analysed by the Board of Trade in the Trade and Navigation Accounts issued this week. On the whole, the increase in imports from individual countries was much more marked than the expansion of exports to them. But, as far as individual customers and sources of supply are concerned, the actual distribution of Britain's trade was largely conditioned by a multiplicity of special factors whose influence cannot be considered in isolation. The economic and financial policy of foreign countries, for example, exercised a powerful influence in shaping their foreign

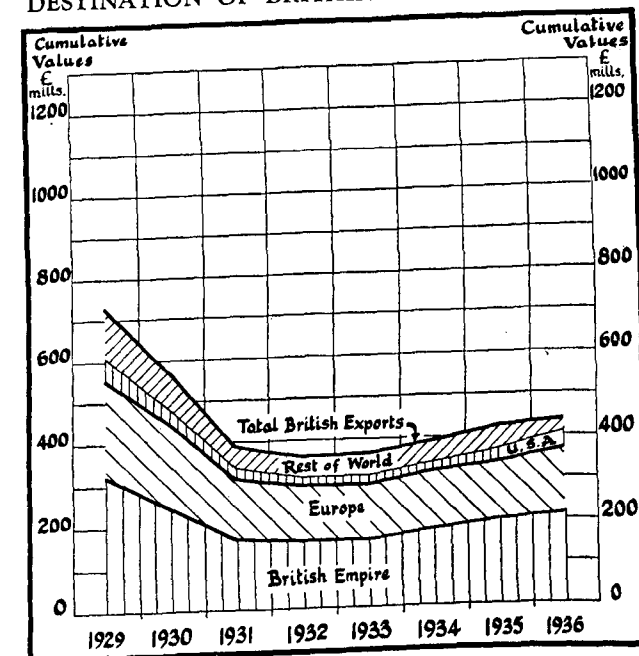
Import Duties Act and the Ottawa Agreements afford only a partial explanation. Imports from the Empire consist mainly of raw materials and semi-manufactured goods, which have been in relatively greater demand in this country than other commodities. Exports to Empire countries have been influenced by the fact that the majority of these countries have experienced a substantial measure of recovery, due to currency devaluation, expanding sales abroad at rising prices and preferential treatment in our home market. South Africa's purchases from the United Kingdom in 1936 were actually about £5,000,000 higher than in 1929, due largely to the boom in gold-mining, caused by devaluation. While changes in Britain's tariff policy are partly responsible for the relative decline in imports from foreign countries, this tendency is also due, in part, to the different nature of the commodities exported by them, taken as a group, and by the greater degree of economic recovery attained by the Empire. Thus, the overvaluation of the former gold bloc currencies, only recently corrected, militated against an improvement in the purchases of these countries in the British market, though British imports from France, Holland and Switzerland showed a considerable increase. Exports to Germany failed to expand, but British purchases from that country rose substantially—an indication that all countries will ultimately be influenced by the rising tide of world trade.

As the table on page 442 shows, the value of exports of British produce per head of the population in importing countries is highest in the case of the Empire. New Zealand, the Irish Free State, Australia, South Africa, Canada and Malaya all purchased commodities in this country in excess of £1 per head. New Zealand, the largest importer from the United Kingdom on a per

SOURCES OF BRITAIN'S IMPORTS, 1929-36



DESTINATION OF BRITAIN'S EXPORTS, 1929-36



trade with the United Kingdom. Again, the varying measure of recovery attained in countries overseas affected, to some extent, the value of their purchases in the United Kingdom.

Changes in the value and direction of British trade since 1929 are shown in the two annexed charts. For detailed figures, country by country, we would refer our readers to the tables on page 442. One of the most striking changes in the distribution of Britain's overseas trade in recent years is the relative increase in the export of commodities with Empire countries. After falling from 29.4 per cent. in 1929 to 28.9 per cent. in 1931, the proportion of Britain's imports derived from the Empire rose to 37.6 per cent. in 1935 and 39.2 per cent. in 1936. Exports showed a similar tendency, though the shift in sales to Empire countries was less marked than in the case of imports. In 1936, 49.2 per cent. of domestic exports were consigned to the Empire, compared with 48.0 per cent. in 1935, 43.7 per cent. in 1931 and 44.5 per cent. in 1929. Of this tendency, the

capita basis, increased her purchases in this country from £8 11s. 5d. in 1935 to £11 os. 5d. in 1936 per head of the population. Among foreign countries, Denmark, Norway, Sweden, Holland, Argentina, Finland and Belgium were the only countries to whom British goods were consigned last year in excess of £1 per head. With the exception of Argentina, all these countries are now engaged in negotiations to establish a freer-trading bloc of Powers.

In general, the Empire has so far benefited most from the increase in British imports. To some extent, the increase in the proportion of Britain's trade with the Empire is the result of natural forces. But to accentuate this shift deliberately, as has been done in the past, is scarcely calculated to contribute to the political appeasement of the world. The time has come, therefore, when Britain should once more give a lead in an attempt to free the channels of international trade. In our present economic position, reason and interest counsel such a step.

A Railroad Empire

THE recent deaths, in rapid succession, of the two Van Sweringen brothers have closed a chapter in one of the most extraordinary stories of financial virtuosity that has ever emerged even from that library of curiosities, the history of the American railroads. Reputed to have been worth \$100,000,000 in 1929, the brothers died poor (the estate of one of them amounted to \$3,067). But their story is not yet finished, for the amazing empire they built is still intact, and with the return of prosperity its various provinces are once more beginning to flourish.

The Van Sweringens started their career in the real estate business, and became interested in railways by the accident of having to provide a rapid transit line for their suburban development outside Cleveland, Ohio. In 1917, to secure a needed right of way, they bought control of the Nickel Plate Railroad from the New York Central. The first transaction reveals their financial method as it was practised to the end. A holding company was formed to buy the Nickel Plate, and raised funds to do so by an issue of preferred stock to the public. The common stock was issued without cash return to the brothers. The public provided the money; the brothers retained the control. The method was not, however yet perfected, for the brothers made an unnecessary investment in the preferred stock (unnecessary, that is, to secure their control) of some \$500,000. They never repeated this act of supererogation and are not known ever to have invested another dollar of their own in their empire.

Throughout the dozen years that followed, the same formula was repeated over and over again. Money derived from the earnings of their railroads and from sales of fixed-interest non-voting securities to the public was used to buy railway after railway. Their empire at its height stretched from New York and Chesapeake Bay to the Mexican Border and (through a working arrangement) to San Francisco. In addition to railways, it included hotels, a department store, a coal company and a great deal of miscellaneous real estate.

The Van Sweringens were supreme artists in the craft of constructing an empire for themselves with other people's money. The technique can be illustrated by a brief outline of the pyramid they built, as it stood before the crisis. The base of the pyramid is the Chesapeake and Ohio Railway, whose main revenues come from transporting West Virginia coal to tidewater. But the Chesapeake and Ohio is as much a holding company as a railroad. It controls five other railways, through the ownership by a subsidiary company of a majority of their voting stocks. Taking the securities of all these railroads at par, they amounted (1931 figures) to a total of \$1,424 millions. Of this total, control rested with only \$101 millions—a majority of the common stock of Chesapeake and Ohio. This would be enough gearing to satisfy most; but it was only the base of the Van Sweringen pyramid. The Chesapeake and Ohio shares were held by a holding company named Chesapeake Corporation. Here we encounter a typical Van Sweringen device. Chesapeake Corporation had outstanding, on December 31, 1931, over \$44 millions of "collateral trust debentures." These are bonds secured by the Chesapeake and Ohio shares, which are the Corporation's chief asset—they are debentures secured upon equity shares, and highly geared equity shares at that. A majority of the common stock of Chesapeake Corporation is held by another holding company, Alleghany Corporation. Once more the collateral trust debenture device is repeated. Alleghany also has very heavy issues of preferred stock, with the result that its common stock is only a small part of its capitalisation. Yet mastery of the whole structure rests with the owners of a majority of the common stock of Alleghany Corporation, who were, of course, the Van Sweringens. Control of the group of railways rested, as has been noted, with about 7 per cent. of the aggregate capitalisation. The controlling interests in Chesapeake Corporation and in Alleghany Corporation were 44 per cent. and about 14 per cent.

respectively. If the arithmetic is worked out, it will be found that the controlling interest at the top had a beneficial interest in less than 0.5 per cent. of the railway properties at the base.

Still we have not finished. A structure of this sort needs a constant flow of dividends to keep it steady. Moreover, when assets are pledged in collateral trust indentures, they will be impounded by trustees if their market value falls. This is what happened to the Van Sweringens. All through the depression they were struggling to find cash to shore up their empire. In the struggle, they pledged all their personal possessions, including the vital Alleghany shares, as security for a loan of some \$48 millions from a syndicate of New York banks. The loan was defaulted, and control passed to the banks.

Now for the sensational *dénouement*. The banks decided to sell the collateral by auction. At the sale, the vital shares were bought for \$3,121,000. The buyer was a certain Mid-America Corporation, present in the person of Mr O. P. Van Sweringen. This was in November, 1935, and the story of the Mid-America Corporation has since been revealed. Mid-America is constructed on the familiar formula—heavy bank loans, large issues of preferred stock and a diminutive equity. The equity was in fact subscribed by two unknown Middle Western manufacturers, Messrs George A. Ball and George A. Tomlinson, the former owning two-thirds of the whole. An agreement was made whereby the Van Sweringen brothers should vote 55 per cent. of this common stock, and should have an option to buy it at any time. Control of this whole vast empire, now once more earning money, was thus centred in 8,250 shares of the common stock of the Mid-America Corporation. As *The Economist* observed at the time of the auction, "Truly it was not only the monastic brothers of the Middle Ages who could balance myriads of angels on the point of a pin. These brothers of the Middle West run them very close."

This was the last and most astounding deal the brothers ever accomplished. Within a year after the auction both were dead, and the startled Mr Ball found himself Emperor *malgré lui*.

Every good story has a moral. In this case there is an embarrassing surfeit of morals. In America, opinion tends to be shocked by the fact that it was railways which underlay the "star-pointing pyramid," since the ownership of railways has always been considered to touch very closely the exercise of sovereign power. But the method is applicable to any form of enterprise. Or again, the story of the Van Sweringens is used to illustrate the consequences which can flow from the competition of individual States of the Union to secure revenues by the laxity of their incorporation laws. But though some of the more rococo accounting methods would have been illegal in some jurisdictions, the main principle of the holding company is recognised everywhere.

Indeed, we can take the argument outside the United States. Nothing that the Van Sweringens did and which was essential to their purpose would have been illegal under the British Companies Acts. Our financiers have not yet succeeded in balancing quite so many angels on a corporate pinpoint. But they are doing their best. In one respect, their task is easier in Great Britain, for if they take the elementary precaution of inserting a layer or two of sub-holding companies they can prevent the public from even knowing what they are up to.

The Van Sweringen brothers should stand as an example of the abuses that are possible under the present organisation of joint-stock companies. The theory which justifies the grant of votes to one class of security, and their withholding from others, is that control should be exercised by the risk-takers. But by what stretch of language can it be said that the owners of the collateral trust debentures of Alleghany Corporation were not taking a risk, or that the Van Sweringen brothers, who operated entirely on other people's money, bore the financial risks of their empire? The holding company has its legitimate uses. But when one holding company is piled on another the device serves merely to subordinate genuine enterprise to the demands of high-wire finance and the imperialist ambitions of headstrong manipulators.

"... Upon All Prisoners and Captives"

(By a Correspondent)

WITHIN the last eighteen months there have been published two books on prison life which everybody ought to read.* Both tell the story from inside because they are written by ex-prisoners—Mr Macartney who did ten years at Parkhurst and an anonymous author who did five at the more gentlemanly Maidstone. And what a difficult job it is to write a good book about your own life in prison! Without the help of notes or documents, relying on memory alone, you must present a record of five or ten years of monotony, loneliness, bad food, bitterness, petty hatred, resentment, torturing passion. You must adjust your prisoner's perspective to that of the reader who has never been in prison and does not understand how values change inside a prison's walls; who has never thought how things that are trivial in a free atmosphere grow into overwhelming burdens in captivity; who has never realised how nerves can crack and sex become a revolting obsession to men caught up for seven or eight years in the unnatural routine of penal servitude. You must do all this; and then when your book is published you will be told by distinguished reviewers that it is marred by inaccuracies.

In places these two books probably are inaccurate. How many of us, indeed, could write a history of five years in our own lives without the aid of memoranda and without inaccuracy? If an ex-prisoner is to be deterred from publishing his experiences by the fear of slipping into minor inaccuracies, then he will never write at all, and it would be a deplorable thing if men who are fitted to tell us of the life that prisoners lead were forced by this or any other cause to keep silence. Let every man who can write or talk about his experience in prison and find a publisher or a society to give him an audience take the opportunity with both hands, remembering that the speed of prison reform varies with the knowledge of prison life that the public possesses. Reform in general does not spring from the generous impulse of a politician or the zeal of a civil servant but from an accession of public interest. Most of the milestones on the road of prison reform mark the spots at which the public had the problem thrust under its nose.

The prevailing notion about prison in the minds of most intelligent men is that far fewer people are sent to prison now than were sent there thirty years ago, and that the treatment of those who do go is much better than it was. Both these notions are correct, and the following figures of average prison population reflect at once the more humane treatment of offenders and prisoners and its unquestionable success:—

Daily average prison population					
1905	..	..	..	..	21,360
1934	..	..	..	..	12,238

But it is also commonly believed that because things have improved any further reform is unnecessary and might even lead to a dangerous standard of physical and intellectual comfort. That is incorrect. If by any chance you are worried by the thought of that particular danger you are worried by the thought of that particular danger you are worried by the thought of that particular danger provide you with the following breakfast: 6 ozs. brown bread, $\frac{1}{2}$ oz. margarine, $\frac{1}{2}$ pint porridge (without sugar or milk) and 1 pint of tea. Eat that and leave instructions for her to serve the following dinner at night: 8 ozs. brown bread, $\frac{1}{2}$ oz. margarine, a slice of cheese and 1 pint cocoa. Do yourself as well as you like at midday; but just eat that breakfast and that dinner for a fortnight. Then tell yourself that the prisoner eats that, and nothing but that, morning and evening for 365 days in every year of his sentence. You will still have to make allowance

* "Walls have Mouths." Gollancz. "Five Years for Fraud." Sampson Low and Marston.

for the inferior quality of his food and for the meal that he must fill his belly with at midday. Even without those allowances, however, you will probably agree after a couple of meals that there is an overwhelming case for improvement in the prison diet without any dangerous approach to the standard of the Ritz or the Carlton.

Then on Sunday (if the personal note may be continued) try another flight of the imagination. As you drive off to the links or make yourself ready for church with your family, spare a thought for the prisoner in the first stage of his sentence and for the Sunday that he is spending. Solitary confinement is, you understand, a thing of the past. Nevertheless, you must think of the man's week-end in this way. Locked into his cell at four o'clock on Saturday afternoon, he will be given, say, an hour's exercise on Sunday morning, and will attend chapel twice in the day. That will absorb perhaps 3 hours. The other 35½ hours, which drag along between 4 p.m. on Saturday and 6.30 a.m. on Monday, will be passed by him in the silence and confinement of his cell, without speech, without companionship and almost without books. But surely the prisoner is allowed books from the library? Certainly. He is allowed a ration of two books every Monday morning, which last him till next Monday. And how much of these two books is likely to be left unread when the grey dawn of Sunday breaks? To appreciate the full quality of this punishment get well into your mind the Sunday picture of a prisoner turning over again the pages of his two books in a desperate search for some point of interest that escaped him on previous readings, thumbing the pages till he is sick of the sight of them. Then read the chapter on sex in prison in "Walls Have Mouths." Then ask yourself if, as a responsible citizen, you like the picture.

Lastly, perhaps you will forgive a true story that illustrates the helplessness and unnecessary misery of a prisoner up against a harsh or indifferent officer. This is a point that must be made with all appropriate qualifications and with the most emphatic proviso that harshness and indifference are not the hall-mark of prison officials. Many officials, undoubtedly, are carrying out the most difficult of tasks with an ability and an enthusiasm that are beyond praise. But there are in the prison service too many harsh machine-minded men, and this particular prisoner spent a time of mental torture through one of them. He found the sight of his left eye was failing and he reported sick. A prison doctor examined him, told him that the sight was gone for good and that in a short time the other eye would inevitably go too. So the man, under sentence of blindness, went back to his cell, "which was almost as much as to see himself go into his grave; for which, and all the discomforts that will accompany his being blind, the good God prepare him."

However sure the doctor was of his diagnosis it was a piece of callous brutality to tell the man about his fate while he still had a considerable part of his sentence to serve. And actually the diagnosis was wrong, for the man on leaving prison went to hospital and learnt that the bad eye might recover and that the good eye would certainly not be affected. But he had been through hell in prison.

Now, if we as citizens, let alone as Christians, must take responsibility for the condition of our prisons; and if the impetus to reform comes more often from outside official circles than from inside; and if there are still many reforms that ought to be introduced—then how shall we discharge our conscience? In part at least we can do it by helping to keep alive a strong and healthy public opinion, which is the first condition of a decent prison system. And in particular we can do it by supporting that admirable society, the Howard League.† The central curse of every prison system is this: that spiritually as well as physically it shuts the prisoner off from the community and shuts the community off from the prisoner. To lower that barrier is what the Howard League stands for; and by membership of the League we shall at least be doing something to mitigate the curse.

† The Howard League for Penal Reform, Parliament Mansions, Victoria Street, S.W.1.

Notes of the Week

The Spanish Struggle.—It seems that yet another rebel offensive against Madrid, this time from the south of the city, has been checked. At one time it looked as if the only way of retreat for the capital's defenders, the road to Valencia, had been cut. But a Government offensive this week has rolled back the advance guards of the rebel forces, and the position is again one of stalemate. On the south-eastern littoral, General Queipo de Llano's forces, co-operating with unknown warships and aircraft supplied by Germany and Italy, have been harrying the flight of thousands of refugees from Malaga, and inflicting a heavy toll of life. The rebel forces here, reinforced by drafts of Italian so-called volunteers, cannot advance more than a certain distance towards Valencia or Madrid owing to the large contingent of Government forces in the Teruel region which could attack from the rear and jeopardise communications. The chief obstacle to a rebel victory still seems to be the inadequacy of the rebel forces, including their German and Italian coadjutors, to hold down the population all over the country and to safeguard communications. Meanwhile, the new unified Government command of all operations under General Miaja has made a favourable beginning.

Last week-end the report of the commission of investigation from the British churches appeared. The commission of inquiry, invited to see for themselves by Señor Largo Caballero, make it plain that the Spanish Government and their supporters are neither anti-God nor anti-religion. The number of prominent Catholic priests and apologists supporting the Government should have made it impossible without disingenuousness ever to make such an assertion. The investigators state that the Government sympathisers are incensed with clericals who have aided the rebels or lent the use of their churches as munition depots; the Catholic hierarchy have been identified with big landowners; and churches have been destroyed and priests killed when found to have been concerned in aiding the rebels. On the other hand, no hindrances of any kind had been imposed on Protestant priests. The investigators conclude that if Spanish Catholics had confined their religious zeal to the sphere of belief and charity, political passions might have been less inflamed. This inquiry brings a welcome breath of reason and impartiality to the heated disputation over the rights and wrongs of the Spanish struggle.

Non-intervention at Last.—The Chairman's sub-committee of the London Non-intervention Committee have agreed on the necessity to inaugurate the ban on aid to either side in Spain next week, and to begin the supervision of Spanish frontiers by March 6th. The German and Italian Governments have agreed to these steps; and only the Portuguese Government has delayed sending instructions to its London representative. The French Ambassador in London, M. Corbin, who returned from Paris last week-end, announced the firm intention of his Government to alter their whole attitude to non-intervention unless the Committee—which in effect meant the German and Italian Governments—proceeded forthwith to do something effective to secure non-intervention. Faced with this blunt declaration, the Fascist Governments—save only that of Portugal—seem to have decided to conform, at least nominally, to the Franco-British proposals to make non-intervention effective. Thus, for the present, ends a bout of diplomatic activity which began long before Christmas. Meanwhile, tens of thousands of Italian and German so-called volunteers, with full equipment, have been poured into Spain on General Franco's behalf; and the democratic Great Powers, France and Britain, have hitherto been badly worsted in the diplo-

matic arena. Perhaps from now onwards the welcome French initiative will galvanise the British Government into ensuring that non-intervention, hitherto a six-months' figment, will be made a reality. The test of this will be the extent to which the democratic Powers represented in London are henceforth prepared to ensure the isolation of Spain. That is not what the Spanish Government is legally entitled to; but, after a lamentable six-months' record of Fascist achievements in face of democratic hesitancy, it is the most for which we dare hope.

The White Paper.—The Government's White Paper (Statement Relating to Defence Expenditure, Cmd. 5374) affords little precise information of the extent of the Government's plans to increase and accelerate their re-armament programme. It does not say at all *what* elements of our defence expenditure will be covered by borrowed money. But, reading between the lines of so general a statement of policy, we can gauge how far this White Paper exceeds the scope of its famous prototypes of March, 1935, and March, 1936 (Cmd. 4827 and 5107). It is now stated that the "shadow" aircraft and munitions factories, mainly extensions of existing plant, are being built and commissioned to fulfil part of the current programme. They are being built and run "under arrangements which ensure their retention over a period of years after the existing orders have been completed, in a form capable of rapid turnover to munitions in the event of emergency." It is understood that the reserve funds of the firms concerned, and to a certain extent their bankers, are financing the extensions on Government guarantee of a profit rate sufficient to amortise their cost over the period envisaged. No one knows how long this is. The White Paper states that factories are being dispersed throughout the country in case of aerial attack; and that "in some cases a degree of duplication of essential services is necessary even at the cost of some increase in expenditure." Moreover, in addition, a number of new Government factories for the manufacture of explosives and filling of shells and bombs are being built or planned. They are due in part to removal of existing establishments, and in part to additions to capacity.

More interesting still is the announcement that vital industries are not to be paralysed, in emergency, by shortage of raw materials; and that in consequence adequate reserves for these and other purposes will involve very substantial expenditure. Special measures are in hand to ensure supplies of fuel and their replenishment, both for defence and civil purposes. Thus, the Government is presumably, directly or indirectly, to enter commercial markets already booming, and buy with a blank cheque in order to secure delivery. The country should at least secure assurances that this will not raise prices still further. And, in the case of raw materials produced under restriction schemes, or subject to British customs duties or quotas, the country may justifiably demand that it be not required to make a double contribution to the Exchequer—once in the rise of price of the raw material, and again through the customs tariff itself. Moreover, we hope the Government will insist on a freeing of the iron and steel industry from the import restrictions secured, monopoly-wise, by the British Iron and Steel Federation in 1933 and 1934. There is a long list of extra home defence measures in the White Paper: e.g. two expanded anti-aircraft Territorial divisions, provision of gas-masks, gas-training, balloon-barrages, new types of guns, more searchlights, greater reserves of ammunition, and additional fire-fighting appliances. The White Paper gives no precise figures either of total cost of the five-years' programme, or of the cost in any year, be it peak

year or not. But it states categorically, in conclusion, that to expect total expenditure on defence during the next five years to be much less than £1,500 millions would be imprudent. This staggering sum—a net addition to the £450 millions we have spent in this and the two preceding financial years—is the measure of our peace-time preparations for war. More than ever does it seem that the economic burden of war itself would mean the collapse of Western civilisation.

'Rebuilding the Navy.—The White Paper states that "an even spread of new (naval) building is impossible, and for some years the country will be constrained to undertake a series of heavy building programmes." The reasons given are the obsolescence of the bulk of the fleet and the delay in building "certain types" after the war. What these types may be is not stated, but it is fairly clear that capital ships, aircraft carriers, and battle cruisers are meant; for the White Paper announces that, in addition to the two new capital ships laid down, at a cost of about £8 millions each, on January 1st, three others will be laid down early in the 1937-38 financial year. Thus, five will have been laid down in the current *calendar* year; and they will cost about £40 millions in all. Similarly, the five cruisers laid down in the 1936-37 financial year, increased to seven a month or two ago, are to be reinforced by seven more in 1937-38; and the two aircraft carriers laid down in 1936-37, only one of which was provided in the estimates a year ago, are probably to be reinforced by two more in 1937-38. Moreover, the Fleet Air Arm is to be substantially increased in numbers; its aircraft are to be re-equipped; the naval personnel is to be increased; capital ships and cruisers not yet obsolete are to be modernised at heavy cost; anti-aircraft equipment is to be improved; stores of fuel and ammunition are to be increased, and new works and establishments thereby rendered necessary constructed.

The bill for new building alone has risen from an annual average of £12 millions in 1931-34 to nearly £50 millions in 1936-37, and will be "substantially higher" in 1937-38. The total annual cost for the Fleet Air Arm, shipbuilding, repairs, maintenance, naval armaments, warlike stores, works, buildings, etc.—i.e. excluding wages of personnel, victualling, pensions, medical, Admiralty, R.N. Reserves, scientific services, education, etc.—was £23 millions in 1932, £29 millions in 1934-35, £36 millions in 1935-36, about £50 millions in 1936-37, and may be as much as £80 millions next financial year. It must be remembered that the programme decided in the current financial year (1936-37), including the additional measures of acceleration, involves scarcely more than a few hundred thousand pounds of account pay-

ments for the contracts allocated this calendar year, after the expiry of the London Naval Treaty last December 31st. The bulk of the current year's programme will fall for payment in 1937-38 and 1938-39; and to this increment must be added the proportions of the 1937-38 and 1938-39 programmes falling for payment in those financial years. It looks as if the naval estimates for next financial year will greatly exceed £100 millions, compared with original total naval estimates of £70 millions a year ago, and only £56.6 millions in 1934-35. By the time that we reach the 1938-39 and 1939-40 naval estimates, they may well be up at the £150 million mark; for those will be the years in which the bills for the bulk of the total rebuilding and expansion programme will fall to be paid.

Air Force Expansion.—The White Paper describes the strength of the Royal Air Force as of paramount importance; but it says nothing of the rate of expansion, of the stage reached, or of the possibility of defraying part of the Air Force expenditure out of the proposed defence loans. Larger stores and reserves of fuel, additional motor transport, newer and more costly types of aircraft, the construction of big new aerodromes and of 75 new operational, training and other stations at home and abroad, and greater reserve machines for the increased first-line strength—all these items are listed, and left at that. The personnel of the Force rose from 31,000 in 1934 to over 50,000 in 1936, and a further large increase is contemplated in 1937-38. The Government admit in this connection that, even after the initial expenditure on the expansion programme has been met, the scale of maintenance expenditure will be very greatly increased. This is more obvious in the case of the Air Force, since modern military aircraft must be amortised at the rate of 50 per cent. per annum. They are obsolete in two years after entry into commission.

Some idea of the magnitude of the expansion of the Force can be gleaned from figures recently given by Sir Thomas Inskip, Sir Philip Sassoon, and Mr Simmonds, M.P. The proportion of the Air Force stationed at home has now reached 1,000 first-line machines, compared with the 1,500 which were to have been ready by the end of next month under the original expansion from the 575 first-line machines at home in May, 1935. Under the further expansion contained in the White Paper of last March, an additional 250 were to be added in 1937-38. The Fleet Air Arm and the R.A.F. overseas were together to account for a further 650 first-line machines by the end of 1937-38. Moreover, as the White Paper now reminds us, sufficient reserves of precisely the same quality must be carried "to ensure that the first-line strength can be adequately maintained on active

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service," and before the factories can replace casualties. This ratio of first-class reserves to machines of the first-line differs from country to country; but in this country there is reason to suppose that the ratio has latterly been increased, and that, at the minimum, there will be 1½—and, in time, perhaps 2½—first-class reserves to every first-line machine in a squadron. Sir Philip Sassoon's statement that the total orders for new aircraft under the expansion programme were more than the total of orders in the 17 years since the end of the war argues a figure of some 10,000 brand-new machines—for first-line, reserve, and for training. In fact, however, the cost of new aircraft, though rising, is not as great a proportion of our total re-armament bill in the next 5 years as might be supposed. Even if we multiplied our 1934 bill for new aircraft and spares by five in any financial year (it has been multiplied by three in 1936-37), it would only be £35 millions. For the R.A.F., a lot of expenditure in future is likely to be taken up by aerodromes, quarters, works, stores, extra pay for increased personnel, etc., as the new aerodromes and stations at home and abroad are completed and commissioned. The Government are more likely to defray part of this cost out of loans, on the plea that it is capital, than to pay out of capital for aeroplanes that have to be written-off in two years.

Modernising the Army.—The White Paper is most oracular over the Army. Two of the four new battalions of infantry for overseas provided in last year's White Paper are "to be raised in the near future"; and, under the present White Paper, two new tank battalions and "certain ancillary troops necessary to enable a modern force to operate effectively in the field"—whatever that peculiar phrase may mean—are also to be raised in the near future. Measures to stimulate recruiting will increase maintenance charges; but the main increase in expenditure falls to equipment. All branches of the Service are to have completely modernised equipment, while progress with the provision of a complete system of motor transport and mechanisation is being accelerated. Heavy capital expenditure will be incurred in the necessary extensions and new construction of barracks, stores, etc., during the next few years—which is, perhaps, a hint that these costs, too, will be defrayed out of loans. The Territorial Army, for its primary work of home defence, will be given facilities to train with the latest weapons and equipment. Nothing is said about the stage reached in the progress of re-equipment, mechanisation, etc., nor is any mention made of the cost. New patterns of rifle, machine gun, tanks, artillery, etc., are costly, and involve costly alterations in the factories supplying them. All we hear is to the effect that the progress of re-armament is slowest in the Army.

The Dominions and Defence.—The huge British re-armament programme makes the defence provisions of the Dominions (see *The Economist*, January 2nd, page 9; January 23rd, page 167) seem rather small beer. Their trend, however, has been uniformly upward; it has, moreover, been setting definitely in the direction of greater material self-sufficiency in defence. The Government of the Union of South Africa has formed a War Supplies Board to discover what war supplies—munitions, clothing, raw materials, fuel—can be produced in the Union, and to plan, in consultation with the General Staff, how the mobilisation of man-power and industry should be conducted in time of war with the minimum interference with the country's economic life. The Government has also signed an agreement with Imperial Chemical Industries for the erection of a munitions factory at Pretoria to produce 10 million rounds of machine-gun ammunition a year; and £110,000 is being spent on anti-tank rifles. The Union air force is being considerably expanded, and—in anticipation, no doubt, of the production of sufficient machines in the Union itself—the British Government is to supply a hundred Hawker Hartbeestes (a general-purpose version

of the standard R.A.F. "Demon" two-seater fighter planes) at the rock-bottom price of £200 each. According to Mr Pirow they are excellent for training purposes and by no means obsolete for actual defence. This vigorous and practical co-operation contrasts with the timid strictly localised defence policy forced on the Canadian Government by political exigency. Their difficulties in carrying their enlarged defence estimates through Parliament at Ottawa have not been eased by Sir Samuel Hoare's recent appeal for closer Dominion co-operation in Commonwealth defence. The Canadian Defence Minister is reported to have described his Government's programme as a purely Canadian defence policy framed for the defence of Canada's shores and the preservation of her neutrality. It seems obvious, however, that if Canadian neutrality can be preserved in a world war, it will be by the force of other arms than hers.

The Low Countries and Germany.—Both Belgium and Holland are defining their position in the precarious state of European affairs. On February 12th the Belgian Government handed in its reply to the British note of November 18th on the proposed Western Pact. On the 14th, the Dutch Minister for Foreign Affairs replied in a public speech to Herr Hitler's offer to make Holland as well as Belgium "an untouchable and neutral region for all time" as far as Germany was concerned. This pair of replies makes it clear that both the Low Countries are now seeking shelter in a policy of neutrality and isolation; but this in different degrees. Belgium is still willing to have her inviolability and neutrality guaranteed by other Powers—including Germany as well as Great Britain and France—but she is not willing permanently to serve as a guarantor as well, as she is serving under the present emergency tripartite arrangement. This arrangement between herself, France and Great Britain has temporarily closed the gap made in the security organisation of Western Europe by Germany's destruction of the Locarno Pact.

Holland's feet are on the same road, but a long stage further on; for she sees more embarrassment than security for herself in a guarantee from one of her great neighbours, at any rate, if it is to be a unilateral guarantee from Germany alone—and that is the only offer that Holland has received so far. No doubt the Dutch are wise in politely rejecting Herr Hitler's advances; for they might easily find that a bilateral German-Dutch agreement, which seemed superficially to be exclusively for Holland's benefit, was actually a tie that would bind Holland to Germany hand and foot. Immobilising the Low Countries seems, in fact, to be the immediate goal in the West upon which the Third Reich is now concentrating. The ideal for German diplomacy would be to immobilise the whole bloc of West European countries while Germany obtained, and made use of, a free hand in the East. But, from the German point of view, the immobilisation of the Low Countries alone would at any rate be a consolation prize for a failure to run rings round France and Great Britain. The two Great Powers in the West might at least be hampered if their two smaller neighbours were to be caught in German toils.

Church and State in Germany.—With every month that passes, it is becoming clearer that the successful resistance of the Christian churches in Germany to the Nazi policy of unification is a phenomenon of deep significance, not only for Germany herself, but for the world at large. All the other institutions of German life—political parties, universities, component States of the Reich, and the rest—were ironed out flat by the Nazi steam-roller within six months of Herr Hitler's advent to power in January, 1933. Yet now, when the Nazi Führer is entering upon his fifth year of dictatorship,

the churches are still going strong as spiritual powers that have maintained their independence of blood and soil, totalitarianism, and all the rest of it. Within the last few days, fresh crises have arisen out of the persistent attempt which the self-appointed Nazi "champions of Christianity" in Spain have been making to stamp upon Christianity in their own country. Last Sunday, at Munich, Cardinal Faulhaber preached a sermon in which he demanded an honest observance of the Concordat on the Government's part. On leaving the church he received an ovation in the streets. Still more remarkable was the similar public ovation which was given to the Bishop of Berlin—a city in which the Catholics are a small minority—after he had likewise preached a sermon in the same terms on the same subject.

Meanwhile, the parallel contest between the Protestants and the Reich had come to a head two days before—on Friday, the 13th—in the resignation of the Evangelical Reich Church Committee, which had been set up in October, 1935, by Herr Kerrl, Reich Minister for Church affairs. The members of this committee had been selected for their supposed tameness; but they have been gradually goaded into indignation by the Government's continued bullying of the Confessional Opposition and continued encouragement not only of the so-called German Christians, but of Herr Rosenberg's Neo-pagans as well. That these certified sheep should now turn and bite must have been disconcerting to Herr Kerrl. His own intention seems to have been to retort by putting the administration of the Protestant Church in the Reich under a naked governmental dictatorship. Herr Hitler has been cleverer. He has decided that there is to be an election to a general synod, which is to provide for a new church government. His calculation appears to be that the fervent church-going Protestants of the Confessional school will prove to be outnumbered by the lukewarm nominal members of the Protestant Church who pay their church dues and are therefore entitled to vote in church affairs. In an election, the natural preponderance of this element could doubtless be further weighted by governmental pressure. These are adroit tactics; but there seems to be an irreducible core of Christian principle which even the tamest German Protestants are determined not to surrender.

The Lords and Colonies.—Wednesday's debate in the House of Lords on Lord Noel-Buxton's motion was a pertinent commentary on the Chancellor of the Exchequer's concluding declaration, in another place, of his "feeling of disgust and shame that civilisation is trying to break its own back instead of trying to settle its differences by give-and-take and turning its energy to pursuits which might bring prosperity and contentment to all." Lord Noel-Buxton called upon the Government to consult with the Governments of the Dominions and of other Colonial Powers with a view to the application of the mandate system, in suitable cases, to British and other colonies; and also to the extension, in territorial scope, of the 1919 Convention of St. Germain, which provides for free trade in "the conventional Congo Basin," an area which is much wider than the physiographical basin that is drained by the Congo and its tributaries. Lord Lugard then moved an amendment which struck out the proposal to extend the mandatory regime—which involves economic opportunity under trust, as well as equality of economic opportunity—but at the same time kept the economic part of Lord Noel-Buxton's motion intact. It remained for Lord Plymouth, Under-Secretary of State for Foreign Affairs, to reject both the amendment and the original motion on the Government's behalf.

The furthest the Government would go was to suggest a declaration of willingness to be guided by the spirit of Article 22 of the Covenant in colonial administration and to commend the forthcoming deliberations of the

Committee on Raw Materials which is to meet at Geneva. Thus Mr Chamberlain had hardly uttered his pious desire for give-and-take in international relations before it was whittled down to vanishing-point by one of his own colleagues in another place. No doubt the Government could find chapter and verse for demonstrating that Herr Hitler would be no better satisfied with Lord Noel-Buxton's offer than with Lord Plymouth's. But are we really to alternate between sitting on the safety-valve and stoking up the boiler, till the explosion comes? This uncompromising spirit is terribly familiar. It is the old spirit of 1914-18 which made both sides reject all possibilities of a moderate peace. It is because the last war was carried on to a knock-out that we are threatened, within less than twenty years, with a repetition of the disaster. Is "setting our teeth," in Mr Chamberlain's words, the only thing of which either Westminster or the Wilhelmstrasse is capable?

Block Grants.—The text was issued on Wednesday of the Local Government (Financial Provisions) Bill, embodying the conclusions reached by the conference of local authorities. For some months past they have been reviewing the working of the formula for calculating block grants from the Treasury to local governments as laid down in the Local Government Act of 1929. That Act prescribes formulae for calculating not only the total contribution to be made by the Exchequer, but also its distribution between the different authorities. The grants as so calculated are fixed for a period of years at a time and the second of these periods is just drawing to a close. As regards the total amount of grants, the Act provides that the total shall increase in rough proportion to the expenditure of local authorities. This would entail an increase of £4,427,000 per annum in the next period. The new Bill provides, however, for deductions from this sum of £2,187,000 in view of the relief to the rates arising from the national assumption of responsibility for the able-bodied poor, and of £133,000 in respect of the transfer of trunk roads from county councils to the Ministry of Transport. On the other hand, it is proposed to abolish the male servants' licence duties, the produce of which at present goes to the local authorities, and the block grants will be increased by £115,000 in compensation. The effect of these changes, together with a further small contribution from the Exchequer, is to increase the national contribution to local authorities' revenues by £2,250,000 to £46,172,000 per annum.

The distribution of these sums is governed by an extremely complicated formula in the Act of 1929. A gradual change is in progress, period by period, from a

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distribution based mainly on the losses of revenue sustained by the individual local authorities as a result of the de-rating and other changes of the Act of 1929 to one which apportions the grants according to a measure of need. This in itself would have automatically increased from £14,993,000 to £26,886,000 the sum distributed according to needs, and would have correspondingly assisted the depressed areas. But it has also been decided to increase still further the weighting accorded in the formula to heavy unemployment and to sparsity of population. This will enable some of the more depressed areas to effect substantial reductions of rates. The counties of Cumberland, Durham, Glamorgan and Monmouth will be able to reduce rates by amounts varying between 1s. 9d. and 3s. 2d. in the £. In the county borough of Merthyr Tydfil the reduction will be as much as 5s. in the £. Some of the richer areas will have their grants reduced, but the largest loss is in Halifax, where it amounts to 5.2d. in the £. The Bill also contains provisions for an equalisation of rates between the different Metropolitan boroughs in the County of London. The Bill is thus one of minor amendments rather than of new departures in principle, but that will not reduce the welcome it will receive, especially in the very hard-pressed areas which continue to suffer from especially heavy unemployment.

Labour Disputes in the United States.—The outcome of the General Motors strike has been fairly generally interpreted as a partial defeat for Mr Lewis, though hardly as a victory for General Motors. Mr Lewis, however, is apparently not of this opinion, for he has plunged straight into another dispute in his own industry of coal-mining. The current agreement on wages and hours in this industry expires on March 31st next, and the Union is already making tall demands. As in the General Motors case, it is probable that a strike would suit Mr Lewis's purpose better than a peaceful granting of his demands, so the outlook for peace is not very bright. There is reason to believe that a stoppage in the bituminous coal industry would be both more complete and more damaging to industry as a whole than the General Motors dispute. Coal is closely allied to steel, for many of the largest mines, and the most insistent opponents of collective bargaining, are subsidiaries of the big steel companies. It has long been an open secret that Mr Lewis's ultimate objective is the "organisation" of the steel industry, and it begins to look as if the year will see a long series of bitter disputes, each leading logically to the next. The prospect is not very encouraging.

New Plans for American Farmers.—President Roosevelt is losing no opportunity of demonstrating that he regards his re-election as a mandate to proceed with the policies of his first term of office, in spite of the obstacles which have been placed in his way by the Supreme Court. Those wistful conservatives who forecast an "era of good feeling" immediately after the election, and interpreted their own forecast as meaning an era of passivity on Mr Roosevelt's part, are rapidly learning their mistake. The latest sign that nothing has been changed from the original outline of the New Deal is the Message which was sent to Congress on Tuesday outlining a new agricultural policy. The emphasis is now laid on the alarming spread of tenancy, and its derogation from "the American dream of the family-size farm owned by the family which operates it," and the remedy is the acquisition by the Government of farm land which would be improved and re-sold on advantageous terms to owner-occupiers. It is realised, however, that a long-term policy of this nature will do little to alleviate the immediate needs of the farmers, and proposals are accordingly added for the rehabilitation of groups now prepared to take over their own farms, for various other forms of rural assistance and for the removal from cultivation of marginal lands. But behind these recommendations is the realisation that nothing can be done to assist

the farmer unless he is guaranteed a satisfactory real income. So the Message comes back to the principles of the A.A.A., with its major purpose of "equalising" incomes in town and country. With post-election frankness, the Message declares that the States acting independently can do nothing and that "most Americans believe that our form of Government does not prohibit action on behalf of those who need help." With all his political skill, President Roosevelt is illustrating and supporting his demand for some modification of the static veto of the Supreme Court. Nothing is better calculated to gain political support for that purpose than a reminder that the Supreme Court blocks the way to agricultural relief.

Japanese Army in Power.—General Hayashi's Cabinet has approved a new Japanese Budget to replace that of the deceased Hirota Cabinet. After a cut of Yen 270 millions, the total expenditure is still Yen 460 millions greater than the 1935-36 total. As total revenue is reduced by Yen 170 millions, the amount to be raised by borrowing will be only Yen 100 millions less than was proposed in Mr Baba's Budget. Of the total expenditure of Yen 2,769 millions only Yen 1,910 millions will come from taxation and normal revenue, of which the army and navy demand about 70 per cent. The army and navy have accepted a cut of Yen 23 millions each, while the Home Office vote is cut by Yen 162 millions—which means no aid from the Government for the prefectures, and no taxation relief for agricultural regions. Mr Yuki, the new Finance Minister, by his declaration that radical economic changes must be avoided, has suggested that the concern of the army is to propitiate the financial interests and not to relieve the direct burden on the peasantry. This seems to indicate that the proposal to nationalise electricity supply and to co-ordinate the economic Ministries in one army-controlled system are not to be pursued.

Though General Hayashi, the new Japanese Prime Minister, emphasised this same spirit of concession to independent financiers in his address to the re-opened session of the Diet, most of his speech dealt with foreign policy. To meet the widespread criticism of the army's pact with Germany, he declared the Government would try not to err in its execution, and appealed to the Russians to co-operate with Japan. The whole world, apparently, misunderstands the Japanese. The new Cabinet will make no change in the policy of non-menace and non-aggression she has consistently followed. It is a mistake to suggest that her army has annexed Manchuria, and is ambitious of reaching the Yellow River; the pieces of China that Japan holds merely came off in her hand, and her only anxiety is to restore them to the Chinese. The statement, in fact, seems to mean that there will be no modification in the army's policy. But not all the Prime Minister's diplomatic language succeeded in calming the Diet, for no sooner was the session re-opened than the political parties were back at their attack on the army for interfering in politics. General Sugiyama, speaking for the army, declared that interference in politics by officers and men on the active list was strictly prohibited. And it is reported that a conference of army leaders subsequently decided to demand dissolution of the insolent Diet; though General Hayashi has punished the politicians already by failing to appoint any Parliamentary Vice-Ministers, so that departments of the Government will be represented by their permanent officials. The way of a Japanese politician is hard in these outspoken times.

Waterloo Bridge.—Waterloo Bridge, once the symbol of a famous victory, is still a battleground between the National Government and the elected representatives of the citizens of London. In 1924 the bridge first showed signs of structural weakness. In 1926 the London County Council sought and received the per-

mission of Parliament to borrow the necessary money for its demolition and the building of a new bridge. Delay followed, while the aesthetic merits and relative advantages for navigation and road traffic of different designs were being discussed. In 1932 the Council again approached Parliament for permission to borrow, but this time the application was refused on the grounds of economy. The Labour Party came into power on the London County Council in 1934 and publicly declared their anxiety lest Waterloo Bridge should be like Lambeth Bridge, which was closed to traffic for twenty-seven years before being rebuilt. A new approach to Parliament was supported by the Minister of Transport on the ground that the traffic required a bridge to take six lines of traffic. The application, nevertheless, was refused, the argument being advanced that it would be unfair to grant to a Labour Council what had been refused to a Conservative one. As Londoners of all parties were agreed that a new bridge was necessary, especially in view of the navigational difficulties which would have arisen from any attempt to recondition the old bridge, the Council decided to build, in the hope that Parliament, on reflection, would again change its mind. In 1936, permission was given to borrow the money. Now, despite the appeal of a deputation, representing all parties of the Council, the Minister of Transport has refused to give a grant, and Londoners will thus be saddled with an additional £720,000. As Londoners contribute over £4½ millions—some 15 per cent.—of the Road Fund and receive on the average only 5 per cent. of grants from it, they may well feel that their "Waterloo" has been won at high cost.

The British Industries Fair.—Last Monday the various sections of the British Industries Fair were opened at Olympia, the White City and Castle Bromwich. This annual exhibition of British skill and versatility has steadily grown in size and variety since it was first started during the war. This year there are beautiful and ingeniously fashioned articles on every stall. British manufacturers have clearly adapted themselves with remarkable success to the requirements of a rapidly changing world. The Coronation dominates the scene; it is worked into garments of all kinds, and stamped everywhere, from the wonted mug to lordly silver dishes. On all sides, too, there is optimism. Mr Runciman said on Monday night's dinner at the Mansion House that industrial activity had come to stay. But, though the Coronation is our own, recovery belongs to the world; and many of the fair hopes of this exhibition depend for fulfilment on the expansion of world trade and the steady revival of British exports. Mr Runciman said nothing of the fate of the movement for freer trade. The British manufacturer may make his goods truly and well, but unless the British Government is ready to throw its full weight into the campaign which has begun against the strangulation of world trade, there will only be a very limited market for what he has to sell. Or perhaps he will be too busy preparing for the next war to bother.

Shipping and Freer Trade.—Mr Runciman might be appropriately inspired to more decisive action by the very strongly-worded Annual Report of the Liverpool Shipowners' Association. The report calls for resolute action; the ships of all nations must be given equality of opportunity in our ports; and every encouragement should be given to the formation of a low tariff group of countries. The failure of British industry to re-establish its selling power in the markets of the world, in spite of a widespread tendency towards trade recovery, is attributed to the restrictive policy of governments, including our own. The report maintains that the difficulties of British shipping are due far more to the shrinkage of world trade than to subsidised competition—a claim which sheds some light on the relevance of the Merchant Shipping Bill, which has just emerged unamended from Committee in the Commons. The unsubsidised ships of Norway, Denmark and Greece have been the chief

gainers from the decline of British trade with Europe. British merchant tonnage has fallen from one-half of world tonnage in 1913 to one-third in 1936; but its proportion of world trade has fallen in the same time from one-half to one-fifth. The decline has been largely in the share of trade carried between foreign countries; and the cause has been the strangulation of trade by restrictive devices.

Shipping and War.—The prosperity of the Nation and of shipping depend upon the restoration of our export trade. To have the largest and most efficient mercantile marine in the world is not enough. A general lowering of tariffs is essential. Moreover, the possibility of war increases the urgent need for such a policy. No adequate solution has yet been provided for the problem of war-time supplies. The Liverpool Shipowners' report points out that if shipping can be kept in adequate employment by the restoration of world trade, British shipping will be able to maintain imports of foodstuffs and raw materials in time of war. There are, however, two further difficulties; existing centres for inland storage and distribution are insufficient; and the consumption of fuel oil by all forms of transport has increased so largely that a greater quantity of specialised tanker tonnage is necessary.

Anxiety about the increased consumption of fuel-oil is not confined to the Liverpool Shipowners. Our coal trade is a necessary condition of prosperity in the depressed areas; and it is not only far below the volume of 1913, but it has notably continued to decline since 1931. Over one-half of the existing merchant tonnage of the world uses oil wholly or in part; barely one-quarter of the ships built last year were designed to burn coal exclusively. Moreover, it is uncertain that oil burning is really worth while for any but small low-powered vessels and speedy liners. A conference of shipowners, shipbuilders and engineers has already met, under the chairmanship of the Secretary for Mines, to discuss this problem. It is to be hoped that the smaller committee which is to proceed with the examination will bear in mind the shortage of tanker tonnage for war needs without overlooking the necessity for efficiency in time of peace.

Australia and the Ottawa Agreements.—International trade agreements invariably represent a compromise between politics and economics, and the Ottawa agreements were no exception. From Australia comes an echo of the bickering between those two forces

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that has been revived by the approach of a necessary revision of the agreements. Mr Lyons told an anxious deputation of manufacturers last week that the Imperial Conference would not consider revision in detail, but merely review the general effects and indicate the future action desirable. Australia would probably give notice of denunciation of her agreement with the United Kingdom before the Commonwealth general election, so that a new agreement might be discussed early next year. Some alterations, he said, were inevitable, but all interests would be consulted before the Government framed a policy for a new agreement. There is a significant contrast between this dilatory attitude of a Government which will soon have to fight for its life at the polls, and the action of the newly returned Canadian Government in promptly negotiating a fresh detailed agreement in anticipation of the Imperial Conference. This point is underlined by the report that the Australian Government is anxious to be relieved of the undertaking to conform to the recommendations of the Tariff Board concerning preferential rates of duty. In view of the spasmodic policy of "trade diversion" initiated last year contrary to the Tariff Board's policy, this suggests a desire for a higher protectionist policy as an attraction for the workers' votes.

Indian Election Results.—The Congress has been doing better than was expected in the Indian provincial elections. It has secured majorities in Bihar, Orissa, and the United Provinces, and in Assam it is the largest single party, with 35 seats out of 108. In Bengal it has exceeded expectations, though here the Burdwan-Ghuznavi pact foreshadowed a coalition Government of Moslems and non-Congress Hindus. In the Punjab Sir Sikander Hyat Khan's Unionist Party has an absolute majority of 89 seats in a House of 175. In Sind the United Party has so far secured 23 seats and the Congress 7 in a House of 60; Independents and smaller parties will have most of the remainder. Results are not yet known in Bombay, Madras, the Central Provinces, and the North-West Frontier Province. It is on the cards that the Congress may control five or even six provincial legislatures. Grave problems therefore face the leaders of the Party, which is pledged to opposition to the new constitutional scheme, though decision on the question whether Congress men should accept ministerial office in the provinces was delayed until after the provincial elections. The likelihood is that where the Party has an absolute majority it will accept office, but will otherwise pursue a policy of obstruction. There will be difficult days ahead, not only for provincial Governors, but also for the Coalition Governments that must be formed in some of the provinces, since cohesion has not been a notable feature of parliamentary groupings in India. Burma has already given a foretaste of the difficulties. U Ba Pe's Party is the largest single group in the legislature, but it has only 43 seats out of 132, and it received a sharp initial rebuff when its candidate for the Speakership was decisively rejected.

A Code for Workers.—The Factories Bill was read a second time on Tuesday, and it will now be possible, within the limits of Government tolerance, to bring the measure up to date by the insertion of amendments at the Committee stage. The Bill has been defended as it stands because, unlike its abortive predecessors, it reached the floor of the House; and it is certainly true that the Bill of 1937 is an advance on the Act of 1901, which is the prevailing law. It is equally true, however, that the Bill will leave the conditions of employment for women and young persons considerably more onerous than the best modern standards both in this country and abroad; what are virtually abuses will still be possible. With the Gresford disaster fresh in mind, a physical fitness campaign on hand, and an Act to raise the school-leaving age actually on the statute-book, the Government should listen intelligently and with care to

its critics. This Bill is a rare opportunity to vindicate on a broad social front the leadership which is claimed for British industry at the British Industries Fair. We have lagged behind in the standards of factory life; we have now a chance to take the lead again.

The Fitness Council.—The Government has gone far afield in its choice of thirty-one members to serve on the National Advisory Council, which is to supervise and co-ordinate physical training and recreation. Almost all the relevant organisations already in existence are represented, the Boys' Clubs, the Girls' Clubs, the Juvenile Organisations Committee, the Y.M.C.A., the Y.W.C.A., the Boy Scouts, the Girl Guides, the National Playing Fields Association, the Institute of Morris Dancing, the National Union of Teachers and the League of Health and Beauty. Moreover, the individuals chosen are not merely *ex officio* representatives; they are actively interested in the problem of fitness. Some are famous athletes, like the chairman, Lord Aberdare, Mr Philip Noel-Baker, Lord Burghley, Mr W. W. Wakefield, and Miss Dorothy Round; others like Mr S. F. Rous, Secretary of the Football Association, are in day-to-day touch with the sporting life of this country. Almost all are associated with either the youth movement in one or another of its many forms, or with education. They are beginning a novel task with fresh minds, and some at least realise that there are criticisms to be faced. The coincidence of this scheme with intensive re-armament was unhappy. It would be still more unfortunate if the results were formal and stereotyped. There is still the undernourished tenth of our population to be catered for—as a separate problem, not to be solved by physical jerks and marching, but by food, clothing and shelter. The task of the Council will be difficult; its powers are nebulous; and its stated objectives are not very clear. But the men and women who have been chosen will probably do the job as well as it could be done.

Road-Rail Appeal Decision.—Last Monday the Road and Rail Traffic Appeal Tribunal confirmed the renewal by the Metropolitan Licensing Authority of an "A" (public carriers') licence to Messrs Bouts-Tillotson Transport, Ltd., road transport contractors, against the appeal of the four main line railway companies. The Tribunal refused to consider the case as one testing the claim of the railways to a monopoly of traffic over trunk routes, since it was not part of its function to decide that question. The Tribunal agreed that the Licensing Authority had no jurisdiction over road charges even when they were less than railway rates, and stated, further, that the Act did not require a licensing authority to decide which goods should be rail borne, and which should go by road. For the remedy of these grievances, the railway companies were advised to go elsewhere—presumably to Parliament. The Act allows a licensing authority to withhold a licence if "suitable" transport facilities already exist. The Tribunal did not attempt to define "suitable" facilities, but declared that such facilities should be "suitable" for current commercial and industrial conditions. The railway service was admittedly physically adequate, but was not necessarily suitable, as the evidence of Messrs Bouts-Tillotson's customers showed. The appeal was, therefore, dismissed, despite the fact that Messrs Bouts-Tillotson were carrying traffic formerly handled by rail.

This decision marks an advance on the position previously taken up by the Tribunal (see *The Economist*, December 19, 1936, page 572). A road haulier may now retain business which he originally gained at the expense of a railway; and the fact that a better service is provided by the road operator may count as a relevant consideration when the suitability of existing facilities for transport is in question. Road transport business need no longer fear relegation to the position of a feeder

to the railways. But the Tribunal required satisfaction that no material change had occurred in the circumstances of Messrs Bouts-Tillotson's business, and licences were only granted for those vehicles which were fully employed during the period for the first licence. It seems, therefore, that no considerable expansion of road transport business is as yet to be allowed.

Lower Iron and Steel Production.—Mr Chamberlain's announcement regarding the proposed re-armament loan has served to re-focus attention upon the stringent position now existing in the iron and steel markets. In the majority of the producing areas output fails to keep pace with current demand and makers are frequently forced to ration their customers. The position was aggravated last month by the incidence of the New Year holidays in Scotland—a factor mainly responsible for the sharp setback in the iron and steel production figures during January. However, an expansion of output is fully expected during the current month; two furnaces which had been temporarily damped down were restarted in January and two additional furnaces were blown in. Monthly production figures, as issued by the British Iron and Steel Federation, are as follows:

(In thousands of tons)

Period	Production		Foreign Trade	
	Pig Iron	Steel Ingots and Castings	Total Imports	British Exports
1913—Monthly Average	855.0	638.6	185.9	414.1
1929	832.4	803.0	235.2	364.9
1932	297.8	438.5	132.7	157.4
1933	344.7	585.3	80.9	160.2
1934	498.2	738.3	113.9	187.8
1935	535.3	821.6	96.0	197.7
1936	640.5	974.8	123.6	183.8
1936—January	595.5	911.7	119.9	164.8
February	584.7	938.5	123.2	167.8
March	633.6	980.1	130.3	163.4
April	629.8	984.2	120.8	177.5
May	661.0	963.0	117.5	204.1
June	644.1	965.9	110.6	173.5
July	665.6	974.1	170.3	216.1
August	635.8	972.7	141.8	164.0
September	650.8	1,027.0	165.0	183.0
October	670.3	1,060.5	101.0	194.4
November	643.1	1,001.3	90.7	193.3
December	671.4	1,019.2	94.8	204.8
1937—January	650.7	998.9	83.1	215.0

Owing to the simultaneous expansion of demand in countries overseas, it is becoming increasingly difficult to obtain supplies from abroad. Thus imports fell to a low level in January, the decline compared with 1936 being most marked in shipments from Belgium. The most encouraging feature of the past month's returns was the unexpectedly large increase in British exports. Compared with 1936, substantially increased quantities were consigned to markets as far apart as South Africa, Denmark, China and Argentina. In view of the long-term importance of the British industry's export connections, it is profoundly to be hoped that this improvement will be maintained in coming months.

Overseas Trade in January.—There was a welcome expansion in our export trade last month. Though imports were well maintained, the discrepancy between the relative rates of increase of imports and exports has lessened; the visible adverse trade balance last month was only 0.8 per cent. larger than a year ago. The following tables give details for the past three years:—

MONTH OF JANUARY (000's omitted)

	1935	1936	1937	Change between 1936 and 1937
Total imports	£ 61,916	£ 69,954	£ 75,581	+ 5,627
British exports	35,481	34,460	39,101	+ 4,641
Re-exports	5,034	4,320	5,076	+ 756
Total exports	40,515	38,780	44,177	+ 5,397
Excess of imports over exports	21,401	31,174	31,404	+ 230
Transshipments under bond	2,022	2,397	2,942	+ 545

The rise in imports was more pronounced in the raw materials group, where there were larger purchases of hides and skins, raw wool and raw cotton. Increased purchasing power is reflected in heavier imports of meat

and grain and flour, whilst the growing needs of the home industry have necessitated bigger imports of non-ferrous metals and machinery. Although there has been a revival in coal exports, 70 per cent. of the increase in British exports occurred in the manufactures group.

Trade by Commodities.—Recent movements in the more important imports retained in this country are shown below:—

RETAINED IMPORTS—MONTH OF JANUARY

Item and Measure	1935	1936	1937
Wheat	5,425	6,612	5,286
Beef and veal	851	1,018	1,177
Mutton and lamb	503	524	595
Sugar (unrefined)	2,324	4,042	3,888
Iron ore and scrap	387	579	472
Raw cotton	1,037	1,377	1,575
Sheep's and lambs' wool	687	719	786
Flax, hemp and jute	43,196	55,800	59,707
Crude petroleum	26,725	43,383	51,067
Hides, wet and dry	131	119	101
Wood pulp	203	221	143
Rubber	457	102	— 6
Unwrought copper	21,406	20,242	22,025
Pig lead	29,339	27,542	25,903
Tin	—	—	—
One and concentrates	3,930	5,062	3,237
Blocks, ingots, slabs and bars	628	232	720
Iron and steel manufactures	130	120	83
Machinery	5,523	6,811	10,091

The volume of wheat shipments has declined, particularly from Australia and Canada; in value, wheat imports show a rise. Meat supplies from the Argentine, Australia and New Zealand have been on a larger scale. Sugar imports are lower, but Empire countries have increased their shipments. The strong demand for fibres reflects the growing activity of the textile trades. Machinery imports show a considerable increase, especially machine tools from the United States.

The principal British exports are set out below:—

BRITISH EXPORTS—MONTH OF JANUARY

Item and Measure	1935	1936	1937
Coal	3,410	2,793	2,987
Iron and steel scrap	26,900	15,328	33,074
Pig-iron and ferro-alloys	14,010	8,190	13,796
Railway material	10,400	6,869	17,968
Total iron and steel manufactures	179,026	164,772	215,030
Textile machinery	5,565	4,925	4,810
Cotton yarns	12,990	12,912	13,761
Cotton piece-goods	187,253	166,679	160,635
Wool tops	5,815	4,342	4,466
Worsted yarns	3,305	2,378	2,430
Woollen tissues	6,814	7,315	7,848
Worsted tissues	3,472	3,429	3,980
Linen piece-goods	8,167	8,254	9,398
Leather boots and shoes	24,898	26,299	27,746
Leather	23,947	24,956	29,558
Paper and cardboard	336,201	335,859	371,788
Locomotives (complete and parts)	1,883	1,871	1,831
Motor vehicles and chassis	5,530	6,235	8,871

The improvement in coal exports is encouraging; trade with Italy has been resumed, while French purchases show a big increase. There has been some improvement in our exports of iron and steel manufactures; South Africa is mainly responsible for the increase in exports of railway material. Demand for textiles in general is on the up-grade, and in the United States and China there is still an active market for linen piece-goods. Exports of British motors continue well above the level of recent years.

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Overseas Correspondence

From Our Special Correspondents

United States

The New Deal of 1937

WASHINGTON, February 4.—The President is determined to see enacted the abolition of child labour, and the minimum wage and working standards imposed by the N.R.A. Mr Richberg, once keeper of the now deceased Blue Eagle, is again a frequent White House visitor, and has laid before the President a plan to write the labour provisions into existing anti-trust legislation, leaving a strengthened Federal Trade Commission to formulate the standards and supervise enforcement. General Johnson, the original N.R.A. administrator, proposes a penalty tax on employers who fail to maintain predetermined labour standards. Senator O'Mahoney advocates a Federal licence for all undertakings engaged in interstate commerce, the maintenance of proper labour standards being required as a condition of holding a licence. The Supreme Court has ruled that it is constitutional to bar prison-made goods from States which prohibit prison labour; and this precedent is seen as a possible solution of the problem. The Chamber of Commerce is drumming for State compacts, an echo from the Landon campaign.

One could catalogue an equally diverse range of proposals for American intervention in Europe, a topic much under discussion at the White House. The President would like to do something if he could be assured of its effectiveness in Europe and simultaneously of its popularity at home, but so far no suggestion is receiving publicity which thus squares the circle. The professional peace leaders have his ear, and they leave him with confidence that he is ready to act, once he can find a suitable policy.

The Tactics of the President

The President in this case, as in the matter of labour legislation and the Constitution, follows his characteristic course of letting the discussion simmer around him, heating it up now and again by his own discreet intervention, and then waiting to see whether the brew appears to have a chance of being both popular and constructive. This being the start of a new four-year term, and of dealings with a new Congress, the method has its advantages; and it is being followed on almost every controversial subject. Only in giving direction does the President contribute a clear indication of his own mind. This he did in his inaugural and in his first message to Congress. He has done it since in his handling of the power and labour issues. He has rejected the proposal of the power pool in the T.V.A. district as a warning to the public utilities not to negotiate and litigate at the same time. The fact that the utilities, who have tied up the T.V.A. with drastic injunctions, asked for these

long before the pooling conference was called, and the President knew that the applications had been made, did not save them from his wrath. Chairman Morgan, of the T.V.A., made a strong case for peace with honour between the Government and the utility companies, but the power fight is symbolic, and even an honourable peace would be misconstrued by the President's Liberal friends.

In the General Motors controversy the President had to listen to a peremptory demand from Mr John L. Lewis that he should take the side of the automobile strikers in payment of his political debt to the workers who voted for him. And he had to endure the refusal of Mr Sloan, of General Motors, to attend a conference with Mr Lewis, at the invitation of Secretary Perkins. He mildly rebuked Mr Lewis without naming him, and scolded Mr Sloan by name. But the Administration, in asking Mr Sloan to sit down with Mr Lewis, and by rebuking him for refusing to do so, turned public opinion against General Motors, and so helped the strikers at one stage of their struggle. The two actions, ending the pooling conference with the power companies, and rebuking General Motors in the labour crisis, set the compass for the New Deal, 1937. The emotional "worth" is the common man and not the big corporation.

Reforming the Supreme Court

NEW YORK, February 9. — The Ohio floods have apparently passed their crest, and submerged towns are reappearing on the face of the waters; the General Motors strike, likewise, appears to have passed its crest, and something like conclusions are appearing above the surface of the negotiations. The President's proposal to appoint six additional members to the Supreme Court caused a three-hour flurry in the stock market, which then resumed its normal tenor. Although the announcement was unexpected, it was hardly surprising. The constitutional issue has long been familiar. The idea of a constitutional amendment has never seemed very realistic to Wall Street on two counts: (1) doubt that an amendment could be drafted that the States would ratify; and (2) the prospect that ratification would be a slow process. The relatively simple Child Labour Amendment was launched in 1924, and has not yet been ratified. The alternatives were the one outlined in the Annual Message (i.e. to proceed without any change in the *status quo*), or to ask authorisation to pack the Court, a procedure of which that Message gave no hint, but which has long been an obvious possibility. The announcement has divided opinion into four groups: those in favour of it; those who are opposed to tampering with the Courts and the Constitution; those who advocate a more radical approach to the problem; and the fourth, and by far the largest group, which, like Gallo, "cares for none of these things."

Gold in American Trade

In about six weeks the gold purchased by the Treasury for the "inactive account" amounted to \$142 millions, which indicates that the general nature of the gold flow was not altered by the Tripartite Agreement. From the standpoint of credit control, it is no doubt preferable that the Treasury rather than the Reserve Banks should buy this gold; but if the initial weeks are to be taken as typical, it will be seen that the burden assumed by the Treasury is not light; and the present disposition may not be a permanent solution. A recent comment of Mr Wallace (Secretary of Agriculture) was: "... it would seem that after a time the people of the United States will find it necessary to think through

to the realities of exporting indefinitely the labour and natural resources of the continent in exchange for nothing more usable than shining metal. Some day it will be asked what it all means in the long run for the standard of living of the American people."

Statistically speaking, it is not the "labour and natural resources of this continent exclusively" that are currently exchanged for the "shining metal." Our merchandise trade is almost perfectly balanced, and the "shining metal" seems to be exchanged for our securities and for dollar balances, and so becomes "hot money."

The classified reports of our merchandise trade for 1936 have been published, as follows:—

MERCHANDISE TRADE OF THE U.S. (\$000,000)

	Exports		
	1934	1935	1936
Raw materials	653	683	668
Raw foodstuffs	59	59	58
Manufactured foodstuffs ..	167	157	144
Semi-manufactures	342	350	394
Finished manufactures	878	994	1,152
	2,099	2,243	2,416
	Imports		
	1934	1935	1936
Raw materials	441	582	733
Raw foodstuffs	254	322	349
Manufactured foodstuffs ..	264	319	384
Semi-manufactures	307	410	490
Finished manufactures	350	405	460
	1,616	2,038	2,416

Our exports of semi-manufactures and finished goods have steadily risen, while the other three groups have barely held their own. These three years included two major droughts, which somewhat influenced the totals. Nevertheless, the general trend has been in the same direction over a long period. On the other hand, all categories of imports have been rising.

Short Term Rates Recover

Since the middle of December short-term money rates have been markedly firmer in the New York market. This has been associated with the two steps taken to control credit: the purchase of gold by the Treasury, and the announcement of the increase in reserve requirements. Whether this is merely a flurry, or a more lasting change, it has been most welcome to the banks. Last year the yield of Treasury 90-day bills was 0.8 per cent. in February, 0.23 per cent. in May, and then 0.10 per cent. in November. There were actually instances of subscription to these bills on a no-interest basis. During the year, long-term Governments climbed from about a 2½ per cent. basis to a little better than a 2½ per cent. basis; while the 3-5 year notes rose from a 1.21 per cent. basis in January to about a 1 per cent. basis in December. At the present time, the 9-months' bills are selling to yield about 0.42 per cent. and 5-year notes about 1.20 per cent. At the low yields of last year, the return on the bills hardly exceeded the book-keeping costs of institutional holders, and the return could scarcely be described as an interest rate. The current returns on Treasury bills, say 0.25 per cent. for 3-months', 0.32 for 6-months', and 0.42 for 9-months', while still not very remunerative, are not quite so anomalous; although they are still below the London equivalents. The rate on long Governments fell last year, but not in calculable relation to the shorts.

There is little in the way of commercial paper in our market at present. Acceptances which last year had a limited market at about ½ per cent. are now quoted ¾ at 90 days; commercial paper is in small supply at ¾ per cent., but call money was successfully pegged at 1 per cent. in June of last year, and has been held there since. It is not easy to get statistical information as to the cost of customers' loans (the equivalent of the British overdraft, but commonly secured by collateral of some sort). The Federal Reserve Bulletin publishes a table showing that the New York City banks averaged about 2½ per cent. in 1936, eight northern and eastern cities about 3½ per cent., and 27 southern and western cities a little under 4½ per cent.; but these rates represent local financial customs. In all cases, a substantial and continuous decline since 1932; and the respective averages for 1928 were 5.15 per cent., 5.34 per cent., and 5.70 per cent.

France

A Breathing Space?

PARIS, February 18. — The Government has been urged by its supporters to lay before Parliament a number of measures for social reform: one for a national unemployment fund, another for old-age pensions for workers, and a third for the relief of agricultural distress. These measures would involve some billions of new expenditure. Moreover, the civil servants have been pressing the Government to readjust their wages, because of the increased cost of living. The Senate thereupon warned the Government through M. Caillaux that any bill entailing new expenditure would be automatically rejected, if not accompanied by real economies. M. Blum has obtained from the workers who are preparing the Paris Exhibition a pledge that they will work day and night, in spite of the forty-hour week, to get the Exhibition ready by May 1st. He told the civil servants over the wireless that they must be patient. He declared that it was time for a breathing space, for a respite in expenditure.

But a breathing space for wages would be an absurdity if not accompanied by a pause in the rise in prices. Therefore, the Government intends to check this rise by preventing unjustifiable advances, by lowering a number of import duties, and by expanding new quotas. The last measure is recommended by M. Rist, who protests that "at a time when the tendency of prices has been reversed by the world rise and by devaluation, the Government continues to apply measures, the origin and justification of which were the prolonged slump of prices which is finished." One difficulty is that the relaxation of the tariff will increase the import surplus unless it is balanced by an increase in domestic production, which the forty-hour week makes difficult.

The Government's Prospects

The desire of M. Blum to get out of the vicious wage-price spiral, and his determination not to let the Budget deficit grow inordinately, are welcome. But will they be made effective? Will they lead to the repatriation of capital which is so necessary when the money market is being pumped dry by Treasury and private requirements? The Prime Minister and M. Auriol firmly adhere to the monetary alignment, and hope to derive much economic advantage from the Paris Exhibition. But they will have a hard struggle against those who advocate the control of the exchanges and foreign trade; these are alleged to include the Minister of Economy, the Governor of the Bank of France, the Trade Unions, and the Left extremists.

Will the Government obtain from the Conservatives and from its foreign supporters sufficient confidence to accelerate the progress of recovery during the breathing

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space? Or will a continued rise in prices and the Budget deficit bring about a new political disequilibrium, ending in the autumn in a fusion of the Communists and the Socialists to try out some new experiment? Such a change would not pass without political disorder, and further economic difficulties in the international markets.

A Rapid Rise in Imports

In January there was a huge increase in the value of imports, and a much smaller increase in exports. Both movements were the result of the rise in prices, since the imported and exported tonnage were virtually the same.

	Francs (000,000 omitted)		
	January 1936	December 1936	January 1937
Imports:—			
Foodstuffs	564	880	886
Raw materials	1,157	1,707	1,959
Manufactured goods	291	425	473
Totals	2,014	3,013	3,319
Exports:—			
Foodstuffs	191	293	283
Raw materials	330	503	575
Manufactured goods	681	839	914
Totals	1,203	1,637	1,773
Import surplus	810	1,376	1,546

Thus, for the first four months after devaluation, the import surplus was nearly Frs. 5,000 millions, against a year's surplus of Frs. 10,000 millions in 1936, and Frs. 5,000 millions in 1935. The Government, to prevent foreign dumping and the internal rise in prices (by increasing temporarily the import quotas, notably for foodstuffs) has obtained from the Chamber power to alter the customs duties by decree for one year. The Minister of Commerce emphasised that international free trade was his ultimate aim, but that he had first to protect French production.

The monthly figures of the Statistique Générale, showing industrial production in France, were (1913 = 100):

	Dec., 1935	Oct., 1936	Nov., 1936	Dec., 1936
General index	96	98	99	100
Engineering	96	98	102	105
Iron and steel	83	89	92	89
Textiles	71	69	74	75
Mines (adjusted figures)	101	103	95	98
Building Do.	66	57	57	56
Leather Do.	90	100	95	91
Paper Do.	118	151	151	150
Rubber Do.	883	947	941	915
Motors Do.	406	491	532	560

Some 13,367 motor-cars and 1,871 lorries were put on the road in December, against 13,439 and 1,825 in November. Railway receipts during the third week of the year showed an increase of 7.09 per cent. Loaded wagons during the first three weeks of 1937 were 821,329 against 776,269 for the same period of 1936. Unemployment, after the January peak, has fallen from 426,072 to 420,880. It was 483,155 last year at the same time.

Holland

The Rewards of Devaluation

AMSTERDAM, February 12.—The ex-Minister of Economic Affairs stated in a recent speech that it was indisputable that the devaluation of the guilder had been the predominant factor in the Netherlands in the year 1936. Before September Holland did not participate in the all-round improvement of world trade, but after September did. Until October the number of registered unemployed was growing by 25,000 to 40,000 persons a month; last October the increase was only 13,000, followed by 6,000 in November, and the latest figures show a decrease. A good proportion of our industrial enterprises, especially in the metal and cotton trades, are now provided with several months of work at full capacity, which is a situation they have not

known for many years. It is only since devaluation, too, that the repatriation of capital has enabled the capital and credit market to provide cheap money for industrial development. The possibility of readily procuring cheap loans has only presented itself since September 26, 1936. Credit has been restored subsequent to and as a result of devaluation. A pronounced improvement is already to be seen in the revenue returns, which are an immediate reflection of the economic activity of the country.

More substantial results will gradually manifest themselves as time goes on. Many branches of industry are closely dependent upon others. Building activity, transport, some branches of commerce, retail distribution, and agriculture to some extent, will only feel the full benefit of the revival when the activity in other sections has begun to tell.

No Guilder Stabilisation Yet

Uncertainty has prevailed for some time about the monetary tactics to be pursued by the Government. For the time being there is no question of the guilder being stabilised. If a further depreciation of sterling, the dollar or the French franc were to endanger the competitive power of Dutch trade and industry, a resort to further devaluation is still possible. After an official statement, the guilder weakened, and the Equalisation Fund was relieved of the necessity to operate on a large scale in the purchase of foreign currencies.

The unemployment returns continue to show a declining tendency. The sale of stamps for the compulsory old age pensions insurance for the past ten years reveals that employment is now on almost the same scale as during the years immediately preceding the world depression. From this it may be concluded that the present state of unemployment is due largely to the growth of the population and to the increasing mechanisation of industry. The Government is aiming to reduce the number of more or less permanently unemployed as far as possible, and, when there is an increase in the demand for labour, persons who have been unemployed for a protracted period are to be put to work as far as practicable. The question of special provision for rendering assistance to permanently unemployed persons is under consideration by the Government.

Improved Foreign Trade

Our foreign trade returns continue to make a satisfactory showing. According to the returns compiled by the Central Statistical Bureau, the value of imports amounted to 106 million guilders in January (114 millions in the preceding month and 79 millions a year ago), and of exports to 73 million guilders (80 million in the preceding month and 50 millions a year ago). These figures do not include gold and silver.

	Imports (In million guilders)		Exports	
	1936	1937	1936	1937
January	79	106	50	73
February	74		50	
March	79		55	
April	81		57	
May	76		53	
June	77		53	
July	80		60	
August	82		63	
September	82		72	
October	92		75	
November	101		77	
December	114		80	
Total	1,017	106	745	73

Wholesale prices in the Netherlands are still moving gradually upward. The general index figure of the Central Statistical Bureau (1926-1930 = 100) was 73.0 in January, 1937, compared with 71.0 in December, 1936, and 62.6 in September, 1936 (prior to the devaluation of the guilder). The cost of living, however, has only risen to a very insignificant extent. Now that the third monthly index figure of the cost of living since the depreciation of the guilder has been compiled by the Bureau of Statistics, it is possible to review the

influence of depreciation during the entire quarter subsequent to the abandonment of the gold standard on September 26, 1936. The index figure in December (basis pre-war = 100) was 133.4 compared with 132.0 in September, or a rise of 1 per cent. In November it was 133.9, or 1.4 per cent. higher than in September. From November to December there was thus a drop of 0.4 per cent.

In the Netherlands capital market, interest rates are still on the downward track. Municipalities can now procure an abundance of funds for conversion at 3½ per cent., and, in addition to the new 3 per cent. Netherlands loan, a 3 per cent. Netherlands Indies conversion loan has appeared on the market. It is expected that the Government will shortly proceed to the conversion of the 4 per cent. loans. The Central Statistical Bureau has published an account of the history of the National Debt. It stood at 2,870 million guilders on January 1, 1937, against 1,147 millions in 1900 and 2,916 millions in 1925.

Austria

Trade with Germany

VIENNA, February 9.—The Minister for Trade, Professor Taucher, recently granted an interesting interview to Mr John Gatehouse. In this he answered questions on the Austrian Government's attitude to the recent Austro-German trade agreement, signed on January 27th, and on Austrian economic policy vis-à-vis those countries which devalued their currencies last September. As these are easily the chief items of discussion in informed Austrian circles to-day, considerable interest attaches to the interview, of which the following is an authorised summary.

Dr Taucher said that the constant endeavour of the Austrian Government had been to create increased possibilities for employment in industry, and had necessitated particular attention to the development of foreign trade. In this connection the Government had never adopted a one-sided policy. It had always been prepared to facilitate imports, at the same time trying to increase exports. The volume of trade with Germany had to be increased, in both respects, by the establishment of some fair agreement. The conclusion of the new commercial treaty with Germany, and the supplementing of already existing agreements, bore witness to this tendency. Some such development of reciprocal trade relations was necessary with Germany—a State which holds the leading place in Austria's foreign trade, participating to the extent of 17 per cent. in her imports and 16 per cent. in her exports. The new agreement should be instrumental in serving this purpose. Since in the case of new agreements it is always necessary to build on former experience, the examination of previous years' statistics gives useful information. The following are the statistics of trade with Germany for the last five years:—

	In Million Schillings				
	1932	1933	1934	1935	1936
Austria's imports from Germany ..	277	215	198	200	210
Exports to Germany ..	126	117	136	140	153
Total of trade	403	332	334	340	363
Import surplus	151	98	62	60	57

Quite apart from the fact that an effective export increase can, as a rule, only be brought about by an increase in imports, the present clearing arrangements also demand an equalisation of exports and imports, if extremes, which might otherwise harm trade, are to be avoided. It is anticipated that there will be an increase in Austrian exports to Germany of important agricultural articles, such as cattle, horses, butter, cheese, milk, cord wood and split timber, and of certain industrial products. In the latter case, where present exports are below the general level, special steps have had to be taken in order to try to bring about a rise. This was necessary with a number of Austria's normal export articles, such as iron and steel goods, leather, hosiery and piece-goods. Facilitation in respect of payment for

films and for copyrights and royalties was another necessity under the new agreement. Another important clause is that which refers to the provision of increased means for the financing of German tourists to Austria.

As far as Germany is concerned, her exports to Austria of, for example, paper and heavy industry exports will as a result of the new treaty be facilitated.

The most important aspect of the agreement is that an agreed regulation of mutual trade exchanges will follow, whereas formerly trade between the two States depended on unilateral decisions. This regulation must from the very nature of the thing be somewhat elastic. But it provides a certain frame for the development of trade and traffic. For this purpose, there had been formed Governmental committees, whose duty it would be permanently to observe and control Austro-German trade in order to effect mutual benefits.

The Effects of Devaluation

Before answering the second question as to the effect of the devaluation (in other countries) on the Austrian export trade, a comparison of the figures for the last quarters of 1935 and 1936 must first be studied. The following statistics show this trade with those countries which have devalued their currency:—

SHARE OF THE VARIOUS "DEVALUATION" COUNTRIES IN AUSTRIAN EXPORTS, DURING THE MONTHS OF OCTOBER, NOVEMBER AND DECEMBER, 1935 AND 1936.
In 1,000 Schillings

	October		November		December	
	1935	1936	1935	1936	1935	1936
Total Exports	83,390	85,272	83,734	84,565	90,608	94,746
of which: to						
Italy	9,467	7,404	12,107	6,059	13,887	11,302
Switzerland	4,485	4,194	4,365	3,974	5,280	5,107
Czechoslovakia	7,708	6,725	6,088	6,498	5,599	6,039
France	3,152	3,970	3,454	3,853	3,818	4,401
Latvia	26	42	29	35	43	35
Holland	1,380	1,335	1,404	1,192	1,373	1,582

SHARE OF THE VARIOUS "DEVALUATION" COUNTRIES IN AUSTRIAN IMPORTS, DURING THE MONTHS OF OCTOBER, NOVEMBER AND DECEMBER, 1935 AND 1936.
In 1,000 Schillings.

	October		November		December	
	1935	1936	1935	1936	1935	1936
Total Imports	121,690	116,698	118,302	118,754	123,400	129,646
of which: from						
Italy	4,016	5,380	4,141	5,118	4,040	6,005
Switzerland	4,477	4,297	3,844	3,325	3,321	3,672
Czechoslovakia	15,582	14,250	17,290	14,634	14,979	12,488
France	3,676	3,360	3,201	2,978	3,376	3,637
Latvia	41	67	35	71	65	48
Holland	2,639	2,385	2,484	2,751	1,983	2,534

These figures show that only in the case of Italy have Austrian exports suffered any noteworthy setback, particularly in the month of November, 1936. In December, 1936, the value of exports to Italy, however, had again considerably increased, but was still less than that of December, 1935, by 2½ million schillings. The figures for the other countries do not show on the whole any marked reaction as a result of devaluation. But it should be noted that three months is too short a period to draw anything but restricted conclusions about the future. In the case of imports no marked alteration has taken place. Therefore it can be said with satisfaction that Austrian trade has not up to the present been heavily affected by (external) measures of devaluation.

The third question as to the effects of devaluation (in other States) on Austria's foreign tourist traffic can also, in general, be satisfactorily answered. According to the latest available statistics, giving the number of foreign

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visitors to 115 of the most important Austrian tourist centres in December, 1936, (a) the total of visitors was 1.3 per cent. greater than in December, 1935; (b) the number of visitors from foreign countries was 13.3 per cent. greater; and (c) the number of Austrian visitors had decreased by 4.5 per cent. The number of visitors from the "devaluation" States showed a not altogether retrogressive tendency. For example, there was an increase in the number of Italian tourists to the Austrian provinces of 9.5 per cent. (compared with December, 1935), and increases in visitors to Vienna of 5.2 per cent. from Switzerland, 25.4 per cent. from Holland, 5.4 per cent. from Great Britain and 5.6 per cent. from France. Tourist traffic from Germany both to the provinces and to Vienna has developed in a thoroughly positive manner. Lastly, the number of visitors from the United States and Canada has increased by 23 per cent. and from other overseas countries by 14.6 per cent.

Norway

Old Age Pensions

OSLO, February 5.—Politically the chief event since the turn of the year was the re-assembly of the Storting on January 11th, and the submission of the Budget proposals for the financial year 1937-38. The Budget is the highest since 1919-20, and shows an increase over the current Budget of nearly 38 million kroner. Practically the whole of this amount represents the contribution of the Government towards old age pensions, and will be covered by a special old age levy on income. Appropriations for relief of various kinds amount to about 65 million kroner against 80 million kroner for the current financial year. Although new taxes will not be levied, the estimate for taxes and duties of about 415 million kroner represents an increase of 54 million kroner compared with the Budget for 1936-37. The amount reserved for National Debt service amounts to 40 million kroner. The figures for the first half-year of the current financial term show a surplus of about 22 million kroner, against 12.9 million kroner for the same period of the preceding year. The surplus arises from an increase in revenue of about 23.5 million kroner.

Business Activity

The publication of the balance sheets of the banks have attracted special interest. The accounts indicate increased activity, although—generally speaking—deposits have fallen much below the figures of 1935. By a prudent investment and lending policy, the banks have been able to maintain an ample liquidity, and dividends have been declared at the same rates as those of the preceding year, and in some cases even slightly higher.

The figures of foreign trade for December, 1936, show a further expansion; imports amount to 93.44 millions against 95 millions in November, and exports amount to 74.5 millions against 69 millions in November. The total value of imports and exports in 1936 amounted to 922 million and 685 million kroner respectively; the import surplus was thus 237 millions against 220 millions in 1935. This deficit is, however, covered by the net freight earnings of 1936, and there is a small active surplus of some 10 million kroner.

Industrial production is well maintained, and the merchant fleet is now employed to practically its full capacity; the amount of laid-up tonnage is only 19,000 tons. Prices continue to rise; the wholesale price index of the *Ökonomisk Revue* rose by 4 points during January, and there is at the present nothing to indicate a change in this tendency. Activities on the Bourse have been exceptionally brisk during recent weeks; whaling and shipping shares were favourites, and industries have been somewhat irregular, although on the whole with a firm tendency. Bonds, especially gilt-edged, are now in better demand, and prices, after a long period of comparative stability, are rising steadily.

Canada

The Use of the Canadian Forces

OTTAWA, February 8.—In the Parliament there have recently been interesting and illuminating debates upon two issues of major importance; the question of Canada's attitude in the event of another war, and the reform of the Constitution. The personnel of all three services, Army, Navy and Air Force, is to be increased; but since the Government's programme contemplates only the better defence of Canadian territory and no overseas adventures, most of the additional money is to be devoted to the enlargement of the Air Force and the strengthening of coastal defences. Mr Woodsworth, the leader of the C.C.F. party, moved a resolution urging complete neutrality for Canada in the event of a European war; and he criticised the increase in the defence estimates as intended to build up forces which could be fitted like spare parts into an Imperialist war machine. The Government took the line that since participation in war was for Parliament to decide, its hands must not be tied by any pronouncement for neutrality. Canada need not necessarily go to war because another part of the Commonwealth is at war, and her foreign policy would be framed primarily in the light of Canadian interests. The resolution was negatived without a division.

A Conservative Constitution

The issue of constitutional reform has been brought into high relief by the recent decision of the Privy Council, which reaffirmed the judgments of the Supreme Court of Canada and pronounced invalid some of the most important measures of the New Deal programme of the late Conservative Ministry. There is now general agreement that the present Canadian Constitution, embalmed in the British North America Act of 1867, is operating as a brake upon the wheel of Canadian progress. In view of the latest decisions it can slow down the pace of social and industrial reform to the rate acceptable to the most reactionary of the provinces. Ministers contend that reform of the Constitution can only be achieved by negotiations with the provinces. Mr Bennett and others differ from this view and argue that the Federal Parliament is competent to secure amendments of the constitution with the help of the British Parliament. The Ministry is awaiting the full text of the Privy Council's decisions before it makes any further move. It is understood to be contemplating the appointment of a Royal Commission with some eminent British economist like Sir Arthur Salter as Chairman to study the financial basis of Confederation.

National Control of the Railways

The Minister of Transport has introduced a Bill for the creation of a Board of Transport Commissioners who will be armed with wider powers than the present Railway Board, and another for recasting the capital structure of the Canadian National Railway system. The latter Bill provides for the complete wiping out of about \$1,500 millions of nominal obligations of the railway to the Federal Government. There will also be adjustments by the exchange of stocks between the Government and the railway; the result will be to obliterate the 100 odd component units and subsidiaries of the system, and to make for greater efficiency. Mr Bennett, for the Opposition, approved of the general purpose of the plan, but declared that violence would be done to the principles of sound finance, if the amount of money which the country had invested in its railway enterprises were not clearly set forth in the annual accounts.

The adjustment of the last remaining points of the revised Anglo-Canadian fiscal agreement has been completed and the document is ready for signature. The approval of Parliament will be sought in a separate measure, which will probably be introduced just before or just after the Budget. The imminent shortage of power which is now facing the Hydro-electric Commission of Ontario has compelled it to seek an accommodation with one of the Quebec Power Companies

whose contracts were arbitrarily cancelled two years ago. Negotiations for a new contract for power are now in progress between the Commission and the Ottawa Valley Power Company.

The general index of the Bureau of Statistics for the week ending January 23rd was 120.4, a new high level since recovery began; it slipped back, however, more than 3 points in the following week.

Week ending—	Car-loadings	Wholesale Prices	Bank Clearings	General Index
February 1, 1936	71.3	72.6	95.8	104.3
January 16, 1937	90.8	81.9	101.2	120.4
January 23, 1937	86.5	81.7	118.5	121.5
January 30, 1937	81.1	81.6	116.3	118.4

There has been no set-back in the activity of the mining

industry and it is contributing to the prosperity of various trades. The heavy industries have had their prospects improved by the placing of heavy orders for railway equipment. British Columbian ports have profited greatly by the shipping strike on the west coast of the United States, and this province is more prosperous than it has been for years. The Federal Government has just succeeded in placing successfully in New York, through Morgan Stanley and Company, a refunding loan at the lowest rates of interest ever offered for a Dominion loan. It consists of \$30 millions 2½ per cent. seven-year bonds, issued to the public at 99½, and \$55 millions 3 per cent. thirty-year bonds issued at 98, and it has been readily absorbed.

Letters to the Editor

A Road and Rail Controversy

TO THE EDITOR OF THE ECONOMIST

SIR,—Major Crawford, in his letter published last week, asks certain questions and makes comments on my article headed "A Railway View." Might I deal with these in his order?

(1) He is unable to see what is the railway case in this controversy. I refer him to the third sentence from the end of the article which states: "There should be like treatment of the two means of transport as regards the fixing and regulating of rates and as regards publication, non-discrimination and the obligation to carry."

(2) He asks "On what are railway rates based?" A broad outline of the many laws on this subject is given in paragraphs 51 and 52, 57 to 61, and 73 to 86 of the final report of the Royal Commission on Transport (of which Major Crawford was a member). Paragraph 86 of this lengthy survey explains that there are many other important provisions. These others include the factors laid down by Parliament as the basis of classification of railway rates:—value, bulk in comparison to weight, risk of damage, cost of handling, saving on forwarding large quantities, and all other relevant circumstances.

(3) My article giving a railway view stated that "Rail rates are, therefore, finally determined upwards by statutory restraint and downwards mainly by competition; road rates, on the other hand, are fixed by competition, limited only by cost of service." Major Crawford comments on this by saying that "railway rates are dismissed as finally determined by statutory restraint"—a gross misquotation.

(4) Having garbled the quotation, he proceeds: "Furthermore, whatever the original basis may have been, it can hardly have achieved 'finality' if 69 per cent. of railway freight revenue is derived from exceptional rates and agreed charges, and if this figure is accurate, it must tend to make railway rates, as a whole, approximately more and more closely to cost of service." The figure is accurate as a figure, but Major Crawford's description of it is not, as it excludes coal carried in freight trains. Very probably the overall proportion is greater than 69 per cent. Certain railway rates must by reason of road competition approximate to road rates, but their relation to cost of service by rail is a different matter.

(5) Major Crawford complains that the 69 per cent. and other figures were not shown to be inaccurate. The "expert in road transport" stated in the first article that a study of the figures suggests that in practice road and rail rates gave much the same average net return per load for all classes of traffic. He gave a table of average receipts, including those "per loaded wagon forwarded," which presumably were his opening figures in arriving at the railway net return. These figures are not shown in the published Railway Returns, and how they were compiled was not stated, but however they were made up the writer's conclusion was apparently based on—

	Per Load	
	Railway Traffic	Road Traffic
Receipts	(a) £2 2s. 3d.	(d) Unstated
Expenses	(b) Unstated	(e) Unstated
Net	(c) Unstated	(f) Unstated

He also showed (g) the average railway wagon load

(7·10 tons) in freight trains (a correct quotation from the published Railway Returns), but gives no corresponding figure (h) for road loads. Without details of the six missing figures, it is hardly worth while discussing the accuracy or otherwise of (a), or even the conclusions to be drawn if (c) and (f) are much the same and (g) and (h) differ materially.

(6) Major Crawford states my article was confined to blunt contradictions. There was a blunt contradiction of one statement, namely, that "consignments on the railways must be charged according to what the traffic will bear."

If after examining the law on the matter, Major Crawford will say where this is enacted the contradiction can be discussed further.

(7) "Epithets are not evidence." I fully agree and suggest that the same applies to statements by the expert on road transport that (a) minus (b) is much the same as (d) minus (e) without evidence of the amount and content of each factor.

(8) A further complaint is that I did not give a statistical statement showing the true position. Perhaps Major Crawford will explain where the receipts, expenses, loads and other necessary data relating to the conveyance of merchandise by road can be obtained—apart from those of the road operations of the railway companies.

(9) Allocation of overhead costs is, we are told, merely a matter of book-keeping. Quite, if the allocation is made; but the expert on road transport made no mention of "overhead costs" or whether he had allocated them in his unspecified (b) and (e) and if so how this was done.

(10) In his final paragraph Major Crawford asks is it possible that I cannot answer the "case for road transport" except by abusing the plaintiff's attorney? I did not abuse the plaintiff or his attorney or anyone else, and if pointing out to Major Crawford that he has misquoted me, or that dogma and arithmetic are not one, is regarded as abuse, I confess an inability to understand his meaning of that word.

Yours faithfully,
THE WRITER OF THE ARTICLE.

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The Army Reserve

TO THE EDITOR OF THE ECONOMIST

SIR,—There is general misapprehension about the sending of Army Reservists to Palestine last autumn. Mr Amery has sneered at it as "scraping up something like a division by mobilising our Reserves, to the laughter of Europe." Lord Winterton attributes it to "the appalling state of army recruitment." Your Note of the Week (February 13th) gives, as the object of the present Bill, "to increase to the statutory limit of 6,000 the number of men who, having served seven years with the Colours and five with the Reserve, are still liable to be called up in times of emergency." Perhaps a further brief note might help some of your readers.

It was no improvisation, laughable or other, but the use of the statutory machinery provided fifty years ago or more for just such a minor emergency as Palestine presented. When the Cardwell system began to transmute our then long-service, reserveless army into the Old Contemptibles of 1914, it was foreseen that we might require to put a few home battalions in the field without calling out the Reserve by Proclamation. A Cardwell home battalion, whatever the state of recruiting, always contains a proportion of young soldiers requiring to be replaced by fully-trained men; and Section A of the Reserve exists for no other purpose. It consists, not of men who have done twelve years of Colour and Reserve service and are still liable to be called up, but of men fresh from the Colours, picked men in their prime not yet firmly resettled in civil life, who volunteer to come up without a proclamation if required within the first two years of their reserve service, in consideration of an extra 6d. a day while the liability lasts. No man is, in fact, still liable to be called up, even by proclamation, at the end of twelve years from his enlistment, unless he deliberately engages to prolong his reserve service for four years (Section D).

As an incident of the Government policy of limitation of armaments, the strength of Section A has of late been limited to 3,000 men and they just sufficed for Palestine; but in order to reach quickly the full statutory 6,000, now seen to be necessary, men are to be allowed to stay in Section A up to five years instead of two, and to return

to that section from the main body of the reserve (Section B) for further service within the total of twelve years from enlistment.

These special and presumably transitory provisions for quick filling are the sole business of the Bill, which has nothing whatever to do with the "real problems of military strength."

May I add that it does not seem to be universally understood that no Section A reservist draws less than 1s. 3d. a day (1s. 6d. if enlisted before 1931), the pay in Sections B and D (under the same condition as to date) being 9d. and 1s. a day respectively?

Yours, etc.,

C. HARRIS.

Cookham.

War Loans Again

TO THE EDITOR OF THE ECONOMIST

SIR,—I am somewhat at a loss to understand the accounting arrangements set up between the Treasury and the Defence Departments for dealing with the forthcoming capital expenditure on arms, and I have tried to reduce the matter to a simple problem of household finance.

If my wife wheedles an expensive fur coat out of me on the grounds that it is an investment and not an extravagance, apparently I proceed as follows. I arrange to borrow the money on overdraft from the bank at a rate which at the moment cannot be determined. At the same time I inform my wife that the loan will be booked to her, and is redeemable over a period of 10 years. Heaven knows when I can pay off the overdraft, but since she has no money of her own, every year I increase my wife's household allowance so that she can pay interest and redemption to me. Or, alternatively, I may have to borrow annually from the bank so that I can lend the money to my wife in order that she can pay interest to me, which I can use to repay the bank. If from year to year I solemnly record these transactions in the household accounts, am I behaving as a sensible prudent husband or merely being very foolish?—

Yours faithfully,

London, N.2.

G. L. SCHWARTZ.

Books and Publications

Can We Save Democracy?

SEÑOR DE MADARIAGA is known as a Liberal. His book* is primarily addressed to his fellow Liberals, who, in his opinion, need to take stock of the present position of their creed in view of the victories of dictatorships of the Right and the Left. The first complaint he has to make is of the mental inertia of many men of affairs who seem to take it for granted that "all that lies on the Left is Liberal," whereas he says that the dogmas of Liberalism are treated with even greater contempt by Communists than by Fascists. In the next place he complains of a certain complacency or false sense of security in the democratic countries, which may be doomed to lose their cherished institutions unless they "meet the problems of the day with a brave heart and a creative brain." The events of recent years should have taught the lesson that Liberal democracy was too weak, in many countries, to withstand the attacks directed against it, and it behoves Liberals in those countries where it has not already been destroyed to study the causes of that weakness with the object of curing them. Such a study is the theme of this lively and thought-provoking book.

The decay of Liberal institutions began during the war, the author claims, with the exploitation of national necessities by selfish producers, the organisation of nations on hierarchic lines to meet the emergencies of the times, and an accelerated tendency towards international collaboration among belligerents on both sides. The Peace Conference was the occasion of an abuse of power by the representatives of the great democratic

States which tarnished the reputation of democracy for wisdom and justice. The post-war reaction bred a spirit of cynicism and indifference among the younger generation, this book alleges, because they did not understand the foundations on which their comfort and well-being were erected. The trend of events and the atmosphere of the times were unfavourable to the guardians of freedom, and, in one country after another, liberty was allowed to perish almost without a struggle. A system that proved so unresistant to attack must surely have had some inherent weakness. This is the criticism which occupies the first or critical half of Señor de Madariaga's book.

Liberal democracy was perhaps vulnerable because of the axioms and postulates on which it rested and also because of the abuses which it developed in practice. Señor de Madariaga states that the practice of Liberalism bears the same relation to the philosophic foundations of the Liberal creed that depreciated paper does to gold; the principles of liberty, equality and individualism have been debased and distorted until they have become the parents of disintegration, atomism and anarchy. Liberal principles, he says, have been disfigured by the party system, by timid leadership, by bureaucracy, by the intrusion of powerful economic forces into political life, and by the blind acceptance of the verdict of a majority, which is a recognition of "statistical" rather than "organic" democracy. The irresponsibility of financial interests and of the press magnates incurs the author's special disapproval, but his observations on the part played by central banks are scarcely worthy of such a gifted critic.

The second, or constructive, part of the book attempts to outline a method of preserving the merits of demo-

cratic Liberalism while avoiding the sources of weakness that have injured it in the past. The social structure is shown to be an organism depending for its successful working on inequality and diversity of function, and great importance is laid on the need for selection of the wielders of power. "A government is always an oligarchy and ought to be always an aristocracy." The discussion of these matters, which is highly stimulating and original, cannot possibly be summarised here; but it should be read and deeply pondered by every student of politics. The actual measures necessary to translate "unanimous organic democracy" into practice will be different in different countries, and the fatal mistake of confusing democracy with the British parliamentary system must be avoided at all costs. The outstanding lesson to be derived from this provocative book is that Liberalism must put its house in order if it is to survive, and that Liberals in the remaining democratic countries must awake from their complacency if they are to preserve what to them is most precious. Unfortunately, the author is least precise on how all this is to be done.

Needless to say, Señor de Madariaga does not confine himself to the internal aspects of national policy; some of his most memorable passages are those wherein he pleads for the emergence of a world patriotism and a world leadership to grapple with the "problems of world size which have no men of world size to deal with them." Pending the appearance of such Titans, the cause of peace will best be served by the triumph of individualism; the totalitarian State is the enemy of other countries as well as of its own citizens.

Shorter Notices

"Unemployment Policy, with special reference to Australia." By E. Ronald Walker. Angus Robertson, Ltd. 258 pages. 5s.

The problem of unemployment has usually been discussed from the point of view of predominantly industrial countries, and this book is particularly welcome in that it emphasises the special difficulties which have to be faced by a country whose exports consist almost entirely of agricultural and pastoral products. Dr Walker shows himself thoroughly familiar with European as well as with Australian labour questions, and discusses briefly but adequately the various types of unemployment and the remedies which have been suggested and adopted in a number of countries. His chapters on wages policy and on the shorter working week deserve special mention; they give a lucid and well-balanced analysis of a subject which is only too often treated in a partisan manner.

Dr Walker thinks that tariff policy may be more important as a means of assisting employment in Australia than in other countries, because high tariffs stimulate the import of capital, of which there was a considerable need in the years after the war owing to the large increase in the working population. Yet although he rejects the simple case for Free Trade as applied to Australia, he is no out-and-out Protectionist, and prefers to combine moderate tariffs with exchange depreciation whenever it becomes necessary to correct the balance of trade. Much of his reasoning is based on the familiar theory that employment can only be increased if investment is encouraged, and he shows that the various measures actually adopted in Australia have had this as their main object.

The last chapter contains a useful account of unemployment insurance and relief in Great Britain, Germany and Belgium, with which is compared the unemployment insurance system of Queensland, the only Australian State which has gone beyond the mere provision of emergency relief. This book is to be recommended not only to those primarily interested in Australian problems, but also as an excellent introduction to unemployment policy.

"Country Conditions." By Valentine Ackland. Lawrence and Wishart. 2s.

This book contains a description of the conditions in which agricultural labourers live in England. The picture is drawn in very sombre colours, but there is no denying the fact that rural labour has failed to obtain its fair share of the general improvement that has taken place in the standard of living in recent years. Money wages are lower than in urban occupations, and real wages even lower owing to the bad housing and the lack of social services and amenities in the countryside. This is a state of affairs which

is generally recognised and deplored, and it is regrettable that the author of this descriptive essay does not suggest any method by which it can be improved. The author admits farmers are unable to pay higher wages than they are paying. The bent of the author's mind is disclosed, however, in the appendices, from which the reader is expected to infer that the application of Communism, on the Russian model, is the sole hope of raising the standard of living of the English agricultural population.

Books Received

Metropolitan Man. By R. Sinclair. Allen and Unwin. 365 pages. 10s. 6d.

Rulers of America. By Anna Rochester. Lawrence and Wishart. 367 pages. 12s. 6d.

New Zealand from Within. By D. Gowie. Routledge. 300 pages. 10s. 6d.

L'Autarchie: la Corporation devant la Doctrine et devant les Faits. Congress of French-speaking Economists (1936). F. Lovitani (Paris). 235 pages. 40 frs.

Nationalism and Land Utilisation in Britain. By L. Dudley Stamp. American Geographical Society.

Royal Finance and Co-operation. By C. F. Strickland. Chung Hwa Book Company. 459 pages. No price stated.

The London Mercury. February, 1937. Edited by R. A. Scott-James. 1s.

Fascism—Fight it Now. Prepared by the Labour Research Department. 32 pages. 6d.

Labour and the Distressed Areas. Labour Party's Commission of Inquiry. 16 pages. 1d.

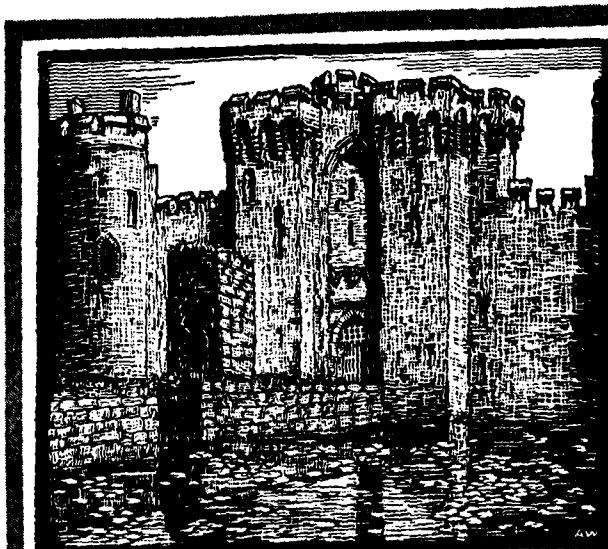
Handbook of Latin American Studies. Edited by Lewis Ranke. Harvard University Press. 250 pages. 12s. 6d.

Proceedings of the Fourth International Conference of Agricultural Economists. Oxford University Press. 523 pages. 17s. 6d.

The Position of Women in Contemporary France. By F. I. Clark. P. S. King. 253 pages. 12s. 6d.

Market Research Abroad. Published by the Institute of Export. 4s.

We or They. By Hamilton Fish Armstrong. (New York) Macmillan. 106 pages. \$1.50.



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* "Anarchy or Hierarchy." By S. de Madariaga. Allen and Unwin. 236 pages. 7s. 6d.

MONEY AND BANKING

Hire Purchase Finance

THE hire-purchase system of financing retail trade has developed at a phenomenal rate in recent years. In the United States, where progress has been more rapid than in any other country, hire-purchase paper ranks third in importance of the varieties of discounts held by Federal Reserve Member Banks. In London, the banks are concerned in the financing of the hire-purchase companies to a much smaller, though to a growing extent. There has been a strong prejudice in the City against the whole hire-purchase system, which is now being broken down. This particular form of conservatism was based very largely on the principle that the retail purchaser of consumers' goods, unlike the wholesaler or the manufacturer, should pay for his purchases before enjoying their use—that credit should be used to finance production and distribution, but not consumption. Even now, the extent to which the banks are concerned in the latter function is confined to the making of relatively short-term advances. A hire-purchase agreement running anything from six months to two years is too long a commitment for the ordinary bank—although the effective average period of the advance is shorter than its nominal term, since money is being repaid all the time. Hire-purchase business, again, appears to most banks to involve a greater risk of bad debts than they are willing to incur. The hire-purchase companies, on the other hand, contend that a number of well-spread commitments affords better ultimate security than, say, a single factory, which can readily be distrained upon but has probably little complete realisable value apart from its specific business function. Nevertheless, few bank managers are likely to welcome the prospect of realising the assets involved in a large number of hire-purchase agreements, and, in spite of the attractive profits which the system holds out, the banks have touched only its fringe. So far they have accepted only the better-class bills, and in many cases have stipulated that these should have only three months, or less, to run.

That the hire-purchase system as a whole, however, has been making headway is attested by the rapid growth of the leading firms. The oldest and largest of them, the United Dominions Trust, started in 1919 with a capital of £5,000, and earned a profit six months from its inception. The Trust now has share capital and reserves exceeding two million pounds, and the Bank of England is its largest shareholder. An example of more recent developments is afforded by the experience of the Assurance Finance Trust, which started business in 1933 and increased its turnover fourfold between 1935 and 1936. The proportion of retail sales financed by hire purchase varies with different articles, and exact statistics are not available. Independent estimates, however, have put the proportion of wireless sets sold on hire-purchase terms at 75 to 80 per cent., and that of motor cars at about 70 per cent. Among other articles, household appliances have a high percentage of hire-purchase sales.

The method of finance adopted varies with the different companies engaged in the business, but the principle is the same throughout. A distinction must be made between hire purchase and deferred payment. Under the hire-purchase system the ownership of the goods does not pass to the consumer until the last instalment is paid, and the goods can be taken back into possession at any time in the interim if the purchaser defaults. In that event, the instalments already paid may be forfeited and a further sum exacted to cover depreciation. This system is not applicable, however, to goods such as special equipment which have no alternative use, and are consequently of little second-hand value and hardly worth

distraining upon. In such instances the ownership of the goods passes at once to the consumer, and payment is arranged on deferred terms, which vary in individual cases.

We are concerned in the present article with the first and more widespread of these methods—the hire-purchase system proper. In the majority of cases the mechanism of the operation is as follows. The customer effects his purchase from a local dealer, but his agreement to pay over a period of time is made with a hire-purchase finance company, which pays cash direct to the dealer. The business then passes outside the dealer's hands. The disadvantage of this method is that it reduces the element of personal contact between retailer and customer, for the latter is left to deal with a finance company of which he may never previously have heard. This process, however, is made largely inevitable by the necessity of conforming to the provisions of the Moneylenders Act. A slightly different method, nevertheless, which is more in accordance with the realities of the transaction, has been evolved by the United Dominions Trust. In this case the actual hire-purchase agreement is made between customer and dealer, and the latter subsequently makes his own agreement with the Trust. The Trust is a registered banking firm, and can thus arrange, as the dealer's banker, to collect the instalments as they fall due.

The rates actually charged vary according to the amount of business offered and accepted. Both security and rates charged are, as in any other banking transaction, a matter of confidence between the finance company and the customer. Though detailed information is thus unavailable, it is known that in the case of small agreements the companies are content to assure themselves as to the status of the purchaser through their own investigation machinery. The necessary information can usually be obtained within twenty-four hours, and frequently within twelve. In the larger transactions the same security is expected as a banker would ask for when making an advance. In this connection the use of the trade bill has been revived, particularly by the United Dominions Trust, and in many cases a single endorsement is considered sufficient security.

The rates charged on hire-purchase business are often higher than they appear to be at first sight. The customer who pays £105 in monthly instalments over a year, instead of £100 cash, is probably under the impression that he is paying interest at the rate of 5 per cent. per annum. Actually, as the capital is reduced with each instalment, the effective average rate is about 9.5 per cent. The rates charged at present vary, in fact, between about 5 and 8 per cent; and as the companies are themselves able to borrow at about 2½ to 4½ per cent.—by way of bank advances, acceptance credits, and discounts—the gross margin of earnings is substantial. On the other hand, the work involved, even for a small transaction, is considerable. Allowance has to be made, naturally, for bad debts, but these are significantly small. They do not normally amount to as much as 1 per cent. of total transactions, and one large company has never exceeded one-tenth of 1 per cent. in any year.

It is not within the scope of this article to examine the impact of the hire-purchase system on the community. The flagrant abuses and injustices which in some instances have been alleged against the system cannot be attributed to the large and reputable firms with which we are here concerned. The touting of small articles from door to door, however, with payments exacted weekly on the tally system, has undoubtedly caused much suffering, though those who have practised it may have

kept on the right side of the law. It has been suggested that Great Britain should follow the example of Denmark, where, when the value of a sale is less than £13 10s., the vendor can only recover possession, in the event of default in payments, by crediting its value, less depreciation, to the defaulting purchaser. Defenders of the present British system admit that such a reform would prevent many injustices, but they claim that it would greatly complicate the administration of a system which renders the community a distinct service.

We have lately drawn attention to the consequences for the City of London of the virtual disappearance of the inland bill and the reduction of the number of international trade bills by trade depression, restrictions and exchange clearings. These developments have changed both the functions of the discount houses and the distribution of the banks' earning assets, which are increasingly lodged in Treasury bills and Government securities. The development of the hire-purchase system offers an opportunity both to banks and discount houses to resume some of their former functions, provided they are able to adopt a less austere attitude towards this new form of finance. In view of the considerable volume of business they transact, the present position of the hire-purchase companies is anomalous. Closer co-operation with the banks and other houses would enable them to become an integral part of the financial structure, the benefits of which should be mutual.

Financial Notes

The Difficulties of M. Blum.—Recently French State employees have been pressing for an upward adjustment of their salaries to compensate for the rising cost of living. M. Blum adopted the unorthodox means of conciliation of admitting in a broadcast speech the justice of their cause and appealing to them to be patient. He did not attempt to conceal the fact that a further charge on the State finances might at the moment prove disastrous to the already insecure public credit, and that a breathing space is badly needed. Whatever may be the success of M. Blum's appeal as regards State employees, its efficacy is doubtful as regards the wider body of workers, who are seeing their newly-won wage increases now being eaten away by rising prices. Between September and December wholesale prices rose by 23.6 per cent. and the cost of living by only 7.1 per cent., and it is only since the New Year that the rise in wholesale prices has begun to take full effect on the cost of living. A further wage increase would only aggravate the causes of the price rise, and the only solution is to prevent prices from rising further. This M. Blum hopes to do by means of his newly-acquired powers to alter by decree the Customs duties and quota systems. This is a matter of increasing urgency, as the danger of being caught in the vicious spiral of rising costs and prices is very great.

The Foreign Exchanges.—The franc has been somewhat unsteady during the past week, but there has been no consistent adverse pressure. Rumours that the French Government were either going to free gold or stabilise the franc has been the cause of passing movements in favour of the franc, but on the whole the general tone is still bearish. The guilder has been erratic, owing, it is understood, to misunderstanding in New York of the effect of the further lowering of the gold price of the Netherlands Bank to Fl. 2,009.25 per kilogram, against the London parity of Fl. 2,052.50. In practice the bank price is not effective, as there is an internal gold market in Amsterdam which quotes the higher price, although the gold embargo prevents the export of gold so bought. Heavy American selling of guilders following the news of the lowered gold price was countered by buying by the Netherlands bank, and the rate has now returned to its normal strength. Swiss francs have varied slightly,

moving in sympathy with the day-to-day fluctuations of the dollar, which have not been great. Movements in other rates have been insignificant.

The Money Market.—Money has definitely been more usable during the past week, and one or more of the clearing banks has been calling each day. This is possibly due to heavy revenue payments coupled with the weekly instalments of the French credit, which take £8 millions from the banks each Friday. Rates remain unchanged, except for outside money against bonds, for which ½ per cent. is charged.

	Jan. 28, 1937	Feb. 4, 1937	Feb. 11, 1937	Feb. 18, 1937
Bank rate	2½	2½	2½	2½
Clearing banks' deposit rate	2	2	2	2
Short loan rate:—				
Clearing banks	1½-1*	1½-1*	1½-1*	1½-1*
Others	1	1	1	1
Discount rates:—				
Treasury bills	1	1	1	1
Three months' bank bills	1½-2	1½-2	1½-2	1½-2

* Loans against Treasury bills and other approved bills and British Government securities within six months of maturity; 1 per cent. Treasury Bonds and other gilt-edged stocks within six months of maturity; and other collateral respectively.

There has been a firmer tendency in the bill market, and although rates are unchanged, there has been no price-cutting and bills are more easily obtained.

The Bank Return.—The note circulation has fallen this week by £1.7 millions, which is normal for the middle of the month. It is still at a very high level, being £56.4 millions above last year:—

	Feb. 19, 1936	Jan. 27, 1937	Feb. 3, 1937	Feb. 10, 1937	Feb. 17, 1937
	£ mill.	£ mill.	£ mill.	£ mill.	£ mill.
Issue Department:—					
Gold	200.6	313.7	313.7	313.7	313.7
Note circulation	396.9	452.3	457.3	455.0	453.3
Banking Department:—					
Reserve	64.4	61.8	56.8	59.1	60.8
Public deposits	11.1	12.1	12.2	11.7	24.4
Bankers' deposits	107.6	98.4	96.1	99.2	90.6
Other deposits	36.0	38.4	38.3	37.3	36.7
Government securities	78.7	78.6	80.4	81.2	83.1
Discounts and advances	11.7	8.0	8.5	6.5	5.5
Other securities	18.1	18.7	18.9	19.5	20.4
Proportion	41.6%	41.4%	38.7%	39.8%	40.1%

The rise of £12.7 millions in Public Deposits and the fall of £8.6 millions in Bankers' Deposits is a result of the lag between Treasury bill payments and maturities. Nearly all last week's bills were paid for on Friday as they fall due on Coronation day, and this week's maturities come late in the week, so that the balance which is struck on Wednesday shows a temporary change over between the two items.

Insurance Notes

F Sun Life Assurance Society.—The latest accounts of this highly individual society are of special interest, since they give the result of another completed quinquennium. The society was unfortunate in the date of its previous quinquennial investigation, which was made on December 31, 1931, when market values were at a very low ebb. On that occasion, indeed, the book values of the investments were in excess of market values by a sum equal to 5 per cent. of the total assets of £38 millions. The method adopted of meeting this temporary situation was to declare one year's bonus in respect of 1927, the first year of the quinquennium. At the end of 1932 market values had risen substantially and were once more in excess of book values. A fresh investigation was made, and bonuses were declared in respect of the four years 1928-31 inclusive. In the

following comparative table the results of the two investigations have been suitably combined:—

	1927-31	1932-36
Trading profit	£5,253,415	£3,282,668
Carry forward	297,306	2,319,822
	5,550,721	5,602,490
To Policyholders	2,716,070	3,251,747
„ Shareholders	305,723	378,080
„ Staff pension fund	209,106	339,102
„ Carry forward	2,319,822	1,633,561
	5,550,721	5,602,490

Under the special contribution method adopted, bonuses vary according to the age at entry and the number of years a policy has been in force. The rates of bonus on this occasion are practically the same as in respect of the previous quinquennium, except that for very long durations some small reduction appears to have been made. The published scale varies from about 35s. per cent. per annum in the case of a policy effected at age 30 and five years in force to about 45s. per cent. per annum for age 50 at entry and 30 years in force, these rates being calculated on the sum assured only. As on the previous occasion, the rate of interest used in valuing participating contracts “ exclusive of bonus additions ” and annuities is 3 per cent.; for bonus additions and non-participating policies the rate of interest is reduced from 4 per cent. to 3½ per cent., so that some considerable, but unspecified, amount has been applied to strengthen reserves. The mortality bases for assurances and annuities are unaltered.

* * *

New sums assured in 1936 amount to £20,720,000 compared with £17,423,000 in 1935, and the net rate of interest on the combined assurance and annuity fund at £4 3s. 1d. per cent. fell by only 8d. per cent. For some years prior to the beginning of the late quinquennium the society issued a great volume of tax-saving single premium types of policies, under which almost the whole of the single premium was advanced by the society. Such policies have been rapidly going off the books by surrender and maturity. The movement in these two items should in future be normal, but last year the maturities fell further from £3,003,000 to £1,436,000, surrenders from £403,000 to £354,000 and policy loans from £2,942,000 to £2,726,000. At the end of 1929 policy loans amounted to fully £18 millions. During the year there was evidence of considerable movement in investments. Mortgages in the United Kingdom increased from £3,152,000 to £3,959,000, probably as a result, largely, of the society's house-purchase scheme, while loans on “ parochial and other public rates ” also showed a large increase from £2,374,000 to £3,326,000. On the other hand, British Government securities, which form 40 per cent. of the total assets, fell from £10,580,000 to £10,039,000, but foreign and colonial securities showed little change. Debenture holdings were somewhat greater; preference stocks increased from £313,000 to £472,000, and ordinary stocks from the relatively insignificant figure of £49,000 to £756,000.

* * *

Scottish Life Assurance Company, Limited.—

New sums assured by this office last year easily surpassed the preceding year's record figure, being £2,389,000 (net of reassurances), against £2,153,000. This achievement reflects credit on the agency forces. Not only was 1936 the first year of a new quinquennial period, when some falling off in production was to be expected, but the rate of bonus was reduced for the quinquennium ended December 31, 1935, from 48s. per cent. per annum, calculated on the sum assured, to the moderate rate of 42s. per cent. per annum. Life premiums increased from £591,000 to £625,000, and net interest from £324,000 to £336,000. Death claims were £232,000, compared with the low figure of £166,000 in 1936, but the mortality experience is stated to be favourable. The net rate of interest earned on the assurance and annuity funds at £4 4s. 2d. per cent. showed a fall of only 2d. per cent.

Loans of all kinds increased from £1,103,000 to £1,284,000, but holdings in British Government securities fell by £195,000 to £1,323,000. There was also some reduction in foreign Government and municipal securities. On the other hand, debenture, preference and ordinary stocks increased by £44,000, £224,000 and £175,000 respectively to £2,138,000, £1,661,000 and £921,000.

* * *

National Mutual Life Assurance.—The following table shows the results brought out at the last two biennial accounts of this well-known society:—

	1933-34	1935-36
Trading Surplus.....	£308,430	£321,470
Investment Profit	896,314	513,646
Brought forward.....	254,253	278,947
	£1,458,997	£1,114,063
Bonuses to Policyholders	301,342	330,334
Valuation expenses and Staff Profit-sharing Scheme	5,598	3,500
Strengthening of Valuation Basis.....	123,110	293,900
Reserve Fund	600,000	150,000
Investment Reserve Fund	150,000	13,729
Staff Pension Reserve	278,947	322,600
Carried forward	£1,458,997	£1,114,063

For the past biennium the rates of bonus declared are the same as on the previous occasion, being 52s. 6d. per cent. per annum for whole-life and 45s. per cent. per annum for endowment assurances—both calculated not only on the sum assured but also on the existing bonus. These rates are, of course, extremely high; they are, indeed, unequalled. Some 10s. of the 52s. 6d. bonus and 7s. 6d. of the 45s. bonus are declared to be in the nature of a special distribution. The same distinction was made at the previous declaration. The “ normal ” rates of 42s. 6d. per cent. per annum and 37s. 6d. per cent. per annum are well within current earnings, and are in themselves satisfactory rates. This dual distribution may be in a sense a temporary expedient until such time as the outlook is clarified in regard to rates of interest. In the meantime the society has felt it to be equitable on account of the “ very favourable trading experience ” during each of the past two bienniums, and “ in view of the society's strong financial position,” to distribute trading profits up to the hilt.

* * *

The exact financial position can be much better gauged than is the case with other insurance companies, since Stock Exchange securities appear at their market values on the date of closing the accounts. The position is readily seen to be one of great strength. The assurance contracts are again valued by the “ bonus reserve ” method, assuming future bonus at 30 per cent. per annum, but rate of interest used is reduced from 3½ per cent. to 3¼ per cent., while the annuity contracts are valued at 3 per cent. against 3¼ per cent. in 1934. In addition, the portion of the premium income reserved for future expenses is increased. From published statements by the society it may, we think, be fairly deduced that the present basis of valuation is as stringent as a net premium basis of O^m 2½ per cent. In addition to the actuarial reserves, amounting to £6,285,000, there is a reserve fund of £750,000, an investment reserve fund of £150,000 and a carry-forward of £323,000, making a total of £1,200,000. Turning to the affairs of 1936, new life assurance business increased from £810,000 to £903,000, but new sinking fund assurances fell from £157,000 to £108,000. The net rate of interest on the assurance fund, excluding reversions, was unaltered at £4 6s. 1d. per cent. Loans increased from £711,000 to £810,000, but British Government securities, which in 1934 were £1,519,000, and fell in the following year to £1,236,000, show a further reduction to £1,000,000. Debenture and preference stocks were shown somewhat greater, while ordinary stocks, which form 20 per cent. of the total assets, increased from £1,227,000 to £1,595,000.

THE STOCK EXCHANGE

Prospect for Home Rails

THE publication of the full reports for 1936 of three of the four main-line railways of Great Britain enables the investor to take stock of his position after the most progressive year the railways have experienced since recovery began. The report of the London and North-Eastern is not yet available, but it is unlikely seriously to modify the conclusions suggested by the figures of the London Midland and Scottish, the Great Western and the Southern companies.

The results, as a whole, have satisfied the reasonable expectations of the market. During 1936, *The Economist* index of business activity rose by 6 per cent. The three railways secured an increase in gross receipts of slightly over 4 per cent., an experience more favourable than in the earlier years of industrial recovery. The L.M.S. again leads the field with an increase of 4.7 per cent. in gross receipts, while the Great Western shows a rise of 3.3 per cent., and the Southern of 3.2 per cent. The L.M.S., as the largest industrial line, appropriately discloses the largest increase in goods traffics, its increase of no less than 5.4 per cent. comparing with a little over 3 per cent. for the two others, despite its inability to secure a significantly increased receipt per ton.

The past year was the first of a new rating quinquennium; and as it also witnessed the final settlement of a protracted legal struggle over the basis of railway rating, the expense figures have a finality which did not appertain, in all cases, to those of the previous year. In 1935, the Southern alone was able to arrive at a firm rating figure. The L.M.S. made a provisional allowance, which proved very near the mark, but the Great Western made no provision for any possible overpayment. This year all the figures are on an actual and uniform basis; and as special interest now attaches to working costs some principal heads of expenditure are given in the second section of the accompanying table.

Let us examine each company's expense accounts in turn. The directors of the L.M.S. state that salaries and wages required approximately £1,000,000 more during 1936, owing partly to increased employment and partly to the 1¼ per cent. wage restoration last August. Fuel costs rose by £279,000 (6.5 per cent.), against an increase of 3.7 per cent. in engine miles. The management has achieved this increased mileage with 2½ per cent. fewer engines. The recent engine reorganisation has reduced the total number from 8,000 to 7,691 in two years, and 140 more are due for relegation. This is a testimony to efficient working whose importance can hardly be minimised. Of an increase in railway expenditure of £1,690,000—part of a rise in total expenditure of £2,115,000—maintenance charges account for £539,000, locomotive expenses for £625,000 (due almost entirely to coal and wages increases) and traffic expenses for £506,000. The L.M.S., in fact, has preserved 41 per cent. of its gross railway increase net. A moderate improvement in net receipts from ancillaries has been wholly offset by diminishing receipts from general interest—a factor common to all the companies, owing to their reduced floating assets.

The Great Western results, whose excellence took the market by surprise, are explicable by two factors. Total maintenance for permanent way and rolling stock was actually £27,000 lower than for 1935, and the company made no allowance for the rating refund in 1935. But the increase in operating expenses was comparatively moderate—fuel, for example, cost only £56,000 (3.5 per cent.), against a comparable increase in engine miles—and the Great Western was thus able to preserve as much as 94½ per cent. of the increase in railway gross receipts as net. Allowing for the reduction in rates, however, the percentage retained net is reduced to 48.

GROSS RECEIPTS, EXPENDITURE AND NET REVENUES

	L.M.S.		G.W.R.		Southern	
	1936	Change compared 1935	1936	Change compared 1935	1936	Change compared 1935
<i>Gross Receipts</i>	£'000	£'000	£'000	£'000	£'000	£'000
Passengers	25,963.2	+ 820.8	11,062.3	+ 352.6	16,090.0	+ 463.6
Merchandise, etc.	25,070.3	+ 1,480.6	10,080.4	+ 566.2	3,294.5	+ 106.0
Coal, etc.	12,779.8	+ 451.9	5,340.8	+ 60.8	1,624.8	+ 30.5
Total Railway operations	64,462.8	+ 2,804.6	26,729.4	+ 991.1	21,256.4	+ 608.7
Ancillaries	8,255.9	+ 458.9	4,033.6	+ 16.7	3,011.7	+ 142.4
<i>Total Gross Receipts</i>	72,718.7	+ 3,263.5	30,763.0	+ 974.4	24,268.1	+ 751.1
<i>Expenses</i>						
Rates	291.6	— 52.1	228.7	— 110.5	124.0	— 5.1
Railway freights	795.3	— 50.8	639.8	— 345.5	365.7	— 31.3
Wages (Rly. only)	23,292.7	+ 796.5	9,576.0	+ 197.8	6,420.4	+ 136.0
All other expenses	34,779.5	+ 1,421.9	14,395.3	+ 280.4	12,084.6	+ 418.7
<i>Total Expenditure</i>	59,159.1	+ 2,115.5	24,839.8	+ 22.2	18,994.7	+ 518.2
<i>Net Revenue</i>	14,048.2	+ 1,020.7	6,314.8	+ 864.2	6,226.2	+ 153.9
<i>Appropriation</i>						
Interest on loans & debentures	4,439.2	...	1,649.8	...	1,943.2	...
Rent charge, guaranteed & preference stock dividends	8,474.4	...	3,344.7	...	2,751.3	...
<i>Earnings for equity stocks</i>	1,131.6	+ 1,020.6	1,320.3	+ 801.7†	1,531.7	+ 153.9
Dividends paid	1,190.0	+ 1,190.0	1,287.9	...	1,536.8	+ 157.5
<i>Earnings (%)</i>	1.2	+ 1.1	3.08	+ 2.02	6.48	+ 0.48
Paid (%)	1½	+ 1½	3	+ 3	5	+ 5
Carried forward	79.1	— 55.4	76.8	+ 32.4	220.8	— 5.1

† In 1935 Appropriation Account, £122,990 was credited from profit on investments realised and £710,000 from Contingency Fund. ‡ Excluding superintendence.

Compared with these somewhat exceptional results, the Southern figures present a more normal appearance. Maintenance charges have been increased by £118,000, and running expenses by £256,000. Consequently, some 69 per cent. of the company's gross increase was absorbed by increased expenditure—though some part of the maintenance charged may be attributed to the cost of the electrification programme. The charge for electric current increased, incidentally, by 18 per cent., although the electric motor vehicle mileage rose by only 7½ per cent. last year.

Disregarding the abnormal features in the accounts, we may conclude that the L.M.S. have fared relatively best, after spending substantially increased sums on rolling stock and works repairs during the past year—apart from major renewals, which are accounted for on a “ provision ” basis, which does not change greatly from one year to another. This company has transferred £3,180,000 for rating relief for 1931-34 to railway renewal funds to replace the heavy drafts made in recent years. The Great Western, with equal propriety, has placed the whole sum (£1,737,800) recoverable up to 1935 to contingency reserve, whence nearly £4½ millions have been drawn during the 1931-35 quinquennium to maintain the 3 per cent. ordinary dividend. Finally, Southern has credited £1,200,000 direct to general reserve (£500,000) and revenue work suspense (£700,000) after taking the 1935-36 overpayments into revenue. Meanwhile, the L.M.S. and Great Western benefit from the reduction in the agreed rating assessment for the current quinquennium—the Southern alone pays more—and all should enjoy eventually some surplus of earnings from the projects which are now being financed by the

Railway Finance Corporation, at a net cost to the companies of about 2½ per cent. per annum.

What of the debit side of the account? Any prospective increase in expenses would fall primarily upon the holders of the "marginal" stocks. A 5 per cent. increase in L.M.S. fuel costs would be equal to ½ per cent. on the ordinary stock. Last year, Southern used 32,526 tons of rails in maintaining its permanent way; an advance of, say, £2 10s. per ton for rails would be equivalent to ½ per cent. on the deferred. Great Western, which showed remarkable facility in avoiding increased running costs last year, may be more vulnerable as existing contracts expire. It was intimated at the recent wage hearings that the 1935 quantities of coal and stores now cost £2,000,000 more for the four group lines.

All railway stockholders should carefully consider the probability of a rise in costs, during 1937, under another heading—that of wages. A restoration of the remaining 1½ per cent. wage cut, indeed, looms close on the horizon. It is an open question, however, whether the unions will be content with this objective. The increase in the companies' wages bill to the beginning of December has been put at £2,400,000. If the amount due to the restoration of the 1½ per cent. cut last August is assessed at £550,000 for 1936, it is reasonable to suppose that a similar restoration during the second half of 1937 would cost something more. Apart from increasing employment, therefore, the railway stockholder may have to consider an additional wage burden this year, compared with last, of well over £1,000,000.

This, indeed, is a lean prospect for the stockholder, even if a further increase in traffic of last year's order can be envisaged. And the market, in its present cautious mood, seems to be adopting the correct strategy. So far as an industrial equity can be found in the home rail market, L.M.S. ordinary alone appears to fill the bill. Southern, in the midst of a remunerative electrification programme, offers a valuable recovery medium in the deferred stock, for the investor who is prepared to wait for the long-term fruits of electrification. Great Western ordinary, on the other hand, is best regarded as a 3 per cent. fixed-interest stock, during recovery and depression alike. The L.N.E.R. position is enigmatical; no investor can assess the net revenue significance of a 3 per cent. increase in traffic owing to this company's variable renewals provision policy. These conditions are reflected in the current valuation of marginal and prior charge stock, which is shown in the following table:—

HOME RAIL SECURITIES

	Prices				Prices		
	Range, 1936	Feb. 17, 1937	Yield (%)		Range, 1936	Feb. 17, 1937	Yield (%)
L.M.S.				G.W.R.			
4% deb.	111½-108½	108½	4.0	4% deb.	119½-110½	107	3.8
4% pref.	92½-81	83½	4.8	5% rent charge	136½-130½	125½	4.0
4% pref. (1923)	83½-52½	75½	5.3	5% pref.	126½-116½	117½	4.3
Ord.	34½-17	29½	4.3	Ord.	65½-45½	59½	5.1
L.N.E.R.				Southern			
3% deb.	85½-79	75	4.0	4% deb.	117-109½	105	3.8
4% 1st. guar.	104½-98½	94½	4.2	5% guar.	136-129½	123½	4.0
4% 2nd pref.	79½-51½	73	5.3	5% pref.	126-118½	113½	4.4
5% pref. ord.	14-9	10	...	5% pref. ord.	98½-82½	93½	5.3
Deferred	7½-4½	5½	...	Deferred	27½-20½	22½	2.2

When gilt-edged stocks are falling a point each day, interest rates have serious relevance for holders of home railway prior charges. Since last year's high levels were reached and passed, first debenture stocks have fallen by 10 to 12 points. Even the marginal stocks of yesteryear have lost several points, despite their improved cover this year. Great Western ordinary, similarly, has reverted to a 5 per cent. yield basis, while of the "true equities," only L.M.S. ordinary is within close reach of last year's high. If the drag of rising interest rates upon the prior charges continues, caution may be the investor's best watchword in the home railway market. Only L.M.S. ordinary and—in the long-term—Southern deferred, carry a real equity—and the value of that equity depends on the result of the forthcoming race between rising traffic and rising costs.

Investment Notes

Hard Times for Gilt-Edged.—The fall in the values of fixed-interest securities is proceeding with a rapidity greater than was forecast even by the most pessimistic prophets. No striking recovery occurred after the market had taken the first impact, last week, of the announcement of the Government's borrowing programme. The fall in prices was renewed after the publication of this week's White Paper, for the psychological effect of £1,500 millions to be spent is even more powerful than that of £400 millions to be borrowed. Selling has come, as before, from holders large and small, not excluding some institutional holders. The market has read significance into the fact that the downward movement of values in January was accomplished despite the purchase of £9½ millions of investments by the clearing banks. The pace is doubtless much too fast, and when the sentimental signpost of a clean 3½ per cent. on War Loan is reached (the present price includes about ½ per cent. accrued interest) the retreat may be stayed. But, meanwhile, the market, having jumped the rubicon between a mere fluctuation in gilt-edged prices and a rise in interest rates, has this week been marking down railway and industrial prior charges, and even stable-dividend ordinary shares.

* * *

Although the fall in Government security values has been substantial since the beginning of this year, it is not generally realised that it has accounted, in fact, for only about one-third to one-half of the total ground lost since quotations passed their peak in January, 1935. The following table summarises the story of the recession:—

"UNDATED STOCKS"—REDEEMABLE AT GOVERNMENT'S OPTION ONLY

Stock	Highest Price, 1935	Price, beginning of Jan., 1937	Price, Feb. 17, 1937	Fall from Highest	Fall This Year	Present Yield (%)
2½% Consols	94½	84½	79½	14½	5½	3 3 0
3½% War Loan (after Dec. '52)	110½	105½	102	8½	3½	3 7 3
4% Consols (after Feb. '57) ..	118½	112½	109	9½	3½	3 8 0
3½% Conversion (after Apr. '61)	112½	106½	102½	10½	3½	3 8 0
3% Local Loans	98½	96½	91½	6½	5½	3 5 9

"DATED STOCKS": (A) QUOTED ABOVE PAR

Stock	No. of Years to Latest Maturity	Highest Price, 1935	Price, beginning of Jan., 1937	Price, Feb. 17, 1937	Fall from Highest	Fall This Year	Present Yield to Redemption (%)
4% Funding	23	121½	116½	112	9½	4½	3 6 3
3% Conversion	11	107½	103½	100½	7½	3½	3 1 6
5% Conversion	7	124½	117½	115	9½	2½	2 16 0
4½% Conversion	3	114½	107½	107	7½	2½	2 5 0
Victory Bonds	Dr'w'gs	119½	114½	110½	9	4½	3 13 6

"DATED STOCKS": (B) QUOTED BELOW PAR

Stock	No. of Years to Latest Maturity	Highest Price, 1935	Price, beginning of Jan., 1937	Price, Feb. 17, 1937	Fall from Highest	Fall This Year	Present Yield to Redemption (%)
3% Funding	32	106	101½	97½	8½	3½	3 3 6
2½% Funding	24	92½	89½	87½	3½	3	3 7 0
2½% Conversion	12	101½	98½	96½	3½	2½	2 14 0

It is clear that while 2½ per cent. Consols have suffered most, and short-dated redeemable stocks least, mere redeemability has afforded holders no protection. The process of marking down quotations by fractions, or by points, each day, appears moreover to have resulted in a number of anomalies which, presumably, will be rectified in due course. Meanwhile, Achilles sulks in his tent, and there has so far been no evidence of that "discreet handling of the market" which, one observer has suggested, is sufficient to enable the Treasury to make the long-term rate of interest what it chooses.

Other Losses and Gains.—In the other sections of the market, movements have responded with 100 per cent. accuracy to the form book. Industrial debentures and preference shares have become a very difficult market, and jobbers have incurred no little comment on their tactics. Yet it is difficult to find an alternative to their policy. When the market itself gives no signal that the downward course of prices has been stayed, no jobber can be wholly blamed for strictly matching his business, although his profits on the bull tack have long been unexampled. But his task of "taking a view" has been the more difficult owing to the failure of stable industrialists to find their grounding level. Every section, indeed, now takes its cue from gilt-edged, and this explains the complete absence of bids for such stocks as Gas Light and Coke 3 per cent. debentures, which were called 80 sellers only on Wednesday, compared with a "high" of 93½ last year. Industrial preferences, as the next table shows, have also been friendless—most friendless, indeed, where their security is ample and interest factors have enjoyed full sway:—

	Price Ranges		Dec. 31, 1936	Feb. 10, 1937	Feb. 17, 1937	Yield (%)
	1935	1936				
Industrial Debs.						£ s. d.
Ass. Portland Cement	116-112	116-111	113½	113½	113½	3 15 0
4½% 1st. deb.	94½-84	93½-83½	84½	84½	84½	3 13 7
Gas Lt. & Coke 3% ..	...	104½-102½	103½	103	101	3 9 4
Marks & S. 3½% ..	104-96½	104½-99½	100	97	96	3 13 0
Watney Combe R. 3½% ..	...	...	...	...	...	...
Industrial Pref.						
Courtaulds 5% ..	26/10½-24/3	27/-24/6	26/3½	25/-	24/4½	4 2 0
Ind. Coops. & A. 6½% ..	34/-29/0	33/3-30/6	32/6	29/6	29/6	4 8 0
N. Metro. El. 6% ..	33/-30/6	33/-31/3	32/-	31/6	31/6	3 16 10
Unilever 7% ..	31/9-26/9	33/4½-29/3	32/-	30/9	30/9	4 11 0
"Stable" Industrials						
Boots Pure Drug ...	51/6-45/10½	60/6-49/6	60/-	58/-	55/-	2 11 0
Brit. Am. Tobacco	6½-5½	6½-5½	6½	6½	6½	3 2 0½
Distillers	99½-85½	126/3-95/6	124/-	117/-	113/6	3 10 0
Imperial Chemical	38/7½-33/-	44/3-36/7½	42/-	40/6	40/6	3 19 0
Arms Equities						
John Brown	20/9-4/-	40/9-18/7½	35/6	39/-	40/-	2 10 0½
Hadfields	19/10½-8/3	37/4½-18/-	33/1½	37/6	40/7½	1 18 0
Projectile & Eng'g	35/9-11/9	46/10½-31/3	33/9	33/9	36/3	3 9 0
Vickers	21/7½-8/9	39/7½-20/-	34/6	35/-	37/-	2 3 0

† Free of income tax.

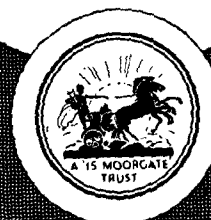
Apart from special fears of increased taxation, which may have contributed to the fall in brewery and tobacco shares, a considerable number of industrials which are not ordinarily regarded as stable dividend payers—including, for example, such well-favoured issues as British Oxygen, and Turner and Newall—have shown a considerable decline this week. Turner and Newall, after reaching a "high" of 112s. 6d. this year, have fallen as much as 10s., and the fall in Woolworth, from 96s. 3d. to 76s. 3d., is even more disturbing.

* * *

The real running, inevitably, has been made by arms shares. The table above shows four typical movements. Shares such as Vickers, Cammell Laird, and Hadfields have an obvious interest in the accelerated naval programme. Carrier Engineering and some of the other engineering equities which were issued early last year are again moving upward. The market, however, entertain no exalted notions regarding the aircraft group. The best shares on the Air Ministry's contract list have advanced further, but fortunately no ill-informed support for the speculative counters has been evident. Finally, the news that the Government contemplates a commodity stock programme, together with the inflationary character of its financial proposals, has produced a resounding bull point for commodities and commodity shares. Judged upon this week's movements, the market appears to be at the parting of the ways between "honest business shares" (as Mr Arthur Chamberlain would doubtless describe them) which are likely to be affected either industrially or fiscally by the programme, and shares which offer a direct or indirect re-armament equity. Investors with powers of discrimination must prepare to use them now.

FOR SECURITY: STABILITY: STRENGTH:

SECURITY FIRST TRUST



£5. 3s. 6d. PER CENT.

at the current price of sub-units is the return from cash dividends only which investors in Security First Trust have received for the year ended Feb. 1st, 1937. This yield does not include an additional return of 10/- per cent. which was derived from the sale of rights, etc. The income distributed was derived from 23 first-class companies, representing some of the strongest and soundest elements in British industry, over the shares or stock of which the funds of the Trust are spread.

LLOYDS BANK LIMITED
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Security First Trust is one of the eight unit trusts managed by Fifteen Moorgate Unit Trusts Ltd. In the trusts of this Group, which is associated with Dawney Day & Co., Ltd., Merchant Bankers, the public has invested over £10,000,000.

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15 Moorgate, London, E.C.2
Branch Office: 7 Pall Mall, Manchester, 2
Members of the Unit Trusts Association.

"Hot Money" in Wall Street.—On Monday of this week the President discussed with his special committee some possible measures to prevent the influx of foreign capital to America. The administration shows growing concern over the large amount of American securities held by foreigners, presumably because large selling might jeopardise the market. At the end of 1935 the Treasury estimated the total foreign investment in America at \$5,035 millions, of which \$2,951 millions were represented by stocks and bonds. Great Britain was calculated to own over 27 per cent. of the total. Treasury reports show a net capital influx into the U.S.A. during the first nine months of 1936 of \$870 millions, of which \$464 millions represented security purchases. The British share of the latter was \$124 millions. The size of these interests—and the large British and Canadian proportions—are a nightmare for those who fear that the foreigner might sell out overnight; but they also suggest that if America adopts the proposed "cash-and-carry" principle of neutrality, the foreigner might still be able to influence the direction of the American economy to a large degree in the event of war. But although the Administration is concerned over these matters, it is difficult to find a solution. The presence of the taxation expert of the Treasury at the conference, and the insistence of Governor Eccles that definite action would follow, have suggested the possible use of taxation as the desired corrective. The President might choose heavier taxation on dividends paid to foreigners; or apply heavy taxation on security transfers to foreigners, or on foreigners' capital gains. Each measure has its own difficulties, and to European eyes it seems that the United States is too sensitive to a possible outward flow of capital. But no objection really overrules the possibility that the administration may, in fact, apply some measure intended to reduce the attraction of Wall Street as a haven for foreign capital. But, balancing Mr Eccles' statement that "something will be done" with Mr Morgenthau's declaration that the matter is still in the "study stage," the British holder of Americans need not fear action—yet.



TO INVEST MONEY

through ordinary channels advantageously is to-day extremely difficult. The interest yield is either too small on first-class securities or too high to be safe on others. But here is an investment which combines safety with an attractive interest yield.

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Ashburners

Industrial Profits in January.—The rate of advance in industrial profits was almost unchanged in January at 15.92 per cent. The relative stability of the percentage rate of advances over the last eight months suggests that no decisive changes in earning power are in progress. The recent figures appear below:—

Reports published in	No. of Companies	Rise in Profits*	Reports published in	No. of Companies	Rise in Profits*
1935—			1936—		
September	77	9.28	May	269	9.41
October	166	29.19	June	214	13.50
November	160	17.47	July	228	15.69
December	159	12.27	August	47	14.21
1936—			September	107	12.32
January	128	13.66	October	146	18.09
February	205	9.00	November	177	13.49
March	236	17.39	December	175	15.49
April	254	9.66	1937—		
			January	110	15.92

* After payment of debenture interest.

The total net profits covered by the January reports amounted to £13,222,882, compared with £11,407,108 for the preceding year. Of the total increase of £1,815,774, shops and stores contributed nearly one-quarter, thanks to the Woolworth's results, and tobacco companies brought a large share of the total. Some sixteen rubber companies show an increase of no less than 156 per cent. Apart from the South Metropolitan Gas setback, no group shows a significant reverse.

Company Notes

Courtaulds Profits.—Pre-dividend selling of Courtaulds shares suggested that, for once, the market was disposed to adopt Mr Samuel Courtauld's invariable caution towards the affairs of his company. In fact, the 1936 profits statement, which was issued on Wednesday afternoon, contained a mild surprise for, following a change in the dividend basis from tax free to less tax, a slight increase has been effected in the 1936 payment. After reworking the 1935 payment to a less tax basis, it is equivalent to 9.68 per cent., compared with 10.28 per cent. to be paid for 1936. The net profits are 8½ per cent. higher at £2,391,458, compared with an increase of 17 per cent. in rayon output for this country last year. Except that the amounts charged for income tax and excise duty are not shown, the following table, based on the preliminary statement, gives the full comparison of profits during the past three years:—

	Years to December 31,		
	1934	1935	1936
Net profits	2,217,790	2,203,064	2,391,458
Pensions fund	...	70,000	100,000
Preference dividend...	400,000	400,000	400,000
Ordinary shares:			
Earned	1,817,790	1,733,064	1,891,458
Paid	1,800,000	1,800,000	1,881,000
Earned %	7.8†	7.2†	10.33‡
Paid %	7½	7½†	10.28‡
Carried forward	269,228	202,292	212,749
	† Tax free.	‡ Less tax.	

At the present price of 53s. 7½d., the £1 shares yield £3 18s. 9d. per cent. There are arguments in favour of the shares, even on this yield basis, provided that the investor is prepared to wait. Several recent large-scale extensions to the Courtaulds plants—such as the Preston rayon factory, the North Wales staple fibre works and the Bridgewater cellophane factory—have as yet to achieve their full earning capacity. Nor has the long-term price policy of the company been fully developed, and meanwhile raw materials costs are rising. In America the Viscose interests, after making a slow recovery, should produce better earnings during the current year. Finally, the company has an arms equity which, in the last resort, would provide a significant rearmament hedge, though its importance need not be stressed at present. Patience, in the case of this first-class share, should pay well.

Imperial Tobacco Pointers.—The fall in Imperial Tobacco ordinary stock this week coincided with Lord Dulverton's speech at Tuesday's meeting. The market was inclined to seize upon some suggestions in the speech which were none the less significant for being cautiously framed. The chairman pointed out that leaf tobacco costs are now steadily rising, and though short period fluctuations can be evened out by the company's stock policy, a long-term increase must affect profits, unless the tendency is offset by higher consumption. The directors, however, feel that consumption would be vulnerable to attack by the Chancellor of the Exchequer, and the chairman was at pains to emphasise that the present load of duty was as much as the trade could bear, although there had been no previous impression in the market that tobacco might be called upon to bear more. The very suggestion, in the present mood, suggested doubt rather than reassurance to the market, which has already been disappointed in its capital bonus expectations. The retreat of the ordinary stock this week from 8½ to 7½ marks the conviction that Imperial Tobacco carries too few guns to resist rising interest rates, despite its inherent excellence.

★ ★ ★

Coal Company Results.—The first colliery reports and dividend announcements show that the coal industry is climbing fairly rapidly out of its depression. The sales schemes have no doubt played some part, but they can hardly have yielded their full benefits yet, since they were introduced as recently as August last. The final position of the industry under the much discussed but still prospective legislation for the unification of royalties and internal re-organisation has still to be decided and enforced. Meanwhile, recovery has not waited for the Government's decision, although it has been brought sensibly nearer by the rise in coal prices a year ago. Indeed, four recent colliery results show that dividends have been raised by significantly large amounts, and the reports show even greater improvement in some cases. The *Bolsover Colliery* dividend is raised from 9 per cent. to 11 per cent. Despite higher wages, trading profits, at £587,588, are one-fifth higher, and even after an increased charge for taxation (£135,000 against £95,000), the ordinary shares have earned 19.3 per cent. against 14.3 per cent. *Shireoaks Colliery* shows the remarkable increase of 74 per cent. in profits at £51,320, although the 1935 earnings were much below those for 1934. The 1935 earnings were much below those for 1934. The 3 per cent. dividend compares with 1½ per cent., and is well covered by earnings of 4½ per cent. Higher wages required an additional £24,956—equivalent to nearly 5 per cent. on the ordinary capital. Other impressive dividend increases have been reported by *Blackwell Colliery*, which pays 8½ per cent. compared with 6 per cent., and *New Hucknall Colliery*, which pays 8 per cent. against 7 per cent. The Mines Department survey showed a profit for the whole of Great Britain during the September quarter of 4.88d. per ton compared with 1.75d. for the September quarter in 1935. Two districts including Derbyshire and Nottinghamshire (the counties in which the collieries mentioned are situated) each earned more per ton than the country as a whole, owing to lower costs. The outlook for the Midlands coal companies continues, therefore, to be promising, and investors have been giving the shares further attention during this week.

★ ★ ★

Cotton Textile Shares.—The fall in cotton shares this week may have been partly due to the general market uncertainty, but there can be no doubt that, for technical reasons alone, some correction of the recent rise was overdue. For some weeks past, London's speculative reasons for buying have been seriously questioned by the trade. There is no reason to deny what the trade admits—that some appreciable progress is being made in Lancashire—but the suggestion that the cotton industry offers a recovery medium comparable to the steel

Short Particulars.

BRADLOW'S STORES LIMITED.

Authorised.	SHARE CAPITAL.	Agreed to be Issued.
£100,000 in 6 per cent. Cumulative Preference Shares of £1 each	£100,000	£100,000
£165,000 in 825,000 Ordinary Shares of 4s. each	£165,000	£165,000
£265,000		£265,000

The Subscription List will open and close on Tuesday, the 23rd February, 1937, for an

ISSUE AT PAR OF
**90,000 6 PER CENT. CUMULATIVE PREFERENCE
SHARES OF £1 EACH**
and
415,000 ORDINARY SHARES OF 4s. EACH.

The Prospectus will show inter alia that:

- The Company has been formed to acquire the businesses of two Companies comprising one of the largest and best known undertakings of retail furniture dealers in the Union of South Africa with important premises in Johannesburg, Pretoria and Bloemfontein, and branches at Kroonstad and Brandfort, Orange Free State.
- The Company is also acquiring the whole of the share capital of a Company owning an important freehold block of business premises in Bloemfontein, part of which is occupied by the undertaking, the remainder being leased to two substantial tenants.
- The total net assets of the Company, exclusive of Goodwill, will be sufficient to cover the nominal amount of the Preference Shares more than 2½ times.
- The combined profits of the businesses being acquired by the Company before providing for interest on Mortgages and Loans which are being repaid and on other Loans which are not being assumed by the Company and before providing for Directors' remuneration but after deducting South African taxation, were:—

1933	...	...	£15,116
1934	...	...	£21,425
1935	...	...	£24,451
1936	...	...	£30,189

(The 1936 figure included only 10 months' profits of one of the businesses being acquired.)

- On the basis of the above figures the average profit for the last three years is sufficient after payment of Directors' remuneration and London Office expenses to cover the Preference dividend nearly 3½ times and to leave a balance (subject to any allocations to reserves) equivalent to approximately 9 per cent. on the Ordinary Shares. On the same basis the aggregate profits for the last year were sufficient to cover the Preference dividend nearly 4½ times and to leave a balance (subject to any allocations to reserves) equivalent to approximately 12½ per cent. on the Ordinary Shares.
- Continuity of management is assured by the fact that the founder of the business and members of his family who have been associated with him for many years in building up the undertakings of the vendor companies, have entered into agreements to act as Managing Director and Assistant Managing Directors respectively for a period of five years.

Copies of the full Prospectus, on the terms of which alone applications will be considered, and forms of application can now be obtained from:—

THE BANKERS:
WESTMINSTER BANK LIMITED, New Issue Department, 9, Old Broad Street, London, E.C.2, and Branches;
THE BROKERS:
IAN ANDERSON & NAIRN, 1, Throgmorton Street, London, E.C.2, and Stock Exchange;
and from
INVESTMENT REGISTRY LIMITED, 6, Grafton Street, London, W.1.

industry three or four years ago is patently exaggerated. An article appearing in *The Economist* of December 19th last, which reviewed the prospects for the industry, appears to have given rise to some comments in the trade. In that article our estimates of the Lancashire Cotton Corporation's present capacity were based on information contained in the Corporation's public prospectus of 1931. Each step in arriving at a final figure of 250 million lbs. of yarn for the current output of the Corporation was derived from official information. It would however appear, in the light of more recent knowledge, that a fairer figure to adopt as the basis of the Corporation's earning power might be in the region of 180 million lbs. of yarn per annum. This compels a revision of the prospective earnings estimates given in our article. Assuming an increase of $\frac{1}{4}$ d. in the margin, this scale of production would represent an increase of £187,000 in profits. If we further assume that earnings have recently covered some depreciation provision, the increased margin would suffice to cover the full preference dividend. The position of the ordinary shares, however, becomes more exposed, and even granted a further increase in earnings, the directors may well be disposed to adopt a cautious distribution policy until adequate reserves have been accumulated.

English Electric Recovery.—This company is now receiving its share in the prosperity of the electrical equipment industry in full measure—the 1936 profits of £357,000 were over one-third higher than in 1935—and it has finally extricated itself from such adversities as a debit balance of over a quarter of a million pounds at the end of 1933, and preference dividend arrears from 1926. Preference payments have now been paid to date, and about 6.9 per cent. has been earned for the ordinary shares (after charging three years' preference payments) or 17.1 per cent. after deducting one year only. The debenture conversion and the disappearance of the

Willans and Robinson charges have made some contribution to this healthier position, but it is due in no small measure to the careful financial management during recovery. Improved liquidity is shown by the balance sheet, for surplus liquid assets amount to £1,779,760 against £1,390,938. This difference is due to increased stocks, which stand at £1,519,550, and represent 29 per cent. of the total assets. At the current price of 32s. 6d., the ordinary shares yield 10 per cent. on the "normal" earnings for the latest year.

Sugar Share Prospects.—Sugar, for many months the Cinderella among commodities, has recently taken a decided upward turn. Eager speculators, seeking undiscarded opportunities, quickly discovered that sugar had markedly lagged behind in the general upswing in commodity prices at the end of 1936. A considerable bull account was thus rapidly built up, at steadily rising quotations. But a real improvement in the commodity's statistical position has provided a more substantial basis for the present strength of the market. In the last four years, world consumption of sugar has exceeded production by a handsome margin, and "visible supplies" are now at their lowest level since 1927. Fundamentally, however, the sugar market remains in a highly artificial state. No more than 10 per cent. of world supplies are traded on the free market, which is thus vulnerable to small changes in sentiment. For this reason, the forthcoming International Sugar Conference in London is particularly welcomed. Output in the two chief exporting areas, Java and Cuba, is now well under control. If the conference can find measures to protect the recent statistical improvement against undue expansion in the smaller producing areas (many of which form part of our Colonial Empire) the future of sugar prices would appear to be promising.

Investors wishing to participate in this prospective improvement have a fair range of available opportunities. The Empire cane producers, such as Booker Brothers McConnell, Gledhow-Chaka's Kraal and Ste. Madeleine, provide the most direct equity. In recent years drastic production economies have been effected, and, even with the extremely modest improvement in prices, profits are again being made. Such shares are decidedly speculative in character, but since revenues respond appreciably to changes in sugar prices, current share quotations might not discount the future unduly—if it can be secured. The merchants and refiners, which include such market leaders as Tate and Lyle and Manbré and Garton, should also benefit from increasing consumption, provided that their profit margins can be maintained—a reasonable presumption. Tate and Lyle, however, are steadily increasing their stake in cane-sugar growing, through such recent acquisitions as the Caroni Sugar and Waterloo Estates in Trinidad. There is, finally, the domestic beet sugar industry, now represented solely by the British Sugar Corporation. As the subsidy, which forms the *raison d'être* of the corporation, varies inversely with the world price of sugar, no advantages can accrue from rising prices. Improvements in efficiency offer the only source of larger profits, and the ordinary shares at around par must be regarded as an essentially long-term equity.

"Chartered" Results.—The report of the British South Africa Company for the year to September last is very satisfactory. The increased distribution—1s. 6d. per 15s. share, compared with 1s.—has been known for some weeks. Actually, the accounts show a net profit of £521,514, compared with £301,727 for the preceding twelve months, but dividend income is £52,418 lower at £325,550, while royalty income is £14,839 higher at £115,942. But 1935-36 was an active market year, and

"Chartered" profited to the extent of £246,134 on investment sales—a result which has no compare since 1929—against a mere £35,460 for 1934-35. Practically 30 per cent. of the company's securities, standing in the books at £8,255,067, consists of gilt-edged and fixed-interest stocks, while 25.2 per cent. consists of Rhodesian railways investments and 32.5 per cent. of Rhodesian mining investments. The directors' report devotes considerable space to these interests, and in particular to the scheme of financial reorganisation for the railways—of which this week's debenture conversion operation is the main feature—is described. The saving of £180,000 per annum in debenture interest should materially accelerate the payment of maximum dividends of the combined system. The railways benefit directly from free copper production, which thus indirectly benefits "Chartered." But its direct participation, in turn, is through the royalty of 2 per cent. on the value of copper production. For the current year copper production and prices are likely to be considerably higher, and the Rhodesian copper share market is doubtless affording profitable opportunities to the company. A few months ago it seemed that investors would need to wait for a thorough recovery from "Chartered." The latest accounts bring that time nearer. Meanwhile this week's events shows that favourites have their weaknesses, for Paris has indulged in some heavy selling in London. The shares are quoted at 39s. 9d. to yield £3 18s. 6d. per cent.

San Francisco Report.—Owing to labour troubles, writes our mining correspondent, last year's operations were confined to eleven months, but thanks to the carbonate mill, which started mid-way through the preceding year, a record tonnage was milled. This increase, coupled with substantially higher metal prices, provided a working profit of £204,600 (after writing off strike expenses totalling nearly £20,000), against £146,440 for the year to September, 1935. After providing for increased taxation and £13,440 for doubtful debts the net profit is only £7,400 higher, at £85,030. The company has renewed dividends with a payment of 9d. per 10s. share—the first since 1930, when 1s. was paid. The recent advance in the shares is based upon market calculations of largely increased earnings. The profit for the December quarter, indeed, amounted to \$384,470, compared with \$269,210 for the September quarter. Total ore reserves, at 2,747,300 tons (including material not fully developed), show an increase of 51,900 tons over the last computation. The sulphides show a reduced gold value, while the average of the carbonates is 4.20 grammes, against 3.57 grammes. But the company's main equity lies in base metal values generally. On the basis of last year's output, the ore reserves represent between six and seven years' supply for the mill. The shares yield 3 per cent. after their recent attention from the base metal share operator.

Company Meetings of the Week.—On later pages of this issue will be found the reports of the following company meetings:—Imperial Tobacco Company (of Great Britain and Ireland), General Mortgage Bank of Palestine, Provident Mutual Life Assurance, Scottish Life Assurance, Lancashire Electric Light and Power, Power Securities Corporation, Margate Estates, Railway Share Trust and Agency, Railway Debenture and General Trust Company, Wandsworth and District Gas, and Bah Lias Rubber Estates. Lord Dulverton's survey of Imperial Tobacco Company prospects is discussed in a Note on page 423. At the General Mortgage Bank of Palestine meeting, the chairman was able to report that political disturbances, though causing a setback to the country, had left the Bank's business unaffected. Mr Frank H. Jones, at the Wandsworth and District Gas meeting, referred to the importance of industrial uses for gas in the future development of sales. The chairman, addressing Margate Estates shareholders, expressed satisfaction that

improved profits could still be shown in spite of the bad summer. It was stated at the Provident Mutual Life Assurance Association meeting that the net rate of interest earned had been £4 9s. 6d., though new investments during the year were calculated to bring in only 3½ per cent. At the Scottish Life Assurance meeting, Sir John Macleod alluded to improvements made in the company's guaranteed options scheme, which was in line with the most modern practice. Mr Richard Guinness informed members of the Railway Share Trust and Agency that the improvement in the values of their investments was due mainly to United Kingdom securities. At the Railway Debenture and General Trust meeting, he referred to the recovery of arrears of income on certain holdings. Addressing Lancashire Electric Light and Power Company proprietors, Mr George Balfour pointed out that the number of new domestic consumers connected had increased by 15 per cent., while the consumption per consumer was nearly 10 per cent. higher. At the Power Securities Corporation meeting, Mr Balfour stated that the value of uncompleted work, excluding the Kut contract, was valued at approximately £2½ millions. Mr Eric Miller, at the Bah Lias Rubber Estates meeting, reported that the Netherlands Indies Government were considering some modification of the scale of the export duty payable by the company.

Company Results of the Week.—Company results are now forthcoming at a faster rate, and our usual analysis on page 443 comprises about eighty profit and loss accounts. A number of textile firms, including *Bradford Dyers* and *William Hollins*, have published their reports, and some interesting recoveries, such as *Bristol Tramways*, also appear. The reports are discussed on page 431 under the heading "Shorter Company Comments."



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THE WEEK IN THE MARKETS THE STOCK EXCHANGE

SETTLING DAYS

TICKET: MARCH 2 ACCOUNT: MARCH 4

THIS week the markets have bitten the re-armament bullet. Week-end consideration of the arms finance proposals brought in further sales of gilt-edged, which dropped a full point on Monday. On each succeeding day the market has seemed ripe for recovery, but the short-lived support which appeared on Tuesday has since completely hidden its head. It has proved difficult to deal in the gilt-edged market, for the general expectation spread abroad that the next resistance point would be met when War Loan reached a 3½ per cent. yield basis. In a wide range of industrial debentures and preference shares, home rail prior charges and stable industrials, pronounced falls have marked the absence of support and the reluctance of jobbers to take a view. This week's palms are few, and they go to arms shares and commodities.

The market, indeed, has reacted to the re-armament finance plan like an open book. We show, on pages 420 and 421, the measure of the fall in gilt-edged and a range of industrial securities, compared with last year's levels, and the movements of the week will be found in our table of active securities. Wednesday's fall merely on the publication of the White Paper and not because its contents were news, combined illogicality with deadly effectiveness. Old Consols and Local Loans fell by 1½ on Wednesday and by 1½ on Thursday and the blight affected Indian stocks, Dominion issues and Home Corporation issues.

In the foreign market, German loans responded to the satisfactory trade figures. Japanese bonds, made further progress, until mid-week. Brazilian funding issues again improved, after a quiet interlude.

Home rails have experienced an extremely bad week. Prior charges, as was to be expected, have continued to fall heavily, in sympathy with gilt-edged. But despite excellent traffic returns, ordinary stocks have shared in the slump, Great Western and Southern suffering particularly. In the foreign railways section San Paulo have been in strong demand, but movements in the Argentine group have been irregular.

The industrial market was governed by the arms programme. Arms shares generally advanced, and other

shares fell. The iron and steel section naturally was among the brightest. Apart from the general movement, Indian Iron were in demand on report that a new company is being formed. Projectile and Engineering found a keen demand. Coal issues went ahead on rising export and higher production figures. The aircraft section, apart from a few bright features, was easier in the first part of the week, but the arms programme produced a strong general demand in mid-week, in which De Havilland and Hawker Siddeley were prominent. Prices fell slightly in the motor section despite the higher registration figures. Electrical equipments were firm at the beginning of the week on trading reports, but turned easier later, although the renewed dividend distribution stimulated a demand for Telegraph Construction.

Store issues were generally lower, and provision and catering shares irregular. In the textile group, prices fell off after the sustained improvement of recent weeks. The dividend announcement was followed by active dealings in Courtaulds, but the improvement was not maintained. Brewery and tobacco shares were lower, and insurance shares declined in sympathy with gilt-edged. Apart from a few isolated issues, prices in the miscellaneous industrial section were generally lower.

The oil market continued extremely active throughout the week. Despite a good deal of intermittent profit taking, the trend of prices was steadily upward. Demand was well distributed, and extended to many of the more speculative securities. Trinidad Leaseholds remained the leading feature of the market but Anglo-Iranian responded to reports of an impending capital bonus.

Rubber shares enjoyed some improvement later in the week, but they were not general. Professional buying, encouraged by recent figures for American consumption in January and the settlement of the General Motors dispute, was mainly responsible for the advance. Rises in tea shares were more numerous than for two months past. Professional and public support was considerable, and extended to a wide range of shares. The volume of business, as usual, was small, relatively to the rises in prices.

Conditions in the mining market have been only moderate. The best record is that of copper, principally Rhokana, the price of which, though higher than at any time since 1930, was still being talked higher. Diamonds have been active once again, with De Beers and Premier as the centre of attention. Tin shares were firm among the base metals.

"FINANCIAL NEWS" MARKET INDICATORS

	Feb. 11	Feb. 12	Feb. 15	Feb. 16	Feb. 17	Feb. 18
Approximate total of bargains recorded in S.E. List	10,990	11,940	13,430	11,145	11,600	11,410
Corres. day 1936	11,497	12,975	14,455	12,803	12,673	12,071
SECURITY MOVEMENTS						
Index of 30 Ordinary Shares (July 1, 1935 = 100)	122.3	122.3	121.9	121.3	120.9	120.3
Index of 20 Fixed Interest Securities (1928 = 100)	132.0	131.5	130.5	130.0	129.3	128.2
Highest 1936: Ordinary Shares 124.9 (Nov. 18); Fixed Interest 138.8 (Feb. 10).						
Lowest 1936: Ordinary Shares 107.4 (Jan. 2); Fixed Interest 136.2 (Sept. 23).						
Highest 1937: Ordinary Shares 124.8 (Jan. 4); Fixed Interest 136.6 (Jan. 4).						
Lowest 1937: Ordinary Shares 120.3 (Feb. 18); Fixed Interest 128.2 (Feb. 18).						

ACTUARIES' INVESTMENT INDEX

The Actuaries' index of 178 industrial ordinary shares on Tuesday last was lower at 90.2, compared with 90.6 a week ago, but the same as a month ago. The yield is higher at 3.81 per cent., against 3.76 per cent. a week ago, and 3.71 per cent. a month ago. Selected component indices are set out below:—

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)			Yield (%)		
	Month ago (Jan. 19, 1937)	Week ago (Feb. 9, 1937)	This week (Feb. 16, 1937)	Month ago (Jan. 19, 1937)	Week ago (Feb. 9, 1937)	This week (Feb. 16, 1937)
Insurance Companies (24) ...	133.7	130.6	128.8	3.20	3.28	3.32
Gas (7) ...	129.5	129.2	127.9	4.56	4.54	4.61
Oil (5) ...	100.3	104.5	108.6	2.70	2.83	2.80
Electric Supplies (10) ...	158.1	159.7	161.5	3.80	3.83	3.78
Home Rails (4) ...	82.2	80.9	76.6	1.24	1.27	2.91
Shipping (4) ...	25.4	26.4	25.8	1.25	1.20	1.21
Miscellaneous (59) ...	81.8	81.9	80.9	3.83	3.99	4.04

NEW YORK STOCK EXCHANGE

THE sharp rise in prices which occurred toward the end of last week on the strike settlement was not maintained during the present week, when prices slipped back again on the general technical position, the discussion at Washington on measures to make it more difficult for foreigners to invest in America,

and on the opening of Mr Lewis's unionising campaign in the coal industry, with possible extension to the steel industry. At the opening of the week the industrial section met most of the attack and there were many substantial falls in prices. By mid-week there were signs of a more stable sentiment, and progress was made by railroad issues, and by several metal stocks. Motor issues were higher, particularly Studebaker and Hudson, but General Motors slipped back. The bond market showed a similar improvement, and the more speculative railroad bonds were in demand. The Stock Exchange Committee announced a new margin rule, effective from March 1st, which aims at eliminating the free-ride obtainable at present by the use of the three-day grace period in putting up margin. In future no firm is to permit a transaction requiring initial or additional margin which is provided by a subsequent liquidation of the same or other commitments. Business reports are good; *Iron Age* estimates steel mill activity at 82.5 per cent. for the week compared with 81 per cent. last week, and the industry is experiencing a growing effect from the demand from railroads. British interests are looking for pig-iron and scrap.

	Feb. 10, 1937 (Close)	Feb. 17, 1937 (Close)	Feb. 18, 1937 (Latest)	Feb. 10, 1937 (Close)	Feb. 17, 1937 (Close)	Feb. 18, 1937 (Latest)
1. RAIL & TRANSPORT						
Atchafalpa	76	75	75½	57½	57	57
Balt. and Ohio	25½	26½	26½	133½	132½	132½
B.M.T.	47	46½	46½	67½	67½	67½
Can. Pacific	164	161	161	22½	22½	22½
Ches. and Ohio	67½	64½	64½	20	19½	19½
Gen. Ry. & P.	48½	47½	47½	22½	22½	22½
Illinois Central	268	268	268	11½	12	12½
N.Y. Central	44½	44½	44½	28½	28½	28½
Nor. Pac.	65½	31½	31½	42½	42½	42½
Pennsylvania R.R.	43½	43½	43½	70	68½	69
Southern Pac.	50½	49½	49½	30½	30½	30½
Southern Ry.	34½	33½	33½	76½	76½	75½
Union Pac.	133	135½	136	235	235	235
Greyhound Cp. New	162	142	142	123	18½	19½
2. UTILITIES AND COMMUNICATIONS						
Am. Waterworks	26½	26½	25½	173½	174	173½
C.W. & S. Ry.	34	34	34	108½	108½	108½
Cons. Gas of N.Y.	45½	44½	44½	61½	60½	60
Col. Gas & Electric	17½	17½	18½	160	155	156
Edison	25½	25½	24½	108	108½	108½
El. Bond & Share	12½	12½	12½	34	32½	33½
Nat. Pwr. & L.	128	128	128	51	62	62½
Nor. American	31½	30½	30½	136½	139	139
Pac. Gas & Electric	33½	34	33½	107½	104½	105½
Pub. Lighting	47½	48½	47½	146½	146½	147½
Pub. Service N.Y.	50½	49	48½	28½	74	73
Stan. Gas & Elec.	124	124	133	68½	68	68½
United Corp.	77	77	77	133½	133½	133½
United Gas Imp.	151	151	151	49½	49½	50½
Am. Tel. & Tel.	181½	189	188	62	86½	86
Int. Tel. and Tel.	14	15½	15½	29½	29	28½
Western Union	78½	76	76	33	33	33
Radio	11½	12	12	37½	38	38
Radio B. Pref. New	78½	78	78	20	21½	21½
3. EXTRACTIVE AND METAL INDUSTRIES						
Am. Rolling Mills	37½	38½	36½	60½	63½	63½
Beth. Steel	98½	98½	87½	99½	100	100
Beth. Steel Pref.	128	128½	129½	87½	89½	90½
Republic Steel	36½	34½	34½	15½	14½	14½
U.S. Steel	105½	105	106	48½	46½	47½
Alaska Juneau & P.	149	147	146	59½	57½	57½
American Metal	144	144	144	27½	27½	27½
American Smelting	64½	64½	65½	43½	42½	43½
Amazons	92½	92	88½	27½	24½	24½
Born Aluminum	57½	57½	58½	31½	31½	32
Cerro de Pasco	44	46½	46½	15½	15½	15½
Int. Nickel	71½	70	71	97½	96	95½
Kennecott	65½	66½	68	27½	26½	26½
Patino Mines	62½	62½	63½	55½	55½	55½
Texas Gulf Sulphur	16	15½	15½	27½	27½	28½
U.S. Smelt.	90½	88	90	43½	43½	44½
Vanadium Corp.	33½	31½	31½	66½	65	64½
Atlantic Refining	34½	33½	33½	17½	17½	18
Phillips Petroleum	57½	55½	54½	73½	73½	73½
Shell Union	29½	33	32½			
Socony Vacuum	104½	103½	103½			
Stand. Oil Calif.	48½	48½	49½			
Stand. Oil N.J.	71½	72½	73½			
Texas Corp.	56½	54½	54½			
4. MANUFACTURING						
Briggs	57½	57	57			
Chrysler	133½	132½	132½			
Electric Automobile	44½	43	43			
General Motors	67½	67½	67½			
Hudson Motor Car	22½	22½	22½			
Murray Corp.	20	19½	19½			
Nash Kelvinator	22½	22½	22½			
Packard Motor Car	11½	12	12½			
Bendix Aviation	28½	28½	28½			
Boeing Airplane	42½	42½	42½			
Douglas Aircraft	70	68½	69			
United Aircraft	30½	30½	30½			
Air Reduction	76½	76½	75½			
Allied Chem. & M.	235	235	235			
Col. Carbon	123	18½	19½			
Comm. Solvents	19½	174	173½			
Dupont	173½	108½	108½			
Union Carbide	41½	40	41			
U.S. Ind. Alcohol	77½	74½	73			
Allis Chalmers	61½	60½	60			
General Electric	160	155	156			
Westinghouse	108	108½	108½			
American Can	34	32½	33½			
Addressograph	98½	98½	98½			
Caterpillar	51	62	62½			
Cont. Can.	136½	139	139			
Ingersoll Rand	107½	104½	105½			
Johns Manville	146½	146½	147½			
Am. Radiator	28½	74	73			
Corn Products	68½	68	68½			
J. I. Case and Co.	133½	133½	133½			
Glidden	49½	49½	50½			
Gen. Am. Transp.	62	86½	86			
Allied Mills	29½	29	28½			
Celanese of America	33	33	33			
Ind. Rayon New	37½	38	38			
Colgate-Palmolive & Co.	20	21½	21½			
Eastman Kodak	174	173	174			
Gillette	19½	19	19			
Lambert Co.	23½	22½	22½			
Loews	77½	75½	75			
20th Century Fox	35½	36	36½			
5. RETAIL TRADE AND FOOD						
Montgomery Ward	60½	63½	63½			
J. C. Penney Co.	99½	100	100			
Sears Roebuck & Co.	87½	89½	90½			
United Drug	15½	14½	14½			
Walgreen & Co.	48½	46½	47½			
Woolworth	59½	57½	57½			
Borden	27½	27½	27½			
Gen. Foods	43½	42½	43½			
Kroger Grocery	27½	24½	24½			
Nat. Biscuit	31½	31½	32			
Nat. Dairy	15½	15½	15½			
Standard Brands	97½	96	95½			
Am. Tobacco B.	113	112	112			
Liggett Myers B.	27½	26½	26½			
Lord & Taylor	55½	55½	55½			
Reynolds Tob. B.	27½	27½	28½			
National Distillers	43½	43½	44½			
Schenley Distillers						
6. FINANCE						
Commercial Credit	66½	65	64½			
Atlas Corp.	17½	17½	18			
Com. Invest. Trust	73½	73½	73½			

By courtesy of the Standard Statistics Company, Inc., of New York, we print the following index figures of American values calculated on closing prices (1926 = 100):—

	1936		1937		Beginning of Year 1937	Feb. 3, 1937	Feb. 10, 1937	Feb. 17, 1937
	Lowest	Highest	Lowest	Highest				
	Apr. 29	Nov. 10	Jan. 6	Feb. 10				
347 Industrials ...	112.7	145.9	143.2	152.4	143.2	151.9	152.4	151.7
32 Rails ...	42.8	60.2(6)	54.4	58.2	54.6	58.2	58.2	58.3
40 Utilities ...	91.2	111.0(6)	111.4(6)	116.4(6)	111.7	112.9	111.4	110.3
Total, 419 Stocks	87.7	125.4	123.5	129.5	123.5	129.8	130.1	129.5
Average yield* ...	4.80%	2.65%	3.53%	3.20%	3.53%	3.20%	3.18%	3.33%
	(High)	(Low)	(High)	(Low)				

* 1930 Industrial Common Stocks. (b) Oct. 14th. (c) December 23rd. (d) April 8th. (e) December 2nd. (f) February 10th. (g) January 13th. (h) February 17th.

DAILY AVERAGE OF 50 AMERICAN COMMON STOCKS (1926 = 100)

Highest*	Lowest†	Feb. 10	Feb. 11	Feb. 12	Feb. 13	Feb. 15	Feb. 16	Feb. 17
175.0	161.8	175.0	176.7	(m)	176.2	174.3	174.7	174.3
* February 10th. † January 4th. (m) Closed for Abraham Lincoln's birthday.								

TOTAL DEALINGS IN NEW YORK

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(a) Interim dividend. (b) Final dividend. (c) Last two yearly dividends. (d) Yield worked on a 30 per cent. basis. (e) Annas per share. (f) Based on current annual dividend rate 22 60 per share. (g) Including bonus of 5% free of tax. (h) Calculated on basis of 13½ annas per share of Rs. 9. Taken at 16 annas to one rupee. (i) Worked on a 60 per cent. dividend basis. (j) Free of Income Tax. (k) Yield worked on a 35% basis. (l) Yield worked on a basis of £10 5s. 7d. per cent. less tax. (m) Yield worked on a 12½ basis. (n) Special Jubilee bonus.

(Continued from page 427)

TOTALS OF CAPITAL ISSUES DURING WEEK

Net Sales of National Savings Certificates, Week ended February 13, 1937, £100,000.				
	Nominal Capital	Conversions	New Money	
To the Public	22,035,000	21,315,000	426,250	
To Shareholders only	640,548	...	1,364,704	
By Stock Exchange Introduction	210,000	...	384,373	
By Permission to Deal	2,389,329	1,575,000	6,948,373	
Total Capital Raised—				
Including Conversions				
Excluding Conversions				
1937 (New Basis)	110,672,921	80,148,539		
1937 (Old Basis)	60,827,185	32,027,703		
1936 (New Basis)	113,470,946	71,377,629		
1936 (Old Basis)	91,044,061	48,850,744		
January 1 to date (Old Basis)	...	...	...	
1935	81,367,539	20,736,857		
1934	53,371,880	14,810,382		
1933	...	144,167,729		
1928	...	...	...	

Destination of Capital (Excluding Conversions)

	United Kingdom	British Empire (excluding United Kingdom)	Foreign Countries	Total
January 1 to date—				
1937 (New Basis)	58,583,883	20,411,514	1,153,140	80,148,539
1937 (Old Basis)	29,642,862	2,384,841	Nil	62,027,703

Nature of Borrowing (Excluding Conversions)

	Debentures	Preference	Ordinary	Total
January 1 to date—				
1937 (New Basis)	21,450,887	7,570,456	51,127,196	80,148,539
1937 (Old Basis)	16,931,933	4,054,787	11,040,983	32,027,703
1936 (New Basis)	42,489,435	7,183,455	21,704,739	71,377,629
1936 (Old Basis)	39,693,322	3,316,622	5,840,800	48,850,744
Whole Year (Old Basis) :—				
1928	212,917,900	45,062,600	111,177,600	369,158,100
1933	222,064,300	12,733,700	9,982,500	244,780,500
1934	102,769,300	21,461,000	44,879,400	169,109,700
1935	167,185,509	31,696,741	37,265,387	236,147,637
1936	160,521,116	24,423,647	70,626,230	255,570,993
Whole Year (New Basis) :—				
1935	193,599,713	48,806,822	115,118,905	357,525,440
1936	184,255,833	41,580,731	268,303,201	494,139,765

BY OFFER FOR SALE

Premier Metal Company of South Africa.—Offer for sale of 750,000 2s. ordinary shares at 3s. (Incorporated in S.A.; issue in U.K. currency; figures in S.A. currency.) Contracting engineers and dealers in mining, etc., machinery. Profits, after depreciation, before fees (subject to values of trading stocks being lower than independent valuations), years to June 30: 1934, £8,850; 1935, £14,760; 1936, £21,280. Net assets, £105,457 (stocks, £70,157), purchased for £89,999, payable by £50,000 cash and 399,993 shares. Mr Hicks takes issue allotted to Harrow Investment Trust at par or 2s. 5d. including expenses. Lists closed 9.1 a.m., February 16th. Oversubscribed.

Lacrinoid Products.—Offer for sale of 700,000 2s. shares at 2s. 6d. (130,000 underwritten firm). Makers of buttons, accessories, etc., in casein. Profits, after depreciation, before interest: 1934, £10,571; 1935, £14,184; 1936, £15,405. Net assets, £46,367 (stock, £26,005), acquired for £80,000 (goodwill, £33,633), payable by £50,000 cash and 300,000 shares. Ridgford Trust take issue at par, or 2s. 3-8d., including expenses. Lists closed 9.10 a.m., February 16th.

D. M. Gilbert and Company.—Offer for sale of 350,000 4s. ordinary shares at 7s. 6d. Furniture importers and makers. Owns Harry Schuman, Ltd. Combined profits, after depreciation, interest, fees, etc., years ending in: 1934, £16,162; 1935, £25,662; 1936, £25,957. Combined net assets, £72,163 (debtors, £33,075). Purchased for £99,900 (goodwill, £27,612; vendors subscribe for 500 shares) payable by 499,500 shares (of which offer is part). London Industrial Finance Trust take issue at 5s. 10-11d., or 6s. 9-10d., including expenses. Managing director and assistant managing director receive respectively 5 per cent. and 2½ per cent. on net profits from £20,000 to £27,000, or 10 per cent. and 5 per cent. thereafter.

ADVICE ON AMERICAN STOCKS

Recognizing the demand of both private investors and financial institutions in Europe for first-hand advice regarding American securities and the cyclical trend of the American Stock Market, Major L. B. Angus of 301 Park Avenue, New York City, who is now established as Investment Counsel in America, is prepared to accept enquiries regarding this service.

Accounts managed; portfolios supervised

PUBLICATIONS: Coming Rise in Wall Street (Apr. 1933). Coming American Boom (Aug. 1934). The American Boom Begins (May 1935). Investment for Appreciation, etc.

George Wilson Gas Meters.—Offer for sale of 100,000 5½ per cent. cum. 10s. preference shares at par and 100,000 4s. ordinary shares at 9s. Gas meter makers and engineers since 1904. Profits, after depreciation, years to June 30: 1934, £11,290; 1935, £11,182; 1936, £17,404. Net assets, £80,136, purchased for £80,000, payable by £100 cash, 60,000 preference, 249,500 ordinary shares. London Industrial Finance Trust acquires issue (preference at par, ordinary shares at 6s.) for £92,352, including expenses. Lists closed 9.1 a.m. February 17th. Heavily over-applied for.

CONVERSIONS AND REPAYMENTS

Rhodesia Railways.—Issue of £21,750,000 4½ per cent. debenture stock at 98, to convert or redeem debenture capital of company (except unconverted part of 3 per cent. guaranteed mortgage debentures) and of Mashonaland Railway; redeemable at par by drawings, 1938-1981, or from 1947 on notice. 2,441 miles of track (also working arrangement covering sections of Beira and other railways). Amalgamation scheme approved. Combined profits, before depreciation and debenture interest, years to September 30: 1934, £1,747,083; 1935, £2,142,014; 1936, £1,876,209. Combined net assets, £22,116,487. Profits to September 30, 1936, less £522,725, depreciation, etc., plus £176,327 for sinking fund gives £1,529,811 for annual service on stock, which requires £1,100,702. Long term agreements with Rhokana, Roan, etc.

BY STOCK EXCHANGE INTRODUCTION

Associated Utilities, Ltd.—Issued capital, 105,000 £1 ordinary shares and 31,035 4 per cent. cumulative £1 preference shares. Issue through de Zoete and Gorton at 97½ net, of £100,000 3½ per cent. debenture stock redeemable at par 1951, to repay partly £140,878 advances by Mid Southern Utility Company. Formed to acquire utility interests. 1935 balance of profit, before debenture and interest, £10,647.

North Metropolitan Power Station Company, Ltd.—Issue of £1,000,000 3½ per cent. second mortgage debenture stock, purchased by Messrs. Baring Brothers and Company at par, redeemable at 101 by drawings 1940-63, on notice 1945-50 at 102, 1950-55 at 101, or thereafter at par. Profits after debenture interest, depreciation, etc.: 1933, £300,347; 1934, £303,113; 1935, £340,362.

The Barrow Barnsley Main Collieries, Ltd.—Issued capital 333,004 £1 ordinary shares and 129,788 10 per cent. cumulative £1 preference shares. 7 per cent. debenture stock £203,131, and £36,000 issued bankers' collateral security. Formed 1899. Operates Barrow and the Barnsley Main collieries, Yorkshire. Barrow Hematite Steel Company sells to Leadenhall Securities Corporation £109,225 of the Barrow Barnsley Company's debenture stock at £104 3s. 5d., 69,788 preference shares at 28s., and 179,059 ordinary shares at 28s. 10-11d. Total assets £897,240. Combined profits six months to December 31, 1936, £45,700, after interest, before depreciation.

FORTHCOMING ISSUES

Bradlow's Stores.—Lists will open on Tuesday, February 23rd, for an issue of 90,000 6 per cent. cumulative £1 preference shares and 415,000 4s. ordinary shares at par. The company has acquired two furniture retailing businesses in the Union of South Africa. The prospectus will show that the preference shares are covered nearly 4½ times on the latest profits, leaving a balance equivalent to 12½ per cent. on the ordinary shares.

ISSUES TO SHAREHOLDERS ONLY

Middle Witwatersrand (Western).—Issue to existing shareholders 40,000 5s. shares at 10s. per share in the proportion of one in four.

Dubilier Condenser.—Issue of 513,125 1s. ordinary shares at 2s., in proportion of one new for every two held on February 6th.

Triplex Safety Glass.—Issue of 100,000 new 10s. ordinary shares at 70s. each.

Lancegay Safety Glass.—Issue of 800,000 new 1s. shares at 3s. each in proportion of one new for every three held.

Roberts (Charles) and Company.—Issue of 140,000 £1 ordinary shares at 34s. each in proportion of 64 new shares for every 100 held on January 27th.

Great Southern Railways (Irish Free State).—Issue at par £237,892 4 per cent. debenture stock, redeemable at par April 1, 1942, for the purpose of increasing further the earning power of the company, by the continued acquisition of road transport concerns, additions to the rolling stock and other forms of development.

Slough Estates.—Issue of 147,000 £1 ordinary shares at 50s. in proportion of one for every four shares held.

BONUS SHARES

Gold and General Investment Trust.—Scrip bonus of one share for every five held.

D. H. Evans and Company.—The directors propose to capitalise £599,806 out of the general reserve fund of £822,505 and to issue 599,806 £1 fully-paid ordinary shares to Harrods as holder of the entire issued ordinary shares.

Eburite Corrugated Containers, Ltd.—This company proposes to create 100,000 new 5s. ordinary shares and to issue them as bonus, credited fully-paid, to holders of issued ordinary shares in proportion to their holdings.

James Booth (1915).—It is proposed to offer to ordinary shareholders 100,000 ordinary at £1 per share in the proportion of one new share for every three ordinary held.

LONDON NEW ISSUE PRICES

Stock or Share	Issue price	Paid	Feb. 10, 1937	Feb. 17, 1937
Associated British Properties 4½% Deb.	100	50	5½-4½ dis	4½-3½ dis
Beans Industries 5/-	...	...	21/6-22/-	21/6-22/-
Beira Railway 5% First Deb.	100	20	4½-5 pm	4½-4½ pm
Biennell ord. 2/-	2/6	2/6	...	2/0-2/3
Do. 6% Pr. Pref. 10/-	10/-	5/-	...	1/0-6d
Booth's Distilleries 4½% Deb.	105	25	...	2-1 dis
Butlin's Ord. 5/-	6/-	6/-	...	6/0-6/6
Do. 5½% Deb.	100	25	...	½ dis-½ pm
Cochran (Annan) 5/-	6/3	6/3	6/1½-6/7½	6/4½-6/7½
Hall (Ben) and Son 4/-	5/-	5/-	6/1½-6/7½	5/6-6/-
Heenan and Froude 5/-	...	...	10/9-10/9	9/9-10/3
Higson's Brewery 5% Cum. Pref.	20/-	10/-	6d dis-par	6d dis-par
Do. 4% 1st Debs.	100	30	4½ dis	½ dis-½ pm
Horlicks Ord. 5/-	22/6	22/6	24/10½-25/4½	24/6-25/-
Jays and Campbells 5½% Pref. £1	21/-	11/-	1/--6d dis	1/3-9d dis
Lamson Investments 5% Pref. £1	21/6	11/6	10½d-4½d dis	1/3-9d dis
London Electric Transport 2½% Deb.	92½	17½	1-½ dis	1½-1 dis
Mallandain (A. E.) Ord. 4/-	...	...	5/6-6/-	5/4½-5/10½
Rheostatic Ord. 4/-	...	...	10/3-10/9	9/9-10/3
Selmer (Henri) 4½% 1st Debs.	...	...	3/6-3/9	3/6-3/9
Thomas (Richard) 4½% 1st Debs.	99½	25	3½-2½ dis	4-3½ dis
Universal Asbestos Ord. 5/-	...	...	...	14/0-14/6
Do. 6% Pref. 20/-	...	...	...	20/1½-20/7½
West Rand Invest. Trust 10/-	...	...	1½-1½	1½-1½
Wright Saddle 2/-	...	...	...	3/10½-4/1½

SHORTER COMPANY COMMENTS

OTHER COMPANY RESULTS.—PETER WALKER AND ROBERT CAIN have increased their profits from £350,459 to £400,227, and the dividend is raised from 5 per cent. to 6 per cent. Another substantial advance is reported by WHITEWAY'S CYDER, whose earnings of £82,471 are 28 per cent. higher. MANCHESTER SHIP CANAL maintain their 1½ per cent. dividend, and net revenue is slightly higher at £278,159. Some eight further gas company results are available, including those of the LIVERPOOL, SHEFFIELD, and SOUTHAMPTON companies. MATHER AND PLATT'S net earnings of £180,339 show only a small improvement, but the previous year's figure of £192,346 included £14,329 profit on investments realised. The directors of D. H. EVANS AND COMPANY consider the net profit of £114,477, against £115,451, satisfactory in view of the rebuilding operations on the new premises. The earnings of J. SEARS AND COMPANY of £262,168 are somewhat disappointing since, like the FREEMAN, HARDY AND WILLIS figures, they are a little lower than in 1935. An increase in profits, from £95,540 to £162,705, by BRISTOL TRAMWAYS is among the outstanding improvements of the week. Investment trusts again report moderate progress, accompanied in every instance by a higher dividend: MERCANTILE INVESTMENT, for example, earned £239,930, against £229,690, and pays 11½ per cent., compared with 10½ per cent. The 1936 results of textile companies are mixed. BRADFORD DYERS' deficit after debenture interest is lower

at £20,102, and again £50,000 is taken from reserve. FLEMING REID'S profits (£155,479, against £178,694) are disappointing, but WILLIAM HOLLINS AND COMPANY have converted a deficit of £8,492 into a profit of £50,577. BOVRIL earnings have again improved, being £250,194 against £214,187, while the deferred dividend is raised from 4 per cent. to 5 per cent. Further wagon company results show little change, though BRITISH WAGON are raising their dividend from 18 per cent. to 20 per cent. The gross profits of CONSOLIDATED SIGNAL are nearly 50 per cent. higher at £45,014, and the 30 per cent. dividend reflects the payment of normal preference dividends last year. ILLUSTRATED NEWSPAPER profits of £126,550 have risen by nearly 40 per cent. J. & N. PHILIPS AND COMPANY, the warehousemen and drapers, are paying 2 per cent. (the first dividend since 1930), after earning £81,737, against £61,629. HALL TELEPHONE ACCESSORIES have more than doubled their profits, at £70,755. The LONDON ELECTRIC dividend is unchanged at 8 per cent., profits being £121,087, against £114,260.

GOVERNMENT &c.

CHINESE GOVERNMENT SALT ADMINISTRATION (Salt Revenues, 1936).—Preliminary figures show total revenue during 1936 of \$205,433,000, an increase of \$21,223,900. The collection of Salt Revenue under the administration of the Inspectorate has shown steady increases in the last seven years. The \$205,433,000 compared with \$61,071,000 (excluding Liaoning) for 1929, an increase of \$144,362,000. All foreign loan obligations secured upon the salt revenue, including amortisation and interest payments for the Hukuang, Anglo-French, Crisp Loans, and the Vickers-Marconi Loans, have been duly met during the year.

MISCELLANEOUS

EDMUNDSONS ELECTRICITY CORPORATION.—Operations of the Edmundson group of companies during January, 1937, compared with January, 1936, show an increase of 13 per cent. of units sold.

PRICE BROTHERS' REORGANISATION SCHEME.—A scheme designed to provide funds for the repayment of the \$11,610,000 of 6 per cent. first mortgage bonds to provide working capital, and to eliminate preferred dividend arrears has been published. The following issues are proposed: \$12,000,000 of 20-year first mortgage bonds; \$3,000,000 of two-six-year serial first mortgage bonds: \$4,268,300 of 4 per cent. convertible debentures, carrying the right to convert into common shares on the basis of \$30 debentures per one common share. Holders of 6½ per cent. preferred shares to be asked to exchange into 5½ per cent. \$100 preferred shares entitled to a cumulative dividend from January 1, 1939, plus 1½ common shares. The 4 per cent. convertible debentures are being offered to common shareholders at 98 per cent., in the proportion of \$10 of debentures for each common share held.

RADIO CORPORATION OF AMERICA.—Net income for 1936 is 11.2 per cent. higher at \$11,500,000 (£2,300,000), against \$10,343,200 (£2,068,640). Estimated net profit, \$6,100,000 (£1,220,000), against, \$5,126,900 (£1,025,380), an increase of 19 per cent.

BRISTOL TRAMWAYS AND CARRIAGE.—Net profit for 1936, £162,705, an increase of £67,165. Ordinary dividend, 8 per cent., against 6 per cent. To contingencies reserve, £15,000 as before. Carry forward increased from £10,366 to £15,556.

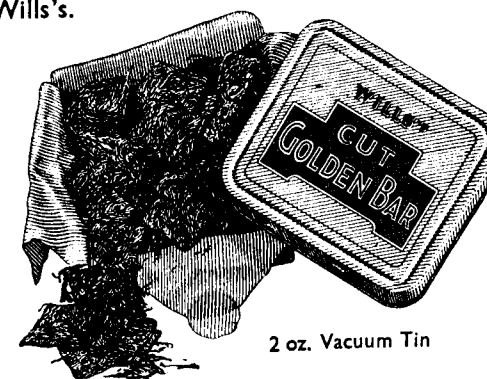
(Continued on page 442)

GOLDEN MOMENTS

Hockey

A fast run, two backs cleverly beaten, and he drives the ball home for a brilliant goal—victory for his side and a Golden Moment for him.

But even he can't buy a better tobacco at a shilling an ounce than "Cut Golden Bar." But it must be Wills's.



WILLS'S CUT GOLDEN BAR

READY RUBBED
in 2 oz. Pocket Vacuum Tins
and 1 oz. Airtight Tins
FLAKE FORM
in 2 oz. Vacuum Tins
and 1 oz. Packets

1/-
AN OUNCE

C.B.82.B

Issued by the Imperial Tobacco Co. (of Great Britain and Ireland), Ltd.

COMPANY MEETINGS

IMPERIAL TOBACCO COMPANY (OF GREAT BRITAIN AND IRELAND), LIMITED

RECORD OF STEADY PROGRESS

LORD DULVERTON'S SPEECH

The thirty-fifth ordinary general meeting of the Imperial Tobacco Company (of Great Britain and Ireland), Limited, was held, on the 16th instant, in Bristol.

The Rt. Hon. Lord Dulverton (the chairman), after expressing regret at the death of Mr W. N. Mitchell, who, he said, had had a long and distinguished career in the tobacco trade, and also that of Mr S. P. Davies, who had retired from the board less than four years ago, said: Turning to the balance sheet, you will observe that land, buildings, plant and machinery at cost, less amounts written off, are stated at £4,962,703, which is £150,084 higher than last year's figure. During the year under review we have made additions which, in total, exceed the deductions from this item which are attributable to depreciation and sale of plant.

The investments in subsidiary and associated companies at cost, less amounts written off where depreciation has taken place, now stand at £12,111,012, an increase of £74,967. As noted in the balance sheet the market value of the investments in associated companies is in the aggregate largely in excess of their book value, and this is principally due to our holdings in the British-American Tobacco Company, Limited, and in some of its associated companies, holdings which represent this company's interest in the export trade, and produce substantial revenue to our company.

Loans to and current accounts with subsidiary and associated companies total £1,217,264, a decrease of £164,879. Stock-in-trade, including leaf in transit at approximate cost, and advances to branches abroad for purchase of leaf, etc., amounts to £33,304,786, an increase of £2,064,889. This is the third year in succession in which this item has shown a large increase.

THE LEAF POSITION

It is appropriate here to digress for a few minutes from the figures of the balance sheet in order that I may say something about the leaf position. At a time when commodity prices generally are rising, leaf tobacco has been no exception to the general rule. In fact, for the last four years the average cost of our raw material has been going up. Our practice of carrying large stocks of leaf to mature in bond tends to even out temporary fluctuations in cost, and enables us to maintain an unvarying standard of quality in our brands, but obviously, when the general trend of prices over a series of years is in the upward direction, the rate of profit must be adversely affected. The 1936 crop in America was, owing to adverse weather conditions, a small one, and our purchases have necessarily cost us more per pound.

Returning to the balance sheet, debtors, after making full provision for discounts to be allowed and for doubtful debts, amount to £8,791,197, an increase of £415,907, which is attributable to the increased volume of our business. Government and other securities taken at cost, less amounts written off in those cases where depreciation has taken place, stand at £7,702,771, a decrease of £128,470. The market value of these investments, as at the date of our balance sheet, was £8,240,098. Loans to corporations and public boards and other investments not officially quoted stand at £2,245,615, a decrease of £402,035, certain loans having been repaid during the year. Cash at bankers and in hand, £3,640,744, was down by £189,457.

LIABILITIES

Turning to the other side of the balance sheet you will see that the deposits by, and current accounts with, subsidiary and associated companies amount to £739,085, an increase of £213,156. Creditors, provisions for taxation and bonus to customers, amounts set aside for obligations to pension fund and for contingencies, including fluctuations in the value of leaf tobacco stock, etc., amounting in all to £17,126,322, show an increase of £853,045.

In addition to an increase in trade creditors, larger provision had to be made for bonus to customers and for income tax. As regards the latter item, not only did we have to provide for tax on higher profits, but, owing to the increase in the standard rate from 4s. 6d. to 4s. 9d., we had to provide for it at a higher rate. The balance on Widows' and Orphans' Benefit Account amounts to £178,786, a decrease of £14,171, which is due to the payments during the year having exceeded the interest credited to the account. This account is, of course, entirely distinct from the company's contributory pension fund, our contributions to which are a charge on the business and have been provided out of profits.

The general reserve account stands at £6,760,000, including the sum of £250,000 transferred from the profit and loss account.

PROFIT AND LOSS ACCOUNT

The net profit for the year, after providing for all charges, bonus to customers, taxation, directors' fees, and depreciation and renewals of property, plant, etc., together with income from investments and loans, which include substantial dividends from companies operating outside the United Kingdom, amounted to £10,636,316, an increase of £368,106.

After transferring £250,000 to the general reserve account there remains a balance of profit for the year of £10,386,316. Adding to that figure the undivided balance of £1,040,421, a total of £11,426,737 is arrived at. Out of this sum the dividends, totalling £852,209 on the three classes of preference stock, have been provided, leaving for disposal a sum of £10,574,528.

An interim dividend at the rate of 7½ per cent., free of income tax, was paid on September 1st last, and it is now proposed, subject to your approval, to declare a final dividend of 7½ per cent. and a bonus of 10 per cent., both free of income tax, making a total distribution for the year of 25 per cent., free of income tax, which is 1 per cent. more than for the previous year. The balance then remaining to be carried forward to the accounts of the current year will amount to £1,183,766.

The year under review has been one of appreciable recovery in general trade. Just as, however, the tobacco trade suffered less than most in the recent period of depression, so, in contrast, is its improvement under present conditions less marked. The adverse factor of increased leaf prices has had, as I warned you a year ago it would have, a considerable effect, and it is thanks to a continued expansion of tobacco consumption, and to our share of the increased trade that we are able to produce results which are better than those of the preceding year. I regard this outcome of the year's trading as eminently satisfactory.

As you are aware, we have thought it well for a number of years past to mark our appreciation of the loyal and willing service of our employees by a gift over and above the ordinary salary or wage, and I am confident that you will, as in past years, endorse the decision of the directors to make a gift to the staff and workpeople of a sum equivalent to 16 per cent. of the total salary or wage received from the company during the twelve months ended October 31, 1936.

CURRENT TRADE AND PROSPECTS

For many years the tobacco trade has borne a heavy load of duty which is still at the highest figure at which it has ever stood, a figure to which it was raised in the emergency Budget of 1931. While some other commodities and some classes of taxpayers have received relief from the additional burdens imposed at that time, there has been no lightening of the weight of taxation on tobacco. As I have said before, I believe that the present rate of duty is as much as the trade can bear, and I should, in fact, have no hesitation in saying that any further increase in duty would have an immediate and definite restrictive effect on consumption.

Given, however, a continuance of the present conditions in the tobacco industry and maintained improvement in general trade, I think that the consumption of tobacco may be expected to show some further expansion. It will be our endeavour and our hope to secure for your company, through the excellence of our products both in quality and value, our share of such increased trade. Already for the first three months of the current year our sales show an encouraging increase.

Throughout this company's history the aim of the board has been steady progress. Indeed, looking back over the post-war period and contrasting our results over that period with the considerable fluctuations of many other businesses—and, indeed, of the national prosperity—I think we can say that our objective of steady progress has been and is being realised. I hope it will continue in the year upon which we have already entered. We shall again have to face a substantial increase in the cost of leaf, but if nothing takes place to disturb the conditions under which we trade I see no reason to anticipate that the results of the current year will be less satisfactory than those that have been reviewed to-day.

The report and accounts were adopted.

GENERAL MORTGAGE BANK OF PALESTINE, LIMITED

DIVIDEND OF 7½ PER CENT.

BUSINESS UNAFFECTED BY THE DISTURBANCES

The fifteenth annual general meeting of the General Mortgage Bank of Palestine, Limited, was held on February 7th last in the bank's offices at Tel-Aviv.

Mr S. Hoofien (the chairman) said that the year under review had unfortunately been marked by a prolonged period of political disturbances. Much harm had been caused to the fair name of the country and much misery to peasants and labourers, whose sole endeavour was to follow their peaceful avocations, and who had no real quarrel with their neighbours. All this was the more regrettable as it was unnecessary. If a reasonably firm and consistent policy had been followed the country need not have gone through this experience. It was to be hoped that the recommendations of the Royal Commission which had recently been inquiring into the underlying causes of the disturbances would show the way towards a constructive and consistent policy.

SATISFACTORY RESULTS

While naturally the country had suffered a certain setback, it afforded the directors great satisfaction to be able to state that the bank's business had not been affected in any way whatsoever. At no time had there been any drop in house property values to such an extent as to cause any concern; all instalments of capital repayment and interest had come in with the utmost regularity. During the whole year under review not one forced sale of mortgaged property had been necessary. The present year was the fourth consecutive year regarding which this satisfactory statement could be made. Arrears outstanding at the end of the year on all interest maturing until November 30, 1936, amounted to 1½ per mille of the total loans outstanding.

The directors had naturally followed a rather conservative policy in the matter of granting fresh loans, and new business had been accepted by them only after the most careful examination. Even so the item "Mortgage Loans" in the balance sheet had gone up by £P199,805, and it now stood at £P2,103,453. There were 2,690 loans outstanding, all of them repayable in quarterly instalments terminating at various periods up to the year 1957. The fact that all the loans were repayable in instalments and that those instalments had been carefully calculated to be within the reach of the borrowers deserved to be stressed, as it constituted the best guarantee of the stability of the bank's business. Members had more than once been told that in estimating the value of the mortgaged property the bank entirely disregarded the value of the building site, and it was, therefore, in no way concerned with the ups and downs of the land market.

ADDITIONAL WORKING CAPITAL

During the year under review additional working capital had been provided through the issue of a further £P320,000 five per cent. twenty-year debentures. After the close of the year the share capital had been brought up to £P450,000 through the issue of £P100,000 ordinary shares.

The results of the business had been gratifying. After making ample provision for contingencies and for debenture interest, there remained a net profit available for distribution of £P41,422, out of which the directors had transferred an amount of £P15,000 to reserve account. It was proposed to pay a dividend of 7½ per cent.—in 1935 it was 7 per cent.—on the ordinary shares, and one of 6½ per cent.—in 1935 it was 6½ per cent.—on the 6 per cent. cumulative preference shares. As announced last year, the bank had now inaugurated the policy of declaring on September 1st interim dividends on the ordinary as well as on the preference shares.

The report and accounts were unanimously adopted.

Orders for the publication in these columns of the reports of Company Meetings should be addressed to:—

*The Reporting Manager,
THE ECONOMIST,*

*8 Bouverie Street,
Fleet Street,
London, E.C.4.*

PROVIDENT MUTUAL LIFE ASSURANCE ASSOCIATION

INCREASED NEW BUSINESS

The annual general meeting of the Provident Mutual Life Assurance Association was held, on the 17th instant, in London, Mr Owen Hugh Smith, chairman of the association, presiding.

The manager and actuary (Mr. C. R. V. Coutts, F.I.A.) read the notice convening the meeting and the report of the auditors.

The Chairman said: Our accounts reflect the industrial recovery which has spread during the past year in so many directions. The new life assurance business exceeds the corresponding figure for the previous year by over 16 per cent., and is actually 75 per cent. higher than five years ago, when the depression was at its worst. In addition to our life assurance business we have transacted a considerable volume of deferred annuity business amounting to a total of £146,000 per annum.

Another welcome feature is the substantial fall in the amount paid for the surrender of policies. During the last four years there has been a reduction of 40 per cent., from £171,000 in 1933 to £103,000 last year.

Notwithstanding the increase in our new business the ratio of expenses to premium income has remained the same as in the previous year at the very moderate figure of 14.5 per cent.

A year ago I called your attention to the exceptionally low figure for the death claims, which for the year 1935 amounted to only £153,000, a lower amount than in any year since 1928. It is not surprising, therefore, that there was an increase in 1936 to a more normal figure.

The endowment assurances maturing during the year have increased by £17,000 and involved us in payments of £480,000, which is by far the largest item of outgo in our revenue account.

POSITION OF FUNDS

Turning now to the position of our funds, during the year the assurance fund has increased by £675,000, the largest addition we have ever made in the course of one year. Our broad policy has been, as in the past, so far as is practicable, to cover our liabilities which are spread over the next fifty or sixty years by long-dated but ultimately redeemable securities. Our British Railway holdings are mainly in railway prior charge stocks, which, I am glad to say, are now paying their full dividends. When they were much cheaper than now we made considerable investments in British Public Utilities, such as gas, water and electricity companies, which have proved very successful.

It is not our practice to bring into revenue any capital profit whether realised or arising from appreciation in market values. The result of this policy at December 31st last was that the market values exceeded the values in the balance sheet by £1,532,000 without taking into account the investment reserve fund of £1,000,000. There is therefore in effect a total reserve of £2,532,000 on a fund of £10,500,000. The corresponding figure last year was £2,035,000. The realised profit and net appreciation in value during the year has therefore amounted to £497,000. This is, of course, very satisfactory so far as it goes, but it has its gloomy side. The general rise in the capital values of investments, which means that new capital can be raised at low rates of interest, is no doubt a benefit to the country as a whole. But if prices continue at their present levels, the cost of life assurance must inevitably increase.

The rate of interest we earned last year, before the deduction of income tax, was £5 5s., which is identical with that of the previous year and higher than in 1934. The net rate of interest was £4 9s. 6d., showing a fall of 1s. 5d., due mainly to the increase in income tax. You must not, however, infer from this that we have been able to invest our funds during the year at nearly 4½ per cent. net. On the contrary, it is calculated that our new investments have been made to bring in only 3½ per cent. net. The reduction in the rate over our funds as a whole which these new investments would have made has been almost exactly balanced by increased dividends on some of our existing investments.

FAVOURABLE QUINQUENNIAL PROSPECTS

We are now in the final year of our quinquennium, and I am glad to be able to tell you that our actuarial investigations show that unless there is some disaster before this time next year we shall be in a position to declare a bonus at at least as high a rate as that which I had the pleasure of announcing in 1933. We have therefore again had no hesitation in continuing the interim bonus rates for the current year at the full rates declared at the last division of profits.

The report and accounts were adopted.

SCOTTISH LIFE ASSURANCE COMPANY, LIMITED

NEW RECORD FIGURES

In the absence of His Grace the Duke of Atholl, who is at present abroad, Sir John Lorne MacLeod, G.B.E., LL.D., chairman of directors, presided at the annual meeting of the Scottish Life Assurance Company, held on Thursday, February 18th, in Edinburgh.

In moving the adoption of the report, he said that they had created a new high record in new business figures. Their net total this year came out at £2,389,000, an advance of £236,000 on 1935. The net premium income of the year was £624,000, which included a smaller amount of single premiums than usual—£49,000. The renewal premium income totalled £575,000, an increase of no less than £37,000 over the previous year. The interest income was £335,000 after deduction of income tax.

INTEREST RATE

The net rate of return on the life and annuity funds was £4 4s. 2d. per cent. against £4 4s. 4d. per cent. for 1935.

Claims by death at £231,000 were £65,000 more than in 1935, while endowment assurances maturing by survivorship had totalled £302,000, an increase of £33,000. The mortality, however, had been light. Surrenders had been somewhat swollen by sums which had been paid away to policyholders who had surrendered bonuses for cash, a feature which always followed a quinquennial investigation.

EXPENSE RATIO

The ratio of expenses and commission to premium income was a little higher at 17.1 per cent., as against 16.5 per cent. last year. Certain non-recurring expenses incidental to the quinquennial investigation were, however, included this year.

The life assurance and annuity fund had increased by £237,000, and now stood at £8,285,000. In conclusion, he dealt with improvements made in the company's guaranteed options scheme, which should make an even greater appeal to the assuring public than before, being entirely in line with the most modern practice.

MR R. M. GUILD'S SPEECH

Mr R. M. Guild, in seconding, said that the mainstays of their new business were the whole life non-profit section—which included the "changing" and "flexible" policies—and the endowment assurance with profits class. The former gave the largest immediate life cover and was popular with young men, while the latter catered for the client who was thinking more of investment. In recent times the once popular limited payment policy seemed largely to have suffered eclipse, yet it was really about the best kind of policy a man could select for his first assurance. Referring to the balance sheet, he said that a year ago the chairman stated that, having regard to current market values of securities, the company was well fortified against any possible reverses of fortune. Relatively they were in an even better position to-day.

THE DIVIDEND

The report was adopted and a dividend of 5s. 6d. per share, less tax, was declared in respect of the past year. It was further decided that the dividend for the ensuing year would be payable in two instalments and an interim dividend of 2s. 9d. per share, less tax, was declared payable on September 1, 1937.

A vote of thanks to the Branch officials, moved by Mr Lewis P. Orr, was acknowledged by Mr J. A. Hay, London manager.

OFFER TO NEW READERS

Any reader who makes his first acquaintance with this journal with this week's issue is invited to fill up the attached:

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LANCASHIRE ELECTRIC LIGHT AND POWER COMPANY, LIMITED

STEADY PROGRESS

The ordinary general meeting of The Lancashire Electric Light and Power Company, Limited, was held, on the 18th instant, at Winchester House, London.

Mr George Balfour, M.P. (the Chairman), said that the accounts presented indicated moderate and steady progress. Trade during the year showed a regular increase, and, in fact, each month showed an increase in Lancashire trade compared with the corresponding month in the previous year, and as trade indications at present were satisfactory, the company should be able, in the absence of any untoward event, to look forward to further progress during the year.

During the year the company expended upon capital account £630,435, of which £411,697 was on generating stations, £448,000 having been spent on Kearsley, but £36,000 was written off plant in Radcliffe station and £217,704 was on distribution system. The expenditure in connection with the generating stations included the balance of payments, except certain retentions, on the first 50,000 k.w. turbo-generator plant and boilers. This 50,000 k.w. set was fully loaded for the first time on November 5th, and after being thoroughly tried out under commercial load conditions, the installation of the set was commemorated by a tablet fixed in the power station, which was unveiled on December 21st by the Earl of Derby. An interesting feature in connection with the Kearsley extension was the cooling tower, which, owing to it being the largest in the world, had attracted a good deal of attention and publicity.

This year the company should receive from the Central Electricity Board a contribution towards the capital charges on the 50,000 k.w. set installed last year. During the year they had received direction from the Central Electricity Board to instal a second 50,000 k.w. turbo-generator set in the Kearsley Station, to be completed by the autumn of 1938, and this plant was now in hand. Until the company's own demand required part or all of the output from this set the statutory charges on the capital employed were payable by the Central Electricity Board.

ADDITIONAL CONSUMERS

During the year the company connected 5,927 additional domestic consumers, compared with 5,680 during the previous year, being an increase of about 15 per cent. Out of a total of 39,123 domestic consumers connected at the end of the year 33,377 had adopted the two-part tariff. Revenues from this source had increased although tariffs had been reduced, and the unit consumption per consumer had increased nearly 10 per cent. overall. The overall unit price to the low tension consumers fell from 2.061d. to 1.92d. The units sold were approximately 370 millions, compared with 330 millions for the previous year, and the amount taken by the Central Electricity Board was 184 million units, compared with 167 million units.

With regard to the results for the year, the trading profit of the subsidiary company and interest amounted to £426,056, an increase of £41,762 as compared with the previous year. After providing for income tax, placing £113,000 to depreciation, and carrying forward in the subsidiary company £8,078, they had a balance paid over to this company of £288,296, which together with management fees and sundry receipts gave them a total of £301,607. After transferring £40,000 to reserve, the directors recommended an additional dividend at the rate of $\frac{1}{2}$ per cent. per annum on the participating preference shares and a final dividend of 5 per cent. on the ordinary shares, making $7\frac{1}{2}$ per cent. for the year on both classes of shares.

Turning to the balance sheet, the total investment in debentures and shares at cost was increased by £533,000. This increase was due to additional debentures and shares taken up by this company to put the subsidiary company in funds to enable them to provide payments in connection with the plant extensions. A year ago the company had cash at bankers amounting to £283,000, but this year they owed their bankers £237,516. The difference was accounted for by payments for extensions to plant and mains, etc., during the year. Further capital would be issued at an early date to liquidate the loan and provide funds to meet expenditure on extensions in hand, and it was proposed to submit a resolution for the purpose of increasing the capital of the company.

The report and accounts were unanimously adopted, and resolutions converting the shares of the company into stock and authorising the creation of 1,000,000 new shares of £1 each were unanimously approved.

POWER SECURITIES CORPORATION, LIMITED

YEAR OF ACTIVITY

The fourteenth annual general meeting of Power Securities Corporation, Limited, was held, on the 17th instant, at Winchester House, Old Broad Street, London, Mr George Balfour, J.P., M.P. (the chairman) presiding.

The Chairman, in moving the adoption of the report and accounts, said that he was sure they all felt that at the present time there was some reason to hope that they were in sight of more normal conditions. There were active signs at present that in this country they had at last realised that they could no longer promote and ensure world peace by disarmament alone, and that they, who were genuine peace lovers, must be adequately armed if they were to be able to confound those who, claiming at one and the same time compassion and acquiescence in their defalcations, for too long exploited this patience and toleration. He sincerely trusted that those nations which had forced them reluctantly to face a huge expenditure on their defence programme now realised clearly that the people of this country were determined to place themselves in a position to repel any unprovoked assault on their liberties or possessions. This country had paid a very heavy price for the exploration and demonstration of the new diplomacy, but it would prove to be money well spent if the vast new electorate learn the lesson which their recent experiences had taught and thus were able to make their contribution in the near future to a more stable diplomacy founded as of old upon the simple principles of honour and fair dealing.

Last year the company completed a considerable amount of work on hand and negotiated new business. Included in the work carried out they built an important factory for cement production which was likely to be one of the cheapest, if not the cheapest, producing in the country. The work on the important barrage which the company was building for the Irak Government at Kut was progressing, but unfortunately the abnormal floods completely deranged the programme at the end of last year. Every effort, however, was being made to complete within a very short period of the time originally contemplated.

MUCH MISCELLANEOUS WORK

During the year the company had also completed a large volume of miscellaneous hydro-electric work, extensions to several steam and oil generating stations at home and abroad, including power station and transmission line work in East Africa, Tanganyika and the Malay States.

Work on the tunnel to connect Loch Garry to Loch Erich would be completed in the autumn of this year, according to programme. This tunnel was approximately five miles in length and was probably one of the longest stretches which had been driven from two points only. With the completion of this work and the dam at the Dalwhinnie end of Loch Erich, the Erich dam would be available for storage to its full height. In a month or two they would start upon the next development connecting Lochs Seilich and Quoch by aqueducts and tunnels to the existing Erich reservoir to serve the plants already installed, all of which had been designed to utilise the additional water resources.

A year ago he mentioned that the company had on hand some £2,000,000 of uncompleted work, which included the uncompleted work in Irak; at the present time, excluding the Kut contract, they had on hand or awaiting immediate settlement approximately £2,250,000.

PROFIT AND DIVIDEND

The gross profit for the year, including interest, dividends, commissions and transfer fees, amounted to £134,517, an increase of about £300 on last year. Administration and general expenses and provision for taxation were lower by £1,400, and the balance carried to the balance sheet of £103,427 showed a net increase over 1935 of approximately £1,700. After transferring £30,000 to general reserve account, the directors recommended a dividend of 7 per cent., less income tax, on the ordinary shares for the year, leaving to be carried forward £31,339, an increase of £4,000.

In regard to the outlook, he had already stated that the company had £2,250,000 of work in hand unexecuted, apart from the Irak work. They were therefore well placed for some time to come, and, in addition, they were dealing with quite a lot of concession work, engineering and miscellaneous work, which should mature in due course. The exchange difficulty still hampered the expansion of their business into countries not linked to sterling.

The report and accounts were unanimously adopted.

MARGATE ESTATES COMPANY, LIMITED

SATISFACTORY YEAR—FAVOURABLE OUTLOOK

The third ordinary general meeting of this company was held, on the 16th instant, in London, Mr John Henry Iles, J.P. (chairman and managing director), presiding.

The Chairman said: We meet again to review another satisfactory year's accounts. In so doing, shareholders, I feel sure, will be impressed with the solid and reliable character of our business. In past years I have frequently stressed the point, "We have so many strings to our bow" that we can rely upon a general good result in spite of bad weather conditions. All can recall a miserable summer, and we can still show an improvement on our profits.

It is pleasing to me and my colleagues that investors are realising more and more the attractiveness of our shares and debentures. To-day it is much easier to sell than to buy, and all stand at a good premium.

The printed report refers to the prospects of the coming season. If we are fortunate enough to have a reasonably fine and warm summer, I believe we shall do record business. We cater for the masses, and the nimble sixpence. Our patrons are good spenders when wages are good. It is general knowledge that wages continue on the up grade. I think, therefore, that it is reasonable to be optimistic about our future.

There is only one other point to which I would like to direct your attention. As you all know, the company started its operations with a considerable sum standing to the credit of capital reserve, and this has been added to by the premium on our recent share issue. This has enabled us to write off the balance of £3,197 expenses on the last issue, and to apply the sum of £1,999 9s. 10d. in reduction of the capital value of park amusements. I am certainly looking forward with much pleasure to meeting you all again next year.

The Chairman concluded by moving the adoption of the report and accounts and the payment of a final dividend on the ordinary shares of 4 per cent., together with the confirmation of the interim dividend of 4 per cent. already paid.

The resolution was carried unanimously.

RAILWAY SHARE TRUST AND AGENCY COMPANY, LIMITED

FURTHER SUBSTANTIAL IMPROVEMENT

The forty-eighth ordinary general meeting of this company was held, on the 18th instant, in London.

Mr Richard S. Guinness, the chairman, said that the accounts reflected the full year's benefit both of their refunding operation and the issue of an additional £100,000 3½ per cent. debenture stock, in addition to a further general improvement in revenue account. The gross income of £131,105 represented earnings of practically 5½ per cent. on the book cost of their investments and compared with £124,940 last year. The net balance available for the ordinary stock amounted to £52,324, or 8.7 per cent., on the £600,000 ordinary stock. The comparable figure last year was £41,538, or 6.9 per cent.

The balance available not only enabled the board again to transfer £10,000 to reserve but to recommend that the dividend on the ordinary stock be increased from 5 per cent. to 6 per cent., absorbing £36,000, and leaving to be carried forward £42,187, which was equivalent to somewhat more than one year's dividend at the new rate.

The valuation of their investments at January 15th last reflected to a marked degree the recovery power of their holdings. This year the appreciation over the book cost of investments amounted to £470,602, and compared favourably with the valuations published from time to time by various statisticians. The improvement in values was again mainly due to their United Kingdom holdings, but it was pleasing to record that the holdings in the United States of America had improved considerably in capital value as well as in revenue. The Argentine, Brazil and Canada also showed substantial improvements during the year.

The company was healthy and virile, its balance sheet was sound, enabling it to take advantage of improving conditions when they arose and to withstand those checks which were part of their heritage. It might be that values would not always stand on such a high plane, but in such a case there would remain the consolation that the burden of the search for remunerative investments answering to their standard would be eased.

The report was unanimously adopted.

RAILWAY DEBENTURE AND GENERAL TRUST COMPANY, LIMITED

INCREASED REVENUE AND DIVIDEND

The sixty-fourth ordinary general meeting of this company was held, on the 18th instant, at Winchester House, London.

Mr Richard S. Guinness, the chairman, said that the report and accounts for the past year showed the capital and the reserve to be intact and an improvement in revenue for the past year of £4,346. After charging expenses, debenture interest and preference dividend, the net amount available for the ordinary stock was £44,365, or 6.83 per cent., against £40,220 or 6.19 per cent. last year. After allocating £5,000 to reserve account and providing for income-tax adjustment, the balance available enabled them to recommend that the dividend on the ordinary stock be raised by $\frac{1}{2}$ per cent. to $5\frac{1}{2}$ per cent.

The gross income for the year amounted to £142,351 and showed a return of 5 per cent. upon the book cost of the investments. This was the third year of progression following the low point of 1934, when income in round figures amounted to £134,000.

Conversions to a lower interest base and repayments had continued to operate against them. On the other hand, with improved and improving conditions at home and abroad certain of their investments were yielding arrears of income and their revenue account this year included a sum of approximately £5,500 under that heading. Further arrears still remained due, but it was impossible to say what proportion thereof would eventually be received. That aspect was taken into consideration by the directors when deciding upon the proportion of income which it was deemed prudent to retain in the company, and it was through the consistent application of that policy of strengthening reserves that they could hope for steady improvement in revenue account. The present revenue had an increasingly sound foundation by reason of the improvement in security resulting from the numerous conversions to a lower interest basis which had taken place in the past few years in debentures and debenture stocks. In addition, it should be a factor of safety that 58 per cent. of their income was attributable to their holdings of United Kingdom investments and that the fixed interest bearing investments in the United Kingdom alone contributed 46 per cent. of the total income.

The report and accounts were unanimously adopted.

WANDSWORTH AND DISTRICT GAS COMPANY

RECORD SALES OF APPARATUS

The annual ordinary general meeting of this company was held, on the 16th instant, in London.

Mr Frank H. Jones, the chairman and managing director, presided, and in moving the adoption of the report and accounts said that the net result of the year's working came out at £268,422 as against £245,511 last year, and, after bringing in the balances from the late Leatherhead and Walton companies, there was a balance in the profit and loss account of £130,454. In spite of the mild weather experienced there had been a satisfactory increase in the sale of gas to consumers of 5.3 per cent., and, provided normal weather conditions prevailed during the current year, an extension in the sale of gas might be expected to be maintained. The increase in the price of coal by 1s. per ton and in the wages of gas workers had necessitated increasing the price of gas by one-fifth of a 1d. per therm.

During the year a five-year contract had been received from the Wandsworth Borough Council for the lighting of 103 miles of roads with new and improved lamps, and large extensions of public lighting within the company's area of supply had also taken place for several other local authorities, while important progress had been made in the sale of gas for industrial uses. The development of gas for multifarious industrial uses could be looked upon as a most important factor in the development of gas sales in the future.

As regarded the domestic sale of gas, the number of consumers showed an increase of 6,753 during the year to a total of approximately 200,000. The sale of apparatus again created a record, 33,000 major appliances having been sold.

The amount received by the sale of residuals had been up to expectations, with the exception of sulphate of ammonia, and showed an improvement over the previous year's trading. The sale of coke to the smaller domestic consumers had been particularly satisfactory, due to a policy of encouraging the use of coke for domestic purposes.

The report and accounts were unanimously adopted, and the dividend recommendations, including 7 per cent. upon the consolidated stock, were approved.

BAH LIAS RUBBER ESTATES, LIMITED

DIVIDEND OF 9 PER CENT.

The annual general meeting of this company was held, on the 17th instant, in London.

Mr H. Eric Miller (the chairman), in the course of his speech, said: The crop was the largest ever harvested by the company, and would have been greater but for the fact that export licences representing 388,821 lb. were sold in 1935 to the Netherlands Indies Government. Expenditure has been strictly controlled, and the increase in cost of production is due in the main to a new item over which we have no control, in the shape of a fiscal export duty imposed by the Netherlands Indies Government on rubber shipped from their territory, which came into force as from January 1, 1936.

If the method of calculation for 1938 were to follow the practice adopted for 1936 and 1937, the duty might well amount to 5 cents per half kg., or 1.2d. per lb., and representations have been made to the Government pointing out the injustice of singling out the plantation rubber industry for a special tax contribution of this magnitude. The Netherlands Indies Government are therefore considering some modification in the scale of this duty, which, if adopted, will reduce it appreciably.

We have written off £7,500 against profits as depreciation of mature areas. We are then left with a credit balance of £31,539, the whole of which we propose to distribute. A dividend of 9 per cent. will encroach on the carry-forward, but only to the extent of £70, leaving a free balance of £39,469 18s. 5d.

We have made forward contracts at rising prices for a total of 630 tons smoked sheet to be shipped during 1937 at an average price of 8.82d. per lb. c.i.f. This represents about 38 per cent. of our estimated exportable allowance for 1937. The crop we will account for in our current working year looks likely to be upwards of 3,500,000 lb., and we should have no difficulty in producing this on a conservative system of tapping. We have also sold 108 tons for shipment during 1938 at 10½d. per lb. c.i.f.

Barring any major setback to the general recovery now in progress, indications point to further steady expansion in the demand for our product, and, having nursed our estates during the depression, we stand to benefit accordingly in the better times now at hand.

The report and accounts were unanimously adopted.

GOVERNMENT RETURNS, &c.

NATIONAL ACCOUNTS

The total ordinary revenue for the week ended February 13, 1937, amounted to £31,348,000, against ordinary expenditure of £11,134,000. After allowing for an increase in Exchequer Balances of £244,055, the operations for the week, as shown below, decreased the gross National Debt by £19,745,000, to approximately £7,948 millions.†

(000's omitted)		(000's omitted)	
2½% Funding Loan	+ £1	Treasury Bills	- 13,556
National Savings Certificates	+ 100	Public Department Advances	- 3,540
		Treasury Bonds	- 880
		Other debt (War Loan Acts)	- 1,200
		P.O. and Tel. Capital Exp.	- 700
	+ 101		- 19,846

† Including £3.5 millions on Account of Exchange Equalisation Fund and borrowing for Statutory Sinking Fund.

A complete analysis of the approximate position of the National Debt at December 31, 1936, appeared in *The Economist* for January 2, 1937.

REVENUE	Estimate for the year 1936-37	Total Receipts into the Exchequer			
		April 1, 1935, to Feb. 15, 1936	April 1, 1936, to Feb. 13, 1937	Week ended Feb. 15, 1936	Week ended Feb. 13, 1937
ORDINARY REVENUE					
Inland Revenue—	£	£	£	£	£
Income Tax	259,000,000	180,174,000	185,717,000	15,776,000	18,695,000
Sur-tax	56,500,000	33,380,000	33,980,000	2,910,000	3,250,000
Estate, etc. Duties	89,000,000	75,650,000	74,780,000	1,690,000	2,020,000
Stamps	27,000,000	18,550,000	22,020,000	810,000	580,000
Excess Profits Duty and Corporation Profits Tax	750,000	...	...	...	...
Land Tax and Mineral Rights Duty	750,000	510,000	430,000	90,000	80,000
Total Inland Revenue	433,000,000	308,144,000	316,927,000	21,276,000	24,625,000
Customs and Excise—					
Customs	207,525,000	172,207,000	183,003,000	3,495,000	3,943,000
Excise	110,000,000	93,900,000	95,500,000	1,300,000	1,100,000
Total Customs and Excise	317,525,000	266,107,000	278,503,000	4,795,000	5,043,000

NATIONAL SAVINGS CERTIFICATES

Total Sales of Savings Certificates	No. of Certificates	Value
Week ended January 30, 1937	705,995	£59,497
Week ended February 6, 1937	808,227	£66,170
February, 1936, to February 6, 1937	1,284,449,540	£1,009,774,943

At the end of December, 1936, the amount remaining to the credit of investors in Savings Certificates, excluding interest, was £390,101,507.

THE BANKERS' GAZETTE

BANK OF ENGLAND

RETURN FOR WEEK ENDED WEDNESDAY, FEBRUARY 17, 1937

ISSUE DEPARTMENT

Notes Issued:—	£	Government Debt	£
In Circulation	453,337,455	Other Government Securities	186,874,790
In Banking Department	60,323,206	Other Securities	2,100,639
		Silver Coin	9,501
		Amount of Fiduciary Issue	200,000,000
		Gold Coin and Bullion	313,660,661
	513,660,661		513,660,661

BANKING DEPARTMENT

Proprietors' Capital	£	Government Securities	£
Rest	14,553,000	Other Securities	83,128,044
Public Deposits*	3,657,716	Discounts and Advances	5,467,373
Other Deposits	24,393,657	Securities	£20,381,774
Bankers' Accounts	£90,551,191		25,849,147
Other Accounts	£36,657,333	Notes	60,323,206
	127,203,524	Gold and Silver Coin	512,500
	169,812,897		169,812,897

* Including Exchequer, Savings Banks, Commissioners of National Debt, and Dividend Accounts.

Both Departments	Amount, Feb. 17, 1937	Inc. or Dec. on Last Week	Inc. or Dec. on Last Year
Note circulation	453,337,455	+ 1,650,474	+ 56,152,008
Public deposits	24,393,657	+ 12,698,078	+ 13,313,428
Bankers' deposits	90,551,191	+ 8,605,948	+ 17,078,578
Other deposits	36,657,333	+ 687,295	+ 684,427
Total outside liabilities	604,939,636	+ 1,748,360	+ 53,372,185
Capital and rest	18,210,716	+ 34,980	+ 6,861
Government debt and securities	281,017,004	+ 895,875	+ 54,363,549
Discounts and advances	5,467,373	+ 1,041,801	+ 6,188,862
Other securities	22,482,414	+ 1,526,076	+ 2,134,015
Silver coin in issue department	9,501	+ 443	+ 1,079,987
Coin and bullion (bank's reserves)	314,173,161	+ 60,333	+ 112,860,657
Reserves of notes and coin in banking department	60,845,706	+ 1,717,407	+ 3,892,251
Proportion of reserve to outside liabilities—			
(a) Banking Department only	40.1%	+ 0.2%	+ 1.5%
(b) Gold stocks to deposits and notes ("reserve ratio")	51.9%	+ 0.2%	+ 15.4%

(000's omitted)

Date	Issue Department		Banking Department			Gold in or out of Bank	Bank Rate
	Notes Issued	Circulation	Public Deposits	Bankers' Deposits	Other Deposits		
1937							
Jan. 27	£13,661	£452,267	£12,133	£98,423	£38,442	Nil	%
Feb. 3	513,661	457,311	12,214	96,106	38,274	Nil	2
" 10	513,661	454,384	11,696	99,157	37,345	Nil	2
" 17	513,661	453,337	24,394	90,551	36,657	Nil	2

(000's omitted)

Date	Issue Department		Both Depts.	Banking Department				Reserve and the "Proportion"
	Govt. Debt and Securities	Other Securities		Gold Coin and Bullion and Reserve Ratio	Govt. Securities	Discounts and Advances	Other Securities	
1937								
Jan. 27	£198,960	£1,028	£314,990	52%	£78,636	£8,018	£18,724	£1,763
Feb. 3	198,965	1,091	314,167	52%	80,449	8,521	18,928	56,856
" 10	198,951	1,039	314,172	52%	81,210	8,869	19,517	59,118
" 17	197,899	2,101	314,173	51%	83,128	5,167	20,382	60,830

† Revised to agree with first table for Feb. to return.

POSITION OF THE FLOATING DEBT

Ways and Means Advances Outstanding	Feb. 15, '36	Mar. 31, '36	Feb. 13, '37	Feb. 13, '37
Advances by Bank of England	£24,265,000	19,055,000	32,529,000	+ 3,540,000
Advances by Public Department	795,610,000	768,115,000	709,475,000	- 13,560,000
Treasury Bills outstanding	819,875,000	782,170,000	738,945,000	- 17,100,000
Total Floating Debt	£1,639,750,000	£1,545,340,000	£1,580,949,000	- 13,600,000

* Includes £3,000, the proceeds of which were not carried to the Exchequer within the period of the Account.

TREASURY BILLS BY PUBLIC TENDER

Tenders for £35,000,000 Treasury bills were opened on February 12, 1937. The amount applied for was £69,070,000. Tenders were accepted for Treasury bills at three months dated Monday and Tuesday at £99 17s. 6d., and above in full; Wednesday at £99 17s. 5d., about 41 per cent. and above in full; Thursday at Saturday at £99 17s. 6d., and above in full. The average rate per cent. was 10s. 4.70d. The amount allotted was £35,000,000.

Date	Amount Offered	Total Applications	Amount Allotted	Average Rate %
January 4, 1935	£30,000,000	49,500,000	27,500,000	£ s. d. 1 14
July 5, 1935	40,000,000	69,900,000	40,000,000	0 12 4.32
January 8, 1936	35,000,000	88,075,000	35,000,000	0 10 10.72
July 3, 1936	50,000,000	72,750,000	50,000,000	0 12 1.27
January 1, 1937	40,000,000	75,450,000	40,000,000	0 12 5.63
February 5, 1937	35,000,000	78,620,000	35,000,000	0 10 4.31
February 12, 1937	35,000,000	69,070,000	35,000,000	0 10 4.70

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THE BRANDY WITH A PEDIGREE

BANKERS' CLEARING RETURNS

LONDON
(000's omitted)

	Town	Metropolitan	Country	Total
1937				
January 1 to February 3	3,888,143	226,918	386,064	4,301,125
Week ended February 10	810,807	45,452	87,937	944,196
Week ended February 17	694,143	39,128	68,306	801,577
Total to date, 1937	5,193,093	311,498	542,907	6,046,898
Total to date, 1936	4,406,428	285,389	486,726	5,178,543
Increase or decrease in 1937	+ 786,665 = 17.8%	+ 26,109 = 9.1%	+ 56,181 = 11.4%	+ 863,355 = 16.8%
Total for year 1936	35,039,358	2,039,620	3,537,598	40,616,574
Total for year 1937	32,443,375	1,887,112	3,229,064	37,559,551
Increase or decrease in 1936	+ 2,595,781 = 8.0%	+ 152,500 = 8.1%	+ 308,534 = 9.6%	+ 3,056,823 = 8.2%

PROVINCIAL
(000's omitted)

	Week ended February 13		Month of January			Aggregate Totals January 1 to February 13	
	1936	1937	1936	1937	Inc. or Dec.	1936	1937
No. of working days :	£	£	27	26	%	£	£
BIRMINGHAM	2,750	2,877	12,884	13,977	+ 8.4	19,387	20,743
BRADFORD	842	1,202	4,537	5,208	+ 14.7	6,796	7,614
BRISTOL	1,320	1,454	5,827	5,481	- 5.9	8,845	8,428
DUBLIN	5,173	5,170				39,402	40,165
HULL	792	944	3,932	4,333	+ 10.1	5,488	6,441
LEEDS	790	941	4,967	5,395	+ 8.6	7,041	7,752
LEICESTER	774	918	3,758	3,556	- 5.3	5,523	5,417
LIVERPOOL	5,658	7,068	27,746	32,303	+ 18.2	42,537	49,923
MANCHESTER	10,694	10,960	46,659	48,406	+ 3.7	71,258	74,000
NEWCASTLE	1,239	1,559	5,609	6,161	+ 9.8	8,723	9,437
NOTTINGHAM	488	626	2,510	2,502	- 0.3	3,892	3,823
SHEFFIELD	906	1,029	4,548	4,834	+ 6.2	7,085	7,613
	31,336	34,688	122,377	132,656	+ 7.8	225,977	239,895

OVERSEAS BANK RETURNS

NOTE.—The latest return of the Bank of Spain appeared in *The Economist* for August 15. Argentina, Danzig in January 23. Estonia, Lithuania, Bulgaria in January 30. Denmark, Egypt, Greece, Latvia, Portugal, Turkey in February 6. Finland, Poland, International Settlements, Japan, Roumania, and Federal Reserve Reporting Members in February 13.

U.S. FEDERAL RESERVE BANKS.—In \$'s (000's omitted)

	Feb. 20, 1936	Jan. 28, 1937	Feb. 4, 1937	Feb. 11, 1937	Feb. 18, 1937
U.S.F.R. BANKS					
Resources					
Gold Certificates on hand and due from the Treasury	7,670,230	8,849,910	8,848,390	8,848,390	8,847,880
Total reserves	8,027,570	9,170,410	9,150,180	9,138,210	9,144,250
Total cash reserves	341,980	307,770	289,040	277,090	284,440
Total bills discounted	6,590	2,860	2,800	2,580	3,040
Bills bought in open market	4,670	3,080	3,080	3,080	3,070
Total bills on hand	11,260	5,940	5,880	5,660	6,110
Industrial advances	31,870	24,080	23,650	23,580	23,230
Total U.S. Govt. securities	2,430,240	2,430,230	2,430,230	2,430,230	2,430,230
Total bills and securities	2,473,550	2,460,250	2,459,760	2,459,470	2,459,570
Total resources	11,167,130	12,318,180	12,305,890	12,270,680	12,463,940
LIABILITIES					
Federal Reserve notes in actual circulation	3,664,670	4,140,490	4,158,070	4,165,840	4,160,200
Aggregate of excess member bank reserves over requirements	3,040,000	2,150,000	2,150,000	2,180,000	2,190,000
Deposits—Member bank—reserve account	5,832,050	6,772,600	6,757,710	6,770,850	6,767,740
Government deposits	472,820	180,250	172,540	132,150	162,360
Total deposits	6,632,110	7,267,550	7,219,240	7,213,130	7,230,180
Capital paid in and surplus	302,630	305,150	305,360	305,280	305,290
Total liabilities	11,167,130	12,318,180	12,305,890	12,270,680	12,463,940
Ratio of total reserves to deposits and F.R. note liabilities combined	78.0%	80.4%	80.4%	80.3%	80.3%
U.S.F.R. BANKS AND TREASURY COMBINED					
Resources					
Monetary Gold Stock	10,180,000	11,345,000	11,364,000	11,387,000	11,403,000
Treasury and National Bank Currency	2,499,000	2,531,000	2,531,000	2,531,000	2,530,000
Money in Circulation	5,771,000	6,318,000	6,348,000	6,360,000	6,351,000
Treasury Cash and Deposits with Federal Reserve Banks	2,979,000	2,683,000	2,705,000	2,695,000	2,737,000

NEW YORK FEDERAL RESERVE BANK.—In \$'s
(000's omitted)

	Feb. 20, 1936	Jan. 28, 1937	Feb. 4, 1937	Feb. 11, 1937	Feb. 18, 1937
Total gold reserves	3,756,618	3,666,550	3,638,350	3,650,150	3,642,320
Total bills discounted	4,940	1,140	1,670	1,570	2,010
Bills bought in open market	1,740	1,090	1,090	1,090	1,090
Total U.S. Govt. securities	743,380	652,280	652,280	652,280	652,280
Total bills and securities	748,790	660,420	660,910	660,800	661,210
Deposits—Member bank—reserve account	2,836,770	3,106,220	3,116,510	3,132,760	3,132,620
Ratio of total res. to dep. and Federal Res. note liabilities combined	84.0%	86.6%	86.6%	86.5%	86.5%

AUSTRALIAN COMMONWEALTH BANK.

In £'s (000's omitted)

	Feb. 17, 1936	Jan. 18, 1937	Jan. 25, 1937	Feb. 1, 1937	Feb. 8, 1937	Feb. 15, 1937
ASSETS						
Gold and English sterling	15,984	16,011	16,011	16,011	16,011	16,011
Other coin, bullion and cash	6,129	6,129	6,129	6,129	6,129	6,129
Money at short call—London	13,201	18,351	18,358	18,980	19,211	21,969
Short-term loans	7,971	11,892	11,853	10,874	9,403	8,822
Securities	70,877	77,048	76,550	76,550	76,549	76,811
Discounts and advances	7,497	9,188	9,072	9,230	9,118	8,766
LIABILITIES						
Notes issued	47,044	47,538	47,038	47,038	47,038	47,038
Reserve premium on gold	4,125	7,753	7,753	7,753	7,753	7,753
Deposits	68,562	75,542	75,817	75,206	74,079	76,132

RESERVE BANK OF NEW ZEALAND.—In £'s (000's omitted)

	Feb. 10, 1936	Jan. 18, 1937	Jan. 25, 1937	Feb. 1, 1937	Feb. 8, 1937	Feb. 15, 1937
ASSETS						
Gold	2,801	2,801	2,801	2,801	2,801	2,801
Sterling exchange	22,598	17,893	17,901	18,769	18,901	18,901
Advances to the State	1,776	7,783	7,908	7,773	7,585	7,585
Investments	1,776	3,184	3,159	2,453	2,453	2,453
LIABILITIES						
Bank notes	9,963	13,212	13,068	13,018	12,915	12,915
Deposits	5,130	4,334	5,039	4,846	5,188	5,188
Government	10,558	12,471	12,272	12,578	12,154	12,154
Ratio of reserves to sight liabilities	98.5%	68.3%	68.1%	70.8%	71.4%	71.4%

BANK OF CANADA.—In \$'s (000's omitted)

	Feb. 12, 1936	Jan. 27, 1937	Feb. 3, 1937	Feb. 10, 1937
ASSETS				
Reserve of which	189,503	185,384	195,266	195,868
Gold coin and bullion	180,149	179,530	179,459	179,475
Dominion Government securities	101,600	158,628	164,406	164,004
LIABILITIES				
Note circulation	87,175	125,116	122,092	120,463
Deposits: Dominion Government	20,163	24,959	36,482	36,447
Chartered banks	180,069	194,287	194,288	193,827
Ratio of reserves to notes and deposit liabilities	65.6%	56.5%	55.2%	55.7%

SOUTH AFRICAN RESERVE BANK.—In £'s (000's omitted)

	Feb. 14, 1936	Jan. 15, 1937	Jan. 22, 1937	Jan. 29, 1937	Feb. 5, 1937	Feb. 12, 1937
ASSETS						
Gold coin and bullion	27,221	25,485	25,909	26,336	26,761	27,187
Bills discounted: Foreign	5,561	6,163	6,798	7,252	6,532	6,757
Investments	1,752	1,745	1,745	1,745	1,744	1,744
Other assets	14,988	12,770	12,623	13,147	13,808	13,761
LIABILITIES						
Notes in circulation	12,599	14,496	14,023	15,760	15,212	14,521
Deposits: Government	1,694	1,835	2,369	1,797	1,290	1,542
Bankers	23,941	24,025	23,819	23,770	26,459	27,647
Ratio of cash reserves to liabilities to public	55.4%	57.7%	57.8%	57.6%	57.1%	57.7%

RESERVE BANK OF INDIA.—In Rupees (000's omitted)

	Feb. 14, 1936	Jan. 29, 1937	Feb. 5, 1937	Feb. 12, 1937
ASSETS				
Gold coin and bullion	44,421.17	44,421.17	44,421.17	44,421.17
Reserve of gold	57,788.83	63,137.84	62,398.88	62,028.84
Balance abroad	20,584.49	21,284.13	20,355.86	21,040.60
Sterling securities*	68,188.33	72,310.02	75,301.02	77,309.98
Indian Govt. rupee securities*	25,545.50	24,370.60	24,370.60	24,370.60
Investments	5,143.33	7,586.65	7,737.78	7,577.40
LIABILITIES				
Note circulation	1,694,428	1,925,562	1,965,515	1,974,439
Deposits: Government	12,501.11	12,501.11	10,777.88	10,777.88
Bankers	35,642.9	17,717.6	15,883.35	17,785.85
Ratio of gold and sterling to liabilities	57.1%	57.2%	58.0%	58.5%

* Held against notes.

BANK OF FRANCE.—In francs* (000's omitted)

	Feb. 14, 1936	Jan. 22, 1937	Jan. 29, 1937	Feb. 5, 1937	Feb. 12, 1937
ASSETS					
Gold	65,087,207	60,358,742	57,358,742	57,358,742	57,358,742
Advances on Gold Coin	1,197,499	1,182,852	1,147,495	1,147,495	1,147,495
Commercial Bills	9,477,633	8,671,129	10,186,872	9,615,412	9,446,023
Bills bought abroad	1,111,213	1,409,988	1,409,988	1,294,635	1,294,635
Advances on securities	4,164,327	4,205,889	4,868,914	4,870,488	4,883,199
Loans to credit without interest: (a) general	3,200,000	3,200,000	3,200,000	3,200,000	3,200,000
(b) provisional	...	19,398,092	19,772,096	19,772,096	19,772,096
Negotiable Bonds	5,707,677	5,639,771	5,639,771	5,639,771	5,639,771
Sinking Fund Debt	3,780,908	3,761,161	3,875,492	4,048,011	3,911,388
Other assets (excluding forward exch.)	3,780,908	3,761,161	3,875,492	4,048,011	3,911,388
LIABILITIES					
Notes in circulation	80,059,253	86,544,876	87,687,989	86,996,864	85,929,958
Public deposits	2,809,649	1,943,654	1,955,183	2,213,898	2,455,311
Private deposits	8,594,937	16,537,838	15,164,982	15,045,104	15,233,551
Other liabilities	2,356,624	2,801,256	2,649,100	2,790,783	2,734,580
Ratio of gold reserve to sight liabilities	71.1%	57.4%	54.7%	55.0%	55.3%

* The gold stock is based on the franc at 49 milligrams on and after Oct. 2, 1936.

THE REICHSBANK.—In Reichsmarks (000's omitted)

	Feb. 15, 1936	Jan. 30, 1937	Feb. 6, 1937	Feb. 13, 1937
ASSETS				
Gold	76,624	66,904	66,904	66,904
Of which: foreign	28,254	18,083	18,083	18,083
Reserve in foreign currencies	5,316	5,591	5,701	5,613
Bills of exchange and cheques	3,635,265	4,858,082	4,546,715	4,409,768
Silver and other coin	230,656	190,856	216,417	248,770
Advances	45,978	64,718	47,150	46,117
Investments	684,237	525,129	524,405	524,600
Other assets	686,626	767,703	795,576	878,673
LIABILITIES				
Reserves	471,184	473,561	473,561	473,561
Notes in circulation	3,849,180	4,799,080	4,560,544	4,560,544
Other daily maturing obligations	605,505	706,568	674,995	731,306
Other liabilities	273,042	349,754	343,892	364,957
Cover of note circulation	2.12%	1.51%	1.59%	1.62%

NATIONAL BANK OF BELGIUM.—In belgas (000's omitted)

	Feb. 13, 1936	Jan. 14, 1937	Jan. 21, 1937	Jan. 28, 1937	Feb. 4, 1937	Feb. 11, 1937
ASSETS						
Gold	3,398,451	3,705,295	3,689,022	3,688,890	3,683,699	3,685,636
Silver and other coin	64,791	53,630	56,434	57,502	55,313	54,748
Securities	1,240,344	1,379,359	1,369,359	1,369,359	1,355,968	1,355,968
Advances	77,247	52,467	53,257	53,001	40,127	32,544
LIABILITIES						
Notes in circulation	4,088,756	4,509,212	4,478,173	4,479,636	4,512,596	4,493,288
Deposits: Govt	86,143	84,381	85,727	85,689	85,689	85,689
" " "	96,143	905,829	801,729	783,289	749,902	804,313

II.—Forward Rates (Closing quotations)

London on	Feb. 12, 1937 Per £	Feb. 13, 1937 Per £	Feb. 15, 1937 Per £	Feb. 16, 1937 Per £	Feb. 17, 1937 Per £	Feb. 18, 1937 Per £
New York, cent.	1 Month (p)	(p)	(p)	(p)	(p)	(p)
Paris, frs.	1 Month (d)	(d)	(d)	(d)	(d)	(d)
Amsterdam, g'nt.	1 Month (p)	(p)	(p)	(p)	(p)	(p)
Brussels, cent.	1 Month (p)	(p)	(p)	(p)	(p)	(p)
Geneva, cent.	1 Month (p)	(p)	(p)	(p)	(p)	(p)

(p) Premium, i.e. "under spot."

(d) Discount, i.e. "over spot."

NEW YORK MONEY AND EXCHANGE RATES

The Irving Trust Company cables the following money and exchange rates in New York:—

	Feb. 19, 1937	Jan. 20, 1937	Feb. 3, 1937	Feb. 10, 1937	Feb. 17, 1937
Call money	1/2	1/2	1/2	1/2	1/2
Time money (90 days' mixed coll.)	1/2	1/2	1/2	1/2	1/2
Bank acceptances	1/2	1/2	1/2	1/2	1/2
Members—eligible, 90 days	1/2	1/2	1/2	1/2	1/2
Non-mem.—eligible, 90 days	1/2	1/2	1/2	1/2	1/2
Commercial accept., 90 days	1/2	1/2	1/2	1/2	1/2

Rates of Exchange, New York on—	Par Level	Feb. 19, 1937	Feb. 3, 1937	Feb. 10, 1937	Feb. 17, 1937
London—					
60 days					
Cable					
Cheques					
Paris					
Brussels					
Switzerland					
Italy					
Berlin					
Vienna					
Madrid					
Amsterdam					
Copenhagen					
Oslo					
Stockholm					
Athens					
Montreal					
Yokohama					
Shanghai					
Calcutta					
Buenos Aires					
Rio de Janeiro					

THE BANK OF LONDON AND SOUTH AMERICA, LTD., has received telegraphic advice from the Valencia Branch that the gold surcharge for payment of Spanish customs duties has been fixed for the period February 11th to 20th at 143.63 per cent. The previous rate was fixed from February 1st at 142.29 per cent.

Overseas Bank Rates and Exchange Rates for South Africa, Central and South America and Australasia were given in the issue of February 6th on page 333.

GOLD AND SILVER

The following statistics of imports and exports of gold and silver for the week ended February 18, 1937, are issued by the Statistical Department of H.M. Customs and Excise.

IMPORTS AND EXPORTS OF GOLD (Into and from United Kingdom)					
Imports			Exports		
From	Bullion*	Coin†	To	Bullion*	Coin†
British S. Africa	888,045	£	Palestine	£	£ 7,200
Tanzania	12,688	...	British India	...	3,272
Kenya	13,505	...	Bahamas	...	2,070
Uganda	2,730	...	Netherlands	...	20,000
Anglo-Egyptian	...	...	Syria	...	7,000
Sudan	3,249	...	Switzerland	...	74,607
British India	307,438	...	Jugoslavia	...	51,224
Australia	10,388	...	Morocco	...	3,500
New Zealand	17,332	...	Iraq	...	1,350
British Guiana	2,440	...	U.S.A.	...	3,581,669
Netherlands	110,317	...	Other countries	...	1,427
Belgium	27,879	...			
France	8,336,905	...			
Switzerland	12,018	3,782			
Morocco	5,721	4,073			
Iraq	47,375	...			
Venezuela	...	140			
Other countries	3,564	35			
Totals	9,801,560	£ 7,890	Totals	3,712,199	£ 45,800

* At current market value. † Coin which is of legal tender in the United Kingdom is entered at face value and shown in italics. Other coin is entered at current market value.

IMPORTS AND EXPORTS OF SILVER

Imports			Exports		
From	Bullion*	Coin†	To	Bullion*	Coin†
Australia	2,653	...	Aden and Dependencies	£	14,057
New Zealand	7,159	...	British India	613,930	...
Netherlands	29,000	47	Straits Settlements	1,675	...
Belgium	13,806	...	Canada	17,533	...
France	4,296	138	Bahamas	...	400
Japan	4,200	...	Jamaica and Dependencies	17,225	1,000
Other countries	171	...	Germany	280	...
			Serbia	1,461	...
			Switzerland	4,475	...
			Egypt	1,050	...
			U.S.A.	135,175	...
			Other countries	2,572	259 98
Totals	55,225	185	Totals	795,376	1,650 14,155

* At current market value. † Coin which is of legal tender in the United Kingdom is entered at face value and shown in italics. Other coin is entered at current market value.

GOLD MOVEMENTS: BANK OF ENGLAND

1937	ARRIVALS	1937	WITHDRAWALS
Feb. 12	Nil	Feb. 12	Nil
" 13	Nil	" 13	Nil
" 15	Nil	" 15	Nil
" 16	Nil	" 16	Nil
" 17	Nil	" 17	Nil
" 18	Nil	" 18	Nil
Total	Nil	Total	Nil

Movement, February 12 to February 18, 1937 (inclusive) Nil
Movement during year 1936 £113,609,527 in
Movement during 1937 (January 1 to February 18, inclusive) Nil
Movement, April 29, 1925, to February 18, 1937 (inclusive) £154,566,724 in
Movement, September 21, 1931 (gold standard suspended) to February 18, 1937 (inclusive) £176,972,176 in

GOLD MARKET

Messrs Samuel Montagu and Company write on February 17, 1937:—
The Bank of England gold reserve against notes amounted to £313,660,661 on February 10, 1937, the same as on February 3rd. Bar gold to the value of about £1,670,000 was available in the open market during the week. Although prices showed a premium over dollar parity at the time of fixing, most of the gold offered was secured for the United States of America. The s.s. "Mongolia," which sailed from Bombay on February 13th, carries gold to the value of about £71,000.

SILVER MARKET

The market has maintained a steady tone, and business has been of a fairly general character. Buying for America has again been in evidence, and there has been some speculative buying, demand being offset by further reselling of holdings and sales on China account. The Indian Bazaars have also resold, besides making a few fresh forward purchases. There is at present no indication of any wide variation from the present level.

1937	Price of Gold per Fine Ounce	Equivalent Value of £ sterling	Price of Bar Silver in London per ounce standard		Price of Silver New York per ounce .999 fine
			Cash	Two Months	
Feb. 11	141 11	11 11.67	20 1/2	20 1/2	45
" 12	142 2	11 11.42	20 1/2	20 1/2	
" 13	142 2	11 11.37	20 1/2	20 1/2	
" 15	142 1	11 11.46	20 1/2	20 1/2	
" 16	142 0	11 11.54	20 1/2	20 1/2	
" 17	142 0	11 11.54	20 1/2	20 1/2	
Average	142 0	11 11.50	20 1/2	20 1/2	
Feb. 18	142 1	11 11.50	20 1/2	20 1/2	

The highest rate of exchange on New York recorded during the period from February 11 to February 17, 1937, was \$4.90, and the lowest 4.89.

OTHER STATISTICS

WEEKLY TRAFFIC RETURNS RAILWAYS OF GREAT BRITAIN AND IRELAND

		Gross Receipts, week ended Feb. 14, 1937 (£'000)					Aggregate Gross Receipts, compared with 1936 (6 weeks) (£'000)					
(b) Week ended Feb. 12, 1937.	(c) Week ended Feb. 13, 1937.	Miles Open	Passen- ger, etc.	Merchandise, etc.	Coal and Coke	Total Goods	Total Receipts	Passen- ger, etc.	Merchandise, etc.	Coal and Coke	Total Goods	Total Receipts
Great Western	1937 3,746	154	192	120	312	466	930	1,116	704	1,820	2,750	
(c) L. & N.	1936 3,746	146	182	108	294	436	924	1,083	709	1,922	2,716	
Eastern	1937 6,332	254	320	277	595	849	1,483	1,902	1,571	3,473	4,585	
L. M. & S.	1936 6,336	244	320	263	583	827	1,456	1,896	1,642	3,538	4,994	
Scottish	1937 6,914	380	473	294	767	1,147	2,201	2,810	1,724	4,534	6,735	
Southern	1936 6,919	363	461	278	739	1,102	2,166	2,722	1,771	4,493	6,659	
	1937 2,153	248	57	93	341	488	648	328	206	534	740	
	1936 2,154	227	58	98	323	449	623	343	238	581	720	
Total	1937 19,146	1,036	1,042	725	1,767	2,803	6,100	6,158	4,205	10,361	16,461	
	1936 19,177	980	1,021	687	1,708	2,888	5,973	6,044	4,360	10,404	15,377	
(b) Belfast & Co. Down	1937 80	1-7	...	0-3	2-0	10-3	...	...	2-7	13-0	...	
(b) Great Northern	1936 80	1-7	...	0-3	2-3	11-3	...	...	3-3	14-6	...	
(b) Great Northern	1937 543	7-4	...	8-4	15-8	44-9	...	...	52-8	97-7	...	
(b) Great Northern	1936 543	7-6	...	10-2	17-8	46-6	...	...	58-4	105-0	...	
(b) Great Northern	1937 2,078	25-7	...	38-7	64-4	154-5	...	...	250-6	405-1	...	
(b) Great Northern	1936 2,124	25-7	...	37-6	63-3	158-8	...	...	247-6	406-4	...	

COMPARISONS WITH CORRESPONDING PERIODS, 1935 and 1936

	(000's omitted)			
	Great Western	L.M.S.	L.N.E.R.	Southern
First half-year 1936, compared with first half-year, 1935:				
Gross increase or decrease	+ 263	+ 937	+ 534	+ 85
Second half-year 1936, compared with second half-year, 1935:				
Gross increase or decrease	+ 491	+ 1,575	+ 751	+ 378
First half-year 1937, compared with first half-year, 1936:				
6 weeks to February 13, 1937	+ 34	+ 76	- 38	+ 12
Weekly average first half 1937	+ 5 1/2	+ 12 1/2	- 6 1/2	+ 2
Latest week 1937 compared with 1936	+ 30	+ 45	+ 22	+ 18

LONDON TRANSPORT

	Takings (before pooling)		Compared with corresponding period of last year	
	1936	+ or -	1936	+ or -
Week ending February 13, 1937	£548,400		£523,800	
Aggregate 33 weeks to February 13, 1937	£18,441,000		£18,441,000	

* For an explanation of the manner in which the figures are made up, see *The Economist*, March 17, 1934, page 610.

OVERSEAS RAILWAY RECEIPTS

Name	Weeks	Ending	Present Receipts	Gross Receipts for Week	Gross Aggregate Receipts
INDIAN					
Assam Bengal	43	Jan. 20	1,330	Rs. 15,80,400 + 70,246	Rs. 1,42,09,628 + 7,80,503
Barsi Lt. Ry.	43	" 20	282	" 41,900 + 13,800	" 12,42,400 + 2,90,000
Bengal & N. Western	17	" 20	2,107	" 11,26,164 + 13,886	" 14,24,598 + 6,76,712
Bengal-Nagpur	43	" 20	3,268	" 21,53,000 + 1,21,158	" 6,34,71,088 + 50,26,593
Bombay, Bar. & C.I.	46	Feb. 10	3,072	" 40,89,000 + 5,16,000	" 10,01,33,000 + 63,06,000
Calcutta	43	Jan. 20	3,229	" 23,23,000 + 4,20,891	" 5,97,48,908 + 24,04,689
Madras & S. Mah.	43	" 20	3,572	" 12,52,080 + 18,088	" 21,12,248 + 98,692
Rohilk. & Kumaon	17	" 20	2,532	" 14,59,544 + 91,000	" 4,30,98,351 + 7,64,570
South Indian	43	" 20	2,532	" 14,59,544 + 91,000	" 4,30,98,351 + 7,64,570

† 10 days.

CANADIAN

Canadian National	6	Feb. 14	23,854	\$ 3,403,904 + 358,626	\$ 20,821,360 + 2,028,445
Canadian Pacific	6	Feb. 14	17,223	\$ 2,287,000 + 103,000	\$ 14,888,000 + 1,199,000

SOUTH AMERICAN

Antofagasta (Chili and Bolivia)	7	Feb. 14	834	\$ 15,430 + 1,840	\$ 96,580 + 3,220
Argentine N.E.	33	" 13	753	\$ 107,700 + 12,600	\$ 4,928,900 + 532,500
B.A. and Pacific	33	" 13	2,860	\$ 1,947,000 + 218,000	\$ 46,598,300 + 2,457,300
B.A. Central	31	Jan. 30	...	\$ 1,129,781 + 19,254	\$ 2,789,496 + 196,503
B.A. Gt. Southern	33	Feb. 13	5,084	\$ 4,731,000 + 831,000	\$ 75,329,000 + 4,300,000
B.A. Western	33	" 13	1,930	\$ 2,341,452 + 61,164	\$ 4,522,599 + 349,983
Central Argentine	33	" 13	3,700	\$ 985,000 + 106,000	\$ 25,885,000 + 1,625,000
Central Uruguay	32	" 6	273	\$ 1,611,166 + 9,492	\$ 1,549,519 + 125,515
C. Urug. (East Ext.)	32	" 6	311	\$ 1,877,500 + 518,800	\$ 81,459,930 + 134,093,000
C. Urug. (W. Ext.)	32	" 6	185	\$ 1,178,565 + 40,000	\$ 4,809,800 + 874,305
C. Urug. (W. Ext.)	32	" 6	211	\$ 1,178,565 + 40,000	\$ 4,809,800 + 874,305
Cordoba Central	33	" 13	1,218	\$ 424,000 + 11,000	\$ 1,724,000 + 1,435,000
Entre Rios	33	" 13	810	\$ 226,300 + 760	\$ 1,062,300 + 99,610
G. Westn. of Brazil	7	" 13	1,082	\$ 1,191,300 + 16,000	\$ 7,286,000 + 1,000,000
Leopoldina	7	" 13	1,918	\$ 1,183,000 + 257,000	\$ 11,041,000 + 176,000
Leopoldina Term.	7	" 13	1,918	\$ 1,183,000 + 257,000	\$ 11,041,000 + 176,000
Nitrate	7	" 13	397	\$ 428,755 + 4,353	\$ 20,830 + 2,341
Paraguay Central	33	" 13	274	\$ 2,840,000 + 627,000	\$ 87,284,000 + 129,800,000
Salvador	33	" 13	100	\$ 443,750 + 8,750	\$ 612,508 + 63,112
San Paulo	6	" 13	1,533	\$ 3,187,875 + 1,392	\$ 1,088,849 + 3,797
United of Havana	33	" 13	1,353	\$ 51,152 + 4,997	\$ 616,465 + 30,926

MIDLAND COUNTIES ELECTRIC SUPPLY.—Final dividend 5½ per cent. against 5 per cent., making 8 per cent. for 1936, compared with 7½ per cent. for 1935.

TELEGRAPH CONSTRUCTION AND MAINTENANCE.—Dividends resumed on ordinary shares, with a payment of 7½ per cent. This is the first dividend since 1930, when 7½ per cent. was paid.

MYSTRE GOLD MINING.—Final dividend for 1936, 20 per cent., payable 23rd March, less 2s. 7d. tax, making 27½ per cent., as before.

CHAMPION REEF GOLD MINES OF INDIA.—Final dividend for 1936 27½ per cent. against 30 per cent. payable 31st March, less 2s. 6d. tax, making 45 per cent. against 42½ per cent. Payable on capital enlarged by £65,000.

BRITISH ROPES, LTD.—Dividend for 1936 25 per cent., compared with 12½ per cent.

UNIT TRUST DISTRIBUTIONS

KEYSTONE GOLD DEPOSIT RECEIPTS.—Distributions for half-year to December 31st: first series, 10-7791d. per sub-unit; second series, 7-481d.; third series, 5-889d.

THIRD BRITISH FIXED TRUST.—Coupon payable February 15, 1937, 8-6d. per sub-unit, free of tax.

FIRST PROVISIONAL FIXED TRUST.—Sixth distribution, payable February 20th, at rate of 4d. net per sub-unit.

SECOND BRITISH FIXED TRUST.—A payment of 5½d., free of tax, on coupon No. 9, will be made for half-year to February 14th.

SELECTIVE FIXED TRUST SERIES "B."—Distribution of 5-9036d. net per sub-unit for period July 20, 1936, to January 16, 1937, against 4-8890d. for same period last year.

INVESTORS SECOND GENERAL TRUST.—Third distribution (1st March) 1½d. net, payable on sub-units issued up to 29th January.

BRITISH EMPIRE FIXED TRUST.—Half-yearly distribution on series "B." for half-year to 29th January, 1937, of 3-6887d. net, on 1st March, 1937.

BANK INSURANCE AND FINANCIAL SHARES TRUST.—Income distribution 9½d. per unit, free of income tax, for half-year to December 31, 1936. A credit balance of 98284d. per unit is carried forward. During the half-year the price of the units appreciated from 18s. 6d. to 19s. 6d. At 19s. 3d. the yield is 4½ 1/8 per cent.

SHORTER COMPANY COMMENTS

(Continued from page 431)

PEARL ASSURANCE COMPANY, LTD.—For 1936 a reversionary bonus is declared of £2 on each £100 assured on all policies in the ordinary branch entitled to participate in full profits. £758,904 allocated as bonus to policyholders in the Industrial Branch.

CHRYSLER CORPORATION.—Net profits for 1936 of \$62,110,000 (equal to \$14-25 per share) were the highest in the company's history. This compares with \$34,976,000 for 1935 equal to \$8-07 per share. First quarter's dividend of \$1-50, against \$1-00 a year ago. Common stock dividends for 1936, \$52,190,000, compared with \$8,665,000 for 1935.

ELECTROLUX CORPORATION.—Net profit for 1936 was \$3,025,688-39 as compared with \$2,807,804-48. The net profit for the fourth quarter ended December 31, 1936, was \$834,356-18, against \$818,193-95 for the corresponding quarter in 1935.

JOHN BARKER & CO., LTD.—Net profit, £390,201, for year to January 31, 1937, after all expenses and debenture interest. Balance-ordinary dividend of 10 per cent., making 15 per cent., as before, £150,000 to rebuilding and modernisation reserve—£10,000 to employees' pension and benevolent fund—£50,000 to be written off fixtures, plant, etc., £191,868 carried forward, against £223,791 brought in. Proposed to apply £150,000 from rebuilding and modernisation reserve to reduce book value of properties involved in rebuilding.

MANCHESTER SHIP CANAL.—Ordinary dividend maintained at 1½ per cent., £36,204 placed to contingencies and repairs reserve, against £35,000; £31,951 carried forward, compared with £32,792.

MARGATE ESTATES COMPANY, LTD.—Net profit for year to September 30, 1936, £20,449, compared with £18,513. Ordinary dividend raised from 7½ per cent. to 8 per cent. Carry forward, £2,968. Total assets, £637,193, compared with £583,904 on September 30, 1935.

THE BRADFORD DYERS' ASSOCIATION, LTD.—Accounts for 1936, show profit after £153,605 depreciation, of £38,048. Debenture interest, £58,150; net loss £20,102. After transferring £50,000 from the reserve fund, balance of £40,504 carried forward.

FLEMING REID AND COMPANY, LTD.—Net profit for 1936, £155,479, against £178,694. To general reserve, £25,000, against £35,000; shop insurance fund, £5,000 (same); shop extension and replacement fund, £10,753, against £20,000. Ordinary dividend and bonus, 20 per cent., as before. Carry-forward, £57,755, against £59,676. Proposed to capitalise £175,000. General reserve issue of 175,000 bonus, £1 shares. Total assets £1,755,460, against £1,708,922.

D. H. EVANS AND COMPANY, LTD.—Net profit for year to January 31, 1937, £114,477, against £115,451. Ordinary dividend 30 per cent. (same). To reserve £10,248, against £10,345. Carry-forward raised from £35,309 to £37,480. Proposed to capitalise £599,896 of £822,505 of reserve. Total assets, £1,587,122.

BRITAIN'S OVERSEAS MARKETS

(See leading article on page 397)

TRADE WITH BRITISH COUNTRIES

(000's omitted)

From or To	Imports				British Exports			
	1929	1933	1935	1936	1929	1933	1935	1936
Irish Free State	45,087	17,791	18,757	20,368	36,078	19,034	20,240	21,035
West Africa	11,386	5,750	8,216	10,326	12,316	6,362	9,360	11,395
South Africa	24,309	14,416	14,029	14,118	23,355	33,892	37,602	37,602
India and Ceylon	77,985	46,433	51,199	61,992	84,147	35,533	41,048	37,342
British Malaya	17,645	4,772	10,887	7,015	15,564	5,382	7,409	8,389
Australia	55,685	48,655	54,486	61,896	54,375	21,413	29,450	32,376
New Zealand	47,727	37,121	38,123	43,667	21,393	9,547	13,359	17,334
Canada	46,410	46,216	56,010	75,048	35,048	17,444	21,383	23,256
West Indies	6,327	5,757	7,052	8,283	5,043	4,632	4,968	5,232
Other possessions	27,244	22,176	25,799	26,976	27,991	20,815	20,526	22,986
Total	358,842	249,137	284,558	332,580	324,451	163,517	204,345	216,927
Excluding I.F.S.	313,755	231,346	265,801	312,211	288,373	144,483	184,105	195,892

TRADE WITH EUROPEAN COUNTRIES (000's omitted)

From or To	Imports				British Exports			
	1929	1933	1935	1936	1929	1933	1935	1936
Soviet Union	26,487	17,491	21,764	18,934	3,743	3,531	3,483	3,492
Finland	14,945	12,767	14,915	18,151	3,363	2,846	4,153	4,218
Latvia	5,467	2,641	2,920	3,419	1,496	1,001	1,121	1,245
Estonia	25,709	15,908	17,010	20,632	10,548	7,175	9,723	10,388
Norway	14,149	6,961	8,213	8,953	9,858	5,554	6,623	7,147
Denmark	56,211	35,429	32,044	33,250	10,978	11,799	13,760	14,951
Poland	6,908	6,551	7,281	9,863	4,504	2,738	3,792	4,864
Germany	68,818	29,814	30,076	32,957	36,967	14,821	18,940	18,988
Netherlands	60,302	31,497	39,211	41,894	31,858	15,553	14,449	15,542
Belgium	44,297	13,213	15,522	18,713	20,163	9,226	9,178	9,870
France	63,474	21,855	25,527	30,550	38,734	22,058	20,650	21,843
Switzerland	13,741	5,224	5,406	6,223	8,424	3,946	4,072	3,912
Portugal	5,429	3,084	3,470	4,290	8,145	6,249	6,186	4,718
Spain	22,063	13,089	13,253	12,781	13,825	5,977	6,713	3,782
Italy	16,877	9,223	7,995	2,286	16,123	9,145	6,968	549
Austria	2,782	1,266	1,715	2,257	2,521	879	1,334	1,469
Czechoslovakia	6,676	2,895	4,337	5,837	2,101	860	1,432	1,822
Czechoslovakia	2,742	2,908	2,095	2,166	4,947	1,984	2,924	3,322
Roumania	2,965	4,100	3,218	6,272	2,317	2,385	1,213	1,118
Other European countries	5,539	5,698	8,466	10,838	4,990	2,811	4,345	4,332
Total	465,583	241,014	264,432	290,275	233,305	130,322	141,342	137,572

* Including Dependencies.

TRADE WITH FOREIGN COUNTRIES (NON-EUROPEAN) (000's omitted)

From or To	Imports				British Exports			
	1929	1933	1935	1936	1929	1933	1935	1936
Turkey	2,245	1,150	992	1,397	2,824	1,459	1,021	949
Egypt	23,583	12,387	12,726	13,554	12,576	6,260	7,631	7,757
Iraq	1,676	440	1,900	2,487	2,426	1,894	1,954	1,934
Iran	9,148	7,725	7,360	7,700	2,261	1,054	2,663	2,705
China	19,157	5,095	6,444	7,752	14,029	6,300	5,066	5,817
Japan	9,133	7,132	7,132	10,528	13,570	4,508	4,453	3,991
United States*	198,176	76,610	88,407	94,815	46,803	19,843	23,466	28,347
Cuba	7,934	4,280	3,759	5,293	2,027	596	674	1,019
Mexico	2,690	2,514	3,320	3,077	2,538	1,420	1,386	1,387
Colombia	2,106	975	517	563	3,241	2,214	1,950	2,421
Peru	6,462	4,706	3,785	4,583	2,907	897	1,030	1,133
Chile	10,615	3,725	5,179	5,248	9,196	731	2,051	1,748
Brazil	7,293	4,807	7,194	9,927	13,883	6,165	4,757	4,764
Uruguay	5,651	3,466	3,381	3,839	3,723	1,732	1,516	1,920
Bolivia	1,280	1,681	3,583	3,736	673	420	129	186
Argentina	82,447	41,887	43,967	45,108	29,074	13,073	15,257	15,271
Other non-European countries	13,744	6,457	5,092	6,476	11,181	5,482	4,922	4,871
Total	396,340	184,868	207,051	226,081	171,592	74,068	80,126	86,220

* Including Dependencies.

RE-EXPORTS (000's omitted)

To	1929	1933	1935	1936
Soviet Union	2,799	957	6,244	9,466
Germany	23,253	9,777	7,446	6,821
Netherlands	2,034	2,034	2,034	2,034
Belgium	9,241	4,129	4,458	4,697
France	17,708	7,760	6,911	8,157
United States*	16,497	7,082	7,235	9,214
Other Foreign Countries	11,781	6,900	9,659	9,237
Irish Free State	10,220	4,634	4,820	4,909
British Malaya	12,842	5,809	6,042	5,882
Total	109,702	49,081	55,303	60,417

* Including Dependencies.

BRITISH EXPORTS PER HEAD OF POPULATION OF IMPORTING COUNTRIES

Countries to which consigned	1924	1935	1936
U.K. Exports per head	£ s. d.	£ s. d.	£ s. d.
British Countries—			
Irish Free State	15 14 9	6 16 3	7 1 10
Canada	3 11 2	1 19 1	2 2 6
Australia	10 9 3	4 7 3	4 15 9
New Zealand	15 0 7	8 11 5	11 0 8
Union of South Africa	4 3 0	3 18 2	3 18 9
India	0 5 8	0 2 2	0 1 11
West Africa	0 9 3	0 7 3	0 8 11
East Africa	0 6 2	0 4 2	0 4 5
British Malaya	2 16 9	1 13 0	1 17 3
Ceylon	0 18 0	0 11 4	0 11 5
Foreign Countries—			
Soviet Union	0 0 7	0 0 5	0 0 5
Finland	1 8 1	1 3 3	1 3 6
Baltic States	0 12 3	0 12 0	0 12 11
Sweden	2 6 1	1 11 2	1 13 2
Norway	3 11 1	2 6 0	2 9 5
Denmark	4 5 5	3 14 2	3 19 3
Poland	0 2 5	0 2 3	0 2 10
Germany	0 13 7	0 5 8	0 5 8
Netherlands	3 9 5	1 7 8	1 9 1
Belgium	2 19 4	1 0 11	1 2 9
France	1 0 8	0 8 0	0 8 6
Switzerland	2 18 1	0 19 7	0 18 9
Portugal	0 14 7	0 12 5	0 8 2
Spain	0 9 8	0 4 4	0 2 4
Italy	0 8 11	0 3 3	0 0 3
Roumania	0 3 6	0 1 3	0 1 2
Egypt	1 1 11	0 9 11	0 10 0
Dutch East Indies	0 3 8	0 0 9	0 0 10
China	0 0 11	0 0 3	0 0 3
Japan	0 8 1	0 1 2	0 1 0
United States	0 9 6	0 3 7	0 4 4
Brazil	0 7 10	0 2 3	0 2 2
Argentina Republic	2 16 3	1 4 10	1 4 0

SUMMARY OF COMPANY PROFIT AND LOSS ACCOUNTS

Company	Year Ending	Balance from Last Account	Net Profit After Payment of Debenture Interest	Amount Available for Distribution	Appropriation					Corresponding Period Last Year	
					Dividend			Carried to Reserve, Depreciation, etc.	Balance Forward	Net Profit	Dividend
					Prefce.	Ordinary					
					Amount	Amount	Rate				
Breweries											
Boddingtons Breweries	Dec. 31	£ 6,952	£ 50,235	£ 57,187	£ 16,500	£ 28,050	8½	£ 4,000	£ 8,637	£ 50,282	8½
Walker (Peter) & Robt. Cain	Dec. 31	82,439	400,227	482,666	160,000	136,200	6	101,927	84,539	350,459	5
Canals and Docks											
Manchester Ship Canal	Dec. 31	32,792	278,159	310,951	177,139	65,656	1½	36,204	31,952	275,763	1½
Electric Lighting, etc.											
London Electric	Dec. 31	66,270	121,087	187,357	41,952	69,930	8	8,623	66,852	114,260	8
London Power Company	Dec. 31	...	710,001	710,001	...	3,900	6	707,001	...	651,537	6
Financial Land, &c.											
British South Africa Co.	Sept. 30	593,091	597,648	1,190,739	...	509,204	10	76,134	605,401	301,727	6½
Margate Estates	Sept. 30	4,146	20,449	24,595	11,263	10,364	8	...	2,968	18,513	7½
Power Securities Corp.	Dec. 31	27,300	103,428	130,728	26,688	42,700	7	30,000	31,340	101,730	7
Sackville Estates	Sept. 30	17,547	9,541	27,078	...	10,294	4½	...	16,784	13,031	4½
Gas											
Barnet District	Dec. 31	51,906	47,601	99,507	11,125	31,466	7	5,000	51,916	54,953	7
Liverpool Gas	Dec. 31	108,438	142,711	251,149	12,275	130,044	6	...	108,830	132,014	6
Sheffield Gas	Dec. 31	66,614	118,994	185,608	...	94,077	6½	26,000	65,531	113,512	6
Southampton Gaslight	Dec. 31	12,426	48,096	60,522	5,241	35,722	5½	...	19,559	45,689	5½
South Shields Gas	Dec. 31	14,216	16,742	30,958	...	13,599	8½	...	15,824	15,416	5½
South Staffordshire Mond	Dec. 31	20,564	14,594	35,158	3,950	6,447	2½	...	24,761	11,096	1½
Swindon United	Dec. 31	9,615	10,767	20,382	6,152	5,360	6	...	8,870	9,447	5½
Wolverhampton Gas	Dec. 31	45,597	24,106	69,703	7,640	11,433	7	2,370	48,260	28,199	7
Hotels, Restaurants, etc.											
Holborn and Frascati	Dec. 31	12,195	22,551	34,746	7,500	11,599	5	...	15,647	20,934	5
Langham Hotel	Dec. 31	16,263	15,786	32,049	...	9,849	15	5,500	16,700	14,857	15
Iron, Coal and Steel											
Burnett and Company	Dec. 31	10,763	30,314	36,077	10,401	7,500	15	5,000	18,176	29,222	10
Mather and Platt	Dec. 31	60,636	180,339	240,975	20,000	150,003	11(y)	...	70,972	192,346	10y
Shireoaks Colliery	Dec. 31	15,713	17,592	33,305	...	11,758	3	1,500	20,047	2,572	1½
Rubber											
Buloh River	Sept. 30	684	2,774	3,458	...	1,531	3½	1,000	927	683	Nil
Krian	Dec. 31	6,013	7,478	13,491	...	3,812	5	3,600	6,079	2,308	2
Shipping											
Isle of Man Steam Packet ...	Dec. 31	16,443	40,522	56,965	...	36,000	6	...	20,965	37,279	6
Shops and Stores											
Evans (D. H.) and Co.	Jan. 31	35,309	114,478	149,787	12,000	90,058	30	10,248	37,481	115,451	30
Freeman, Hardy and Willis	Dec. 31	101,759	241,233	342,992	45,000	95,000	20(a)	...	102,055	247,137	20a
Greenlees and Sons	Dec. 26	16,746	62,842	79,588	18,751	20,250	7½	20,399	20,188	53,930	5
Rotherham (Jeremiah)	Jan. 15	3,782	Dr. 6,820	Dr. 3,638	10,000	...	...	Dr. 11,395	1,357	Dr. 7,919	Nil
Sears (J.) and Company	Dec. 31	137,575	262,168	399,743	170,255	74,167	13½	15,000	140,321	263,140	13½
Textiles											
Bradford Dyers	Dec. 31	10,606	Dr. 20,102	Dr. 9,496	...	...	...	Dr. 50,000	40,504	Dr. 22,110	Nil
Fleming Reid and Company	Dec. 31	57,786	155,479	213,265	8,006	106,750	20	40,753	57,756	178,694	20
Jackson and Steeple	Dec. 31	Dr. 52,504	3,622	Dr. 48,972	...	...	...	Dr. 18,972	Dr. 7,185	Nil	Nil
Taylor (C. F.) and Company	Dec. 31	45,148	51,176	96,324	9,600	20,000	12½	10,000	56,724	38,210	10
William Hollins	Dec. 31	2,212	50,577	52,789	4,500	...	...	38,000	10,289	Dr. 8,492	Nil
Winterbotham, Strachan & Playne	Jan. 31	20,536	43,826	64,362	11,438	26,687	10	5,000	21,237	43,279	10
Tramways and Omnibus											
Bristol Tramways, &c.	Dec. 31	10,366	162,705	173,071	20,000	122,515	8	15,000	15,556	95,540	6
Singapore Traction	Sept. 30	7,752	62,134	69,886	27,509	6,299	5	34,505	1,573	40,696	Nil
Trusts											
Gold and General Invt.	Dec. 31	2,969	24,766	27,735	...	26,533	8(a)	...	1,202	6,945	7½
Guardian Investment	Jan. 20	25,743	45,025	70,768	17,578	25,531	6½	...	27,659	42,359	6
Mercantile Invtm't. & Gen.	Jan. 31	153,088	239,930	393,018	66,901	154,037	11½	15,000	157,080	229,690	10½
Midland-Caledonian Invt.	Dec. 31	4,039	11,307	15,346	...	9,275	5	...	6,071	10,615	4½
Orient Trust	Dec. 31	17,193	14,059	31,252	...	15,917	4	5,000	10,335	13,853	3½
Scottish Central Investment	Jan. 15	18,353	39,045	57,398	23,097	9,239	3	11,000	14,062	34,304	2½
Union Commercial Invt.	Jan. 31	2,499	24,641	27,140	22,500	...	...	...	4,640	24,385	Nil
Waterworks											
East Worcestershire Wks.	Dec. 31*	12,234	7,907	20,141	986	4,000	5	1,250	13,905	8,146	5
Newcastle and Gateshead Water	Feb. 1	52,911	155,684	208,595	60,853	76,170	9 6½	...	71,572	139,699	9 6½
South Staffordshire Wks.	Dec. 31	23,485	134,487	157,972	39,752	84,507	7	10,000	23,713	130,170	7
Tendring Hundred Wks.	Dec. 31	13,169	18,875	32,044	4,450	12,709	8	1,800	13,085	18,375	8
Woking Water and Gas	Dec. 31*	8,975	10,932	19,907	1,049	8,970	13 7½	1,000	8,885	13,106	13 7½
Other Companies											
Bletchley Flettons	Oct. 31	...	Dr. 5,486	Dr. 5,186	...	...	...	Dr. 4,000	Dr. 1,186	Dr. 5,816	Nil
Bovril, Ltd.	Dec. 31	76,706	250,194	326,900	78,750	75,000	7½ ord	50,000	73,150	214,187	7½
British Wagon	Dec. 31	19,817	33,294	53,111	...	19,825	20	10,000	23,286	32,634	18
Consolidated Signal	Sept. 30	410	44,449	44,859	9,800	34,438	30	...	621	30,195	7
Copestake Crampton	Dec. 31	3,590	14,000	17,590	...	11,438	2½	...	6,152	9,402	1½
Crookers, Ltd.	Dec. 31	Dr. 1,797	Dr. 8,679	Dr. 10,476	...	...	...	Dr. 10,416	117	Nil	Nil
Dumpton (Thanet) Ghnds.	Oct. 31	1,649	4,951	6,600	...	5,000	10	1,000	600	1,545	Nil
Eburite Corrugated Contrs.	Dec. 31	7,431	33,175	40,606	5,600	14,875	25	15,000	5,131	(c)	(c)
English China Clays	Dec. 31	6,296	58,772	65,068	27,936	29,932	2	...	7,200	57,311	2
English Electric	Dec. 31	22,463	298,806	321,269	221,490	10,000	1,000	4,182	9,084	32,579	50
Foy, Morgan and Company	Dec. 31	10,279	35,468	45,747	22,481	...	...	...	14,908	1,730	Nil
Griffiths (William) and Co.	Oct. 31	13,825	7,958	21,783	...	6,875	5	2,202	24,375	(a)	(a)
Hackney Wick Stadium	Dec. 26*	17,053	16,673	33,726	...	7,149	12½	...	11,745	29,241	10
Hall Telephone Accessories	Dec. 31	6,967	70,755	77,722	...	27,977	16	38,000	...	48,980	16
Illustrated London News ...	Nov. 30	4,084	50,176	54,260	21,445	26,807	37½	456	5,552	...	...

Copies of the complete Report and Balance Sheet in French or German, of which this is an abstract, may be obtained on application.

OVERSEAS TRADE RETURNS

	Imports (Value C.I.F.)		Exports (Value F.O.B.)	
	Month ended January 31	Month ended January 31	Month ended January 31	Month ended January 31
	1936	1937	1936	1937
I.—Food, Drink and Tobacco				
A. Grain and Flour	4,771,423	5,495,358	170,949	1,46,099
B. Feeding-stuffs for Animals	764,715	857,937	53,459	54,209
C. Animals, Living, for Food	468,606	454,307	108	618
D. Meat	6,190,454	7,084,129	89,191	90,430
E. Dairy Produce	5,415,400	5,428,891	82,929	96,092
F. Fresh Fruit and Vegetables	2,809,500	3,099,561	21,916	65,859
G. Beverages and Cocoa Preparations	4,623,748	4,202,485	1,047,287	1,290,581
H. Other Food	4,126,082	3,937,357	965,887	861,527
I. Tobacco	2,041,503	1,404,391	362,576	381,116
Total, Class I	31,211,431	31,905,416	2,794,302	2,989,531
II.—Raw Materials and Articles Mainly Unmanufactured				
A. Coal	9,367	1,779	2,345,145	2,553,148
B. Other Non-Metalliferous Mining and Quarry Products and the like	364,365	319,524	82,599	105,000
C. Iron Ore and Scrap	662,392	522,581	42,570	97,229
D. Non-Ferrous Metalliferous Ore and Scrap	1,058,029	1,024,717	161,244	206,117
E. Wood and Timber	2,618,568	2,847,584	4,502	5,914
F. Raw Cotton and Cotton Waste	4,204,322	4,968,925	72,670	90,433
G. Wool, Raw and Waste, and the like	4,608,689	5,435,525	571,130	1,052,462
H. Silk, Raw, Knobs and Nails	251,272	145,203	1,618	543
I. Other Textile Materials	1,535,116	1,973,108	64,309	40,426
J. Seeds and Nuts for Oil, Oils, Fats, Resins and Gums	2,745,320	3,108,593	217,367	304,526
K. Hides and Skins, Undressed	1,820,257	2,966,251	197,421	201,082
L. Paper-making Materials	1,156,019	1,049,585	83,699	126,807
M. Rubber	575,421	377,507	13,964	23,870
N. Miscellaneous Raw Materials and Articles mainly Unmanufactured	867,556	953,727	278,966	283,192
Total, Class II	22,416,693	25,694,609	4,137,204	5,090,737
III.—Articles Wholly or Mainly Manufactured				
A. Coke and Manufactured Fuel	5,821	17,925	273,727	315,758
B. Pottery, Glass, Abrasives, etc.	549,925	574,975	647,392	687,271
C. Iron and Steel and Manufactures thereof	932,958	794,352	2,698,745	3,442,177
D. Non-Ferrous Metals and Manufactures thereof	2,222,601	3,174,864	951,705	1,105,834
E. Cutlery, Hardware, Implements and Instruments	461,021	533,968	608,008	651,665
F. Electrical Goods and Apparatus	270,819	294,882	793,163	849,143
G. Machinery	1,280,946	1,759,039	3,204,896	3,516,651
H. Manufactures of Wood and Timber	578,688	571,940	98,582	93,527
I. Cotton Yarns and Manufactures	199,612	226,070	5,137,100	5,357,046
J. Woollen and Worsted Yarns and Manufactures	239,750	352,758	2,866,437	3,164,903
K. Silk Yarns and Manufactures	257,850	209,052	100,660	101,962
L. Manufactures of other Textile Materials	630,450	643,078	1,386,099	1,603,933
M. Apparel	679,670	658,114	881,880	920,584
N. Chemicals, Drugs, Dyes and Colours	1,007,187	1,112,360	1,725,010	1,831,364
O. Oils, Fats and Resins, Manufactured	2,944,188	2,523,396	349,710	558,304
P. Leather and Manufactures thereof	644,866	736,728	335,852	417,173
Q. Paper, Cardboard, etc.	1,228,123	1,117,529	519,167	555,647
R. Vehicles (including Locomotives, Ships and Aircraft)	420,335	543,610	2,210,834	2,689,536
S. Rubber Manufactures	54,641	56,245	123,771	134,497
T. Miscellaneous Articles wholly or mainly Manufactured	1,358,154	1,707,764	1,721,705	1,887,650
Total, Class III	15,967,605	17,608,649	28,634,543	29,884,625
IV.—Animals, not for Food	111,283	114,476	54,539	61,002
V.—Parcel Post	246,770	257,586	838,995	1,074,831
Total	69,953,782	75,580,736	34,459,583	39,100,726

Sales of tin on the London Metal Exchange: 425 tons on Monday, against 325 tons last week; 300 tons on Tuesday, against 225 tons last week; 175 tons on Wednesday, against 175 tons last week. The New York quotation on Wednesday was 51.62½ cents per lb., against 50.65 cents a week ago and 51.10 cents a month ago. Wednesday's official closing quotation in London for standard cash was £231 10s. to £231 15s. per ton, compared with £226 5s. to £226 10s. a week ago. Stocks of tin in London and Liverpool at the end of last week totalled 2,185 tons, an increase of 198 tons on the week.

OTHER NON-FERROUS METALS.—Among other non-ferrous metals, aluminium ingots and bars for home delivery were again quoted

on Wednesday at £100 per ton, and rolling billets at £102 per ton. Nickel, for home and export, was maintained at £180 to £185 per ton. Quicksilver, on the spot, was quoted at £14 6s. per flask of 76 lbs., against £14 6s. a week ago. Chinese antimony was quoted at £67 per ton ex warehouse, the same as last week. Chinese wolfram for "February-March" shipment was quoted at 36s. 6d. to 37s. per unit, c.i.f., compared with 35s. 6d. to 36s. last week.

TEXTILES

COTTON.—**MANCHESTER.**—Although there has been less activity in the Manchester market, the undercurrent of demand has continued extensive, and despite many difficulties in arranging prices and delivery dates, an encouraging turnover has taken place. Spinners and manufacturers do not expect that trade can continue for an indefinite period on the scale experienced during January. Producers remain in a strong enough position to demand profitable prices. Demand for cotton has somewhat fallen off, and owing to the uncertain outlook, speculative interest remains dormant. Since the beginning of the month comparatively little "loan" cotton has been released in the United States, and the opinion is held that the conditions will have to be more favourable before there can be an increase in sales. A certain amount of uneasiness has arisen owing to Mr Wallace, the U.S. Secretary for Agriculture, making a speech in which he referred to the "ever normal granary" system. The intention seems to be to create a reserve of cotton in big yield years and release it in small production years.

Although buying of piece goods has been more irregular than recently, some fairly substantial contracts have been arranged. Varied reports have been received concerning the turnover for India. Some merchants are complaining that the prices ruling in the bazaars are relatively poor. Most of the bids for Calcutta have been disappointing, but scattered sales have taken place. Fair lines have been booked for Karachi, while fancies of various kinds have been wanted for Bombay and the up-country districts. Despite heavy purchases for several weeks in dyed fabrics for Java, further orders have been reported. Moderate transactions have taken place for the Straits Settlements, Egypt and South America. There has been more activity in dress materials and heavier goods for the Empire markets, especially South Africa. There has been plenty of demand for the home trade and some producers have been able to extend their order lists.

Demand in American yarns has revived and spinners have had no difficulty in selling their output. Some users have been prepared to pay a premium for quick delivery of certain qualities. In the Egyptian section the price maintenance scheme, on a legal basis, will operate from March 1st. The general demand for Egyptian yarns has continued healthier and sales have increased.

COTTON PRICES

	1937				Corresponding Date	
	Jan. 27	Feb. 3	Feb. 10	Feb. 17	1935	1936
Raw Cotton—Mid. American	7-23	7-27	7-23	7-19	7-08	6-18
" Sakellaridis Fully Good Fair						
Egyptian	10-27	10-10	9-95	9-82	8-81	9-14
Yarns—32's twist	12½	12½	12½	12½	10½	10½
" 40's twist	12½	12½	12½	12½	10½	10½
" 60's twist (Egyptian)	17½	17½	17½	17½	16½	15½
32-in. Printers, 116 yds., 16 by 16, 32's and 50's	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.
	19 10	20 3	20 3	20 3	18 0	17 0
36-in. Shirtings, 75 yds., 19 by 19, 32's and 40's	27 9	28 2	28 2	28 2	24 6	24 0
38-in. ditto, 38 yds., 18 by 16, 10 lb.	11 0	11 2	11 2	11 2	10 8	9 11
39-in. ditto, 37½ yds., 16 by 15, 8½ lb.	10 0	10 2	10 2	10 2	9 6	8 11

WOOL.—**BRADFORD.**—There has been a sharp reaction in the wool trade. The position differs materially from that obtaining towards the end of last year, when expanding markets lifted prices for the raw material to a level not known for many years. The climax was reached when Japan resumed buying in Sydney with the opening of the auctions early in January, competition from that section being such that prices were lifted to an unjustified level. After the first flush of buying had passed, Japanese buyers slackened their bidding, and reduced limits, the result being that for several weeks the market was very irregular at all Australian selling centres. On the average, prices are now 10 per cent. below the highest point of last January, with definitely limited competition. The result is that at consuming centres like Bradford a totally different spirit obtains compared with the latter half of last year; in fact, there is practically no market at all at the present time, everybody being concerned regarding the future.

There is very little new business passing, and prices are tending downwards. While 39d. was obtained for warp 64's tops early in the year, these could be bought to-day at 36d. Average 64's have been sold as low as 34d. Crossbreds too are irregular, with decidedly less turnover. At the same time wool is selling well overseas, and considerably above what can be made in Yorkshire for tops or yarns. The tendency throughout the whole market is in favour of the buyer, although we cannot see any justification for any serious setback. Stocks nowhere are heavy, and the outlook for the industry seems still good.

GRAIN MARKETS

WHEAT.—After a quiet week, prices closed on Wednesday a shade below the previous week's level. Germany was again the principal buyer in the early part of the period under review, but Antwerp purchasers were also in the market for nearby Plate wheat. Italy has apparently ceased to operate for the time being.

On Wednesday last, "May" futures were quoted in Chicago at 135½ cents per bushel, against 135½ cents the week before and 130½ cents a month ago. Quotations in London, Wednesday: No. 1 Northern Manitoba, ex ship, 52s. per 496 lbs., against 52s. 3d. a week ago; No. 2 Northern Manitoba, ex ship, 50s. 9d., against 51s. a week ago. According to *The Corn Trade News*, total shipments of wheat and flour last week totalled 1,777,000 quarters, against 1,866,000 quarters in the previous week and 1,242,000 quarters in the corresponding week a year ago.

FLOUR.—Both imported and home milled flour have been in quiet request, with prices unchanged on the week. Wednesday's London quotations (excluding quota payments) were: Straight run, delivered Home Counties, 40s. per 280 lbs., against 40s. a week ago; delivered inner London, 39s. 6d., as compared with 39s. 6d. a week ago. Manitoba patents, ex store, 39s. 6d. to 41s., against 39s. to 40s. 6d. a week ago. Australian, ex store, 32s. 6d. to 33s., against 32s. 6d. to 33s. last week.

BARLEY.—Imported feeding barley is in quiet demand, but prices remain firm. Best samples of English malting barley are scarce. "May" futures were quoted at 83½ cents per bushel in Winnipeg on Wednesday, against 81½ cents a week ago. Quotations per 448 lbs. in London on Wednesday were: "English feed," at farm, 34s. to 36s., as against 34s. to 36s. a week ago; "English malting," at farm, 36s. to 45s., against 36s. to 45s. last week. Californian (new), ex ship, 54s. 6d., against 54s. 6d. last week.

Chilean, brewing (new), ex ship, 44s. 9d. to 50s., against 44s. 9d. to 50s. a week ago.

OATS.—On Wednesday, "May" futures were quoted at 50½ cents a bushel in Chicago, against 51½ cents a week ago and 51½ cents last month. Quotations in London, Wednesday: "English Black," at farm, 25s. to 26s. per 336 lbs., against 24s. to 25s. a week ago; "English White," at farm, 25s. to 26s., against 24s. to 25s. a week earlier; mixed Canadian seed (Vancouver), landed, 23s. 3d. per 320 lbs., compared with 23s. 3d. last week.

MAIZE.—Following the rise reported last week, prices have remained firm and sales have been substantial. "May" futures were quoted on Wednesday at 106 cents per bushel in Chicago, against 107½ cents a week ago and 107½ cents last month. Quotations in London, Wednesday: "Plate," landed, 25s. 6d. per 480 lbs., compared with 25s. 6d. a week ago; "Plate," ex ship, 24s. 6d., as against 24s. 6d. a week ago; "Plate," "February," 25s., as against 25s. a week ago; yellow maize meal, ex wharf, was quoted at £6 15s. per ton, as against £6 12s. 6d. to £6 17s. 6d. last week.

AMERICAN WHEAT MARKETS.—The following table shows wheat quotations for selected weeks in 1935-37:—

NEAREST FUTURE	Jan. 2, 1935	Dec. 31, 1935	Feb. 19, 1936	Dec. 30, 1936	Feb. 10, 1937	Feb. 17, 1937
Winnipeg (No. 1, Manitoba) —Cents per 60 lb.	82½	84½	83½	129	128½	127
Chicago (No. 2, Winter) —Cents per 60 lb.	98½	101½	98½	135½	135½	135½

The visible supply of wheat in Canada amounts to 94,927,000 bushels, against 97,520,000 bushels last week, and 123,550,000 bushels in the corresponding week last year.

SALES AND PRICES OF BRITISH CEREALS.—The following table gives the estimated sale of home-grown wheat during the harvest years 1933-34 to 1936-37:—

	1933-1934	1934-1935	1935-1936	1936-1937
Estimated sales of home-grown wheat—	Cwts.	Cwts.	Cwts.	Cwts.
1 week to February 13	343,621	352,111	335,649	175,140
24 weeks to February 13	7,493,526	9,194,243	9,238,827	6,853,430
Average price of English wheat per cwt.	s. d. 4 5	s. d. 4 8	s. d. 6 5	s. d. 9 0

Week ended	QUANTITIES SOLD			AVERAGE PRICE PER CWT.		
	Wheat	Barley	Oats	Wheat	Barley	Oats
February 11, 1933	Cwts. 237,552	Cwts. 200,954	Cwts. 51,754	s. d. 5 4	s. d. 6 8	s. d. 6 0
February 10, 1934	343,621	132,993	63,664	4 5	9 2	6 5
February 16, 1935	352,111	166,489	63,028	4 8	8 2	7 1
February 15, 1936	335,649	198,370	56,336	6 5	8 0	6 1
February 6, 1937	168,810	216,708	56,494	9 3	10 3	8 4
February 13, 1937	175,140	153,166	64,626	9 0	9 10	8 3

OTHER FOODS

BACON.—No change was made in the official quotations last week-end and the market has had a steadier tone. The official quotations (per cwt. for No. 1 Sizable) which formed the basis for dealings on the London Provision Exchange this week were: English, 86s. to 90s.; Canadian, 77s.; Danish, 86s., against 86s. to 90s., 77s. and 86s. last week. Arrivals in London last week included: Danish, 13,297 bales; Canadian, 7,175; Dutch, 2,102; Lithuanian, 1,217; and Polish, 2,676; as against 13,272, 7,484, 2,296, 1,334 and 2,388 bales, respectively, in the previous week.

BUTTER.—The market has been rather slow, with prices slightly easier. Quotations (per cwt.) on the London Provision Exchange on Wednesday were: New Zealand, finest salted, 84s.; Australian, choicest salted, 84s.; Danish, 120s.; compared with 86s., 86s., and 122s., respectively, a week ago.

CHEESE.—The market has been quietly steady this week. Quotations (per cwt.) on the London Provision Exchange on Wednesday were as follows: English, finest farmers, 86s. to 88s.; Canadian, finest coloured, 71s. to 72s.; and New Zealand, finest coloured, 52s.; against 86s. to 88s., 72s. to 51s., to 51s. 6d., respectively, a week ago.

COCOA.—The spot quotation in New York on Wednesday was 10½ cents per lb., as against 10½ cents per lb. last week. In London, on Wednesday last, good fermented new crop, Accra, March-April, was quoted at 46s. 6d. per 50 kilos, c.i.f. Continent, against 47s. 6d. for February-April a week ago. Last week's movements of cocoa in London were as follows: Landed, 15,992 bags; delivered, for home consumption, 16,475 bags; exported, 114 bags; stocks, 139,333 bags, against 132,611 bags a year ago.

COFFEE.—The spot markets in London and New York have again been steady. On Wednesday, Rio No. 7 (cash) was quoted at 9½ cents per lb. in New York, as compared with 9½ cents per lb. last week and 9 cents per lb. a month ago. Movements of coffee in London last week were as follows: Brazilian, landed, 84 cwt.; delivered, for home consumption, 137 cwt.; exports, 4,147 cwt.; stocks, 3,639 cwt., against 12,070 a year ago. Central and other South American: landed, 6,007 cwt.; delivered, for home consumption, 2,498 cwt.; exported, 2,210 cwt.; stocks, 63,958 cwt., against 69,146 last year. Other kinds: landed, 9,498 cwt.; delivered, for home consumption, 4,963 cwt.; exported, 1,497 cwt.; stocks, 114,831 cwt., against 136,377 last year.

EGGS.—Prices scored a sharp advance this week, owing to a considerable reduction in imported supplies. At Smithfield, on Wednesday, English (ordinary packing, Grade 1; about 15-15½ lb.) realised 14s. to 15s. per 120, as against 13s. to 13s. 6d. last week; while Danish (15½ lb.) made 10s. 9d. to 11s. 3d., as against 9s. 3d. to 9s. 6d. last week.

FRUIT.—With rather better weather, business at Covent Garden has shown some improvement, states *The Fruitgrower*. Prices, however, remain moderate generally. Apples are in steady demand, but with heavier supplies of imported, prices remain low. Pears continue to meet a steady inquiry, but are also easier on heavier arrivals of South African. English hothouse grapes are limited to a few Colmar, which are worth from 2s. to 4s. per lb. South African grapes are now a prominent feature. South

African peaches, although of fine condition and colour, are not selling too well; plums, however, encounter a consistent demand. Oranges are doing rather better, with all grades of Jaffa and Spanish a point firmer. Lemons are also inclined dearer, but grapefruit is a slow item, with prices moderate.

MEAT.—Business at Smithfield was generally slow, except for fresh mutton and lamb, and prices were lower in certain instances. On Wednesday last, Argentine chilled hind-quarters were quoted at 3s. 10d. to 4s. 2d. per 8 lbs., as compared with 4s. to 4s. 4d. a week ago. New Zealand frozen mutton was 3s. 4d. to 4s. per 8 lbs., against 3s. 4d. to 4s. a week ago. According to the Smithfield Market official report, supplies during last week amounted to 9,917 tons, an increase of 3,307 tons on the corresponding week last year. Beef and veal accounted for 5,241 tons, mutton and lamb 2,991 tons, and pork and bacon 1,004 tons, as compared with 3,290, 1,878 and 831 tons, respectively, in the same week of 1935.

PEPPER.—On Wednesday, Singapore white Muntok, spot, was quoted at 6d. per lb. in bond, against 6d. per lb. a week earlier. Black Lampung, spot, in bond, was quoted at 3½d. per lb., sellers, compared with 3½d. per lb. last week. Movements of pepper in London last week were as follows: Black, landed, nil; delivered, 2 tons; stocks, 1,766 against 1,600 last year. White, landed, 33 tons; delivered, 70; stocks, 11,765, compared with 13,096 a year ago.

RICE.—The spot price of Burma No. 2, cleaned, was 10s. 3d. per cwt., ex warehouse, on Wednesday, as compared with 10s. 3d. per cwt. a week ago. February-March in singles to Continent and U.K., was quoted at 9s. 3d. per cwt., against 9s. 4½d. last week. Movements in London last week were as follows: Landed, 45 tons; delivered, 106; stocks, 1,179 tons, against 2,224 a year ago.

SUGAR.—The markets in London and New York were steady this week. The spot price in New York on Wednesday was 3.55 cents per lb. as compared with 3.55 cents per lb. last week and 3.75 cents per lb. a month ago. Wednesday's sales of raw sugar in London included "March" delivery at 6s. 1½d. to 6s. 1½d., against 6s. 0½d. to 6s. 0½d. a week ago. Movements of raw sugar in public warehouses in London and Liverpool last week were as follows: Imports, 3,877 tons, against 3,526 in the previous week and 21,603 in the same week of 1936; delivered, 15,419 tons, against 14,618 and 14,860 tons respectively; stocks, 228,077 tons, against 239,619 and 274,481 tons, respectively.

TEA.—The following table shows the average prices (compiled by the Tea Brokers' Association) of tea sold in Mining Lane on Garden Account in recent weeks:—

Week ended	Northern India	Southern India	Ceylon	Java	Sumatra	Africa	Total
	d.	d.	d.	d.	d.	d.	d.
Feb. 13, 1936	13-24	13-10	14-15	10-96	10-61	11-92	13-23
Jan. 7, 1937	12-82	12-66	15-14	11-87	10-64	12-12	13-31
Jan. 14, "	13-12	12-85	15-42	11-75	10-71	12-21	13-53
Jan. 21, "	13-47	13-26	15-58	12-41	11-68	12-31	13-83
Jan. 28, "	13-77	12-49	15-92	12-60	11-42	12-69	14-18
Feb. 4, "	13-63	13-38	15-78	13-22	11-23	12-68	14-06
Feb. 11, "	13-72	13-73	15-87	12-59	11-29	13-00	14-16

prices to be reported. Oilcakes are in good demand and are a satisfactory feature.

RUBBER.—After the settlement of the strike among the General Motors operatives, the rubber market scored a fresh advance at the end of last week. Quiet conditions subsequently prevailed and London quotations reacted in sympathy with New York. The cash price accordingly closed on Wednesday only $\frac{1}{8}$ d. above the previous week's level. The spot

price in New York on Wednesday was 21 $\frac{1}{8}$ cents per lb., compared with 21 $\frac{1}{8}$ cents per lb. a week ago and 21 $\frac{1}{8}$ cents a month ago. Wednesday's official buyers' price for standard ribbed smoked sheet on the spot in London was 10 $\frac{1}{2}$ d. per lb., as against 10 $\frac{1}{2}$ d. on the corresponding day last week. In forward positions, business has been done at 10 $\frac{1}{2}$ d. to 10 $\frac{3}{4}$ d. for March shipment, as against 10 $\frac{1}{2}$ d. a week ago. Stocks in London and Liverpool at the end of last week totalled 65,861 tons, against 68,555 tons a week earlier. A year ago stocks amounted to 159,559 tons.

WHOLESALE COMMODITY PRICES

UNITED KINGDOM: LONDON, February 17th

The prices in the following are revised with the assistance of an eminent firm in each department

CEREALS AND MEAT				POTATOES—				WOOL—			
GRAIN, Etc.—				English King Edward				English Southdown, greasy, per lb.			
Wheat—				per cwt.				Lincoln hog, washed			
No. 2, N. Man. 496 lb.				0 0 9 6				Queensland, scd. super cmbg.			
Eng. Gaz. av., per cwt.				0 31				N.S.W. greasy, super cmbg.			
Barley, Eng. Gaz. av. ...				0 6				N.Z., grey, half-bred 50-56			
Oats, ...				0 81				Crossbred 40-44			
Maize, La Plata, landed				0 91				Tops—			
480 lb. ...				62 6				Merinos 70's average			
Flour, Lon. stan. ex mill,				62 6 90 0				" 64's "			
280 lb. ...				2 0 2 8				Crossbred 48's			
Rice, No. 2 Burma, per cwt.				0 11 $\frac{1}{2}$				" 46's "			
MEAT—				SUGAR—				MINERALS			
Beef, per 8 lbs.—				(Duty, 11/8 per cwt.)				COAL—			
English long sides				Centrifugals, 96°, prpt.				Welsh, best Ad'ty., ton			
Argentine chilled hinds				shipm., c.i.f. U.K./Cont.				Durham, best gas, f.o.b.			
Mutton, per 8 lbs.—				B.W.I., crystallised				Tynes			
English wethers				Java, white, c. & f. India				Sheffield, best house, at			
N.Z. frozen				Oct.-Dec.				pits			
Lamb, per 8 lbs.—				Nominal.				IRON AND STEEL—			
N.Z. frozen				Refined—London—				Pig, Cleveland No. 3, d/d.			
Pork, English, per 8 lbs.				Yellow Crystals				ton			
OTHER FOODS				Crushed				Barr, M'brough			
BACON—				Granulated				Steel rails, heavy			
English, per cwt.				Home Grown				Tin plates, per box			
Irish				TEA—				METALS—			
Danish				Indian—per lb.—				Copper, Electrolytic, ton			
Dutch				Pekoe				Sheets (strong)			
HAMS—				Broken Pekoe				Standard			
Canadian				Orange Pekoe				Lead, Eng. pig., per ton			
United States				Broken Orange Pekoe				Soft foreign			
BUTTER—				Ceylon—per lb.—				Spelter G.O.B.			
Australian				Pekoe				Tin—English ingots			
New Zealand				Broken Pekoe				Standard cash			
Danish				Orange Pekoe				MISCELLANEOUS			
Dutch				Broken Orange				CHEMICALS—			
CHEESE—				TOBACCO—				Acid, carb., per lb., less 5%			
Canadian				(Duty, 9/6-10/6 per lb.)				Nitric			
New Zealand				Empire growth, 7/51-				Oxalic, net			
English Cheddars				8/4 (per lb.)				Tartaric, English, less 5%			
Dutch				Virginia leaf				Alcohol, Plain Ethyl			
COCOA—				Common to fine				Alum, lump			
(Duty, British grown,				Rhodesian leaf				Ammonia, carb., ton			
11/8 foreign, 14/- cwt.)				Nyasaland leaf				Sulphate			
Accra, f.f., per cwt.				strips				Arsenic, lump			
Trinidad				East Indian leaf				Bleaching powder, per ton			
Grenada				strips				s. d. s. d.			
COFFEE—				TEXTILES				BORAX, gran. ... per cwt.			
(Duty, British grown,				COTTON—				Do., powder			
4/8; foreign, 14/- cwt.)				Mid-American, per lb.				Nitrate of soda ... per cwt.			
Santos sup. c. & f. cwt.				Sakellaridis, f.g.f.				Potash—Chlorate, net			
Colombian, good				Yarus, 32's twist				Sulphate			
Costa Rica, med. to good				60's twist				Soda Bicarb. per cwt.			
East Indian				FLAX—				Crystals			
Kenya, medium				Livonian ZK				Sulphate of Copper, per ton			
EGGS—				Pernau HD				CEMENT, best Eng. Portland, d/d. site,			
English				Slanetz Medium 1st sort				London area, jute sacks, 11 to ton			
Danish				HEMP				(charged and credited at 1/6d. each) or			
FRUIT—Oranges—				Italian P.C.				paper bags 20 to ton (free, non-return-			
Valencia				Manilla, Jan.-Mar. "J2"				able)			
Jaffa				Sisal, African				4-ton loads and upwards 39/- per ton			
Lemons, Malaga ... cases				JUTE—				1 and up to 4-ton loads 41/- per ton			
Sirilani ... boxes				Native 1st mks ... per ton				COPRA—			
Apples: Amer. (var.) bris.				Feb.-Mar.				S.D. Straits c.i.f., per ton			
(var.) boxes				Daisee 2/3 c.i.f. Dundee				Camphor			
" Australian				Feb.-Mar.				Japan, refined ... per lb.			
ONIONS—				SILK—				Ipecacuanha ... per lb.			
Valencia, case				Canton				HIDES—			
Egyptian, bags				Tussah				Wet salted—Australian			
Grapes, Almeria, barrels				Japan				per lb.			
Grapefruit, Amer.				Italian—raw, fr. Milan				West Indian			
LARD—								0 6 0 61			
Irish finest bladders								0 4 $\frac{1}{2}$ 0 4 $\frac{1}{2}$			
U.S.											

† These prices are for fuel oil for inland consumption—other than for use in Diesel-engined road vehicles—and do not include the Government tax.

UNITED STATES

New York quotations unless otherwise stated

	Feb. 19, 1936	Jan. 20, 1937	Feb. 10, 1937	Feb. 17, 1937		Feb. 19, 1936	Jan. 20, 1937	Feb. 10, 1937	Feb. 17, 1937
Wheat, No. 2, Winter, nearest future, Chicago, per bushel	98 $\frac{1}{2}$	130 $\frac{1}{2}$	135 $\frac{1}{2}$	135 $\frac{1}{2}$	Sugar, Cuban Centrifugals, 96 deg., spot, per lb.	3-35	3-75	3-55	3-55
Maize, nearest future, Chicago, per bushel	61 $\frac{1}{2}$	107 $\frac{1}{2}$	107 $\frac{1}{2}$	106	Cotton, middling, spot, per lb.	11-55	12-98	13-11	12-98
Oats, nearest future, Chicago, per bushel	29	51 $\frac{1}{2}$	51 $\frac{1}{2}$	50 $\frac{1}{2}$	Rubber, smoked sheet, spot, per lb.	15 $\frac{1}{2}$	21 $\frac{1}{2}$	21 $\frac{1}{2}$	21 $\frac{1}{2}$
Rye, nearest future, Chicago, per bushel	57 $\frac{1}{2}$	108 $\frac{1}{2}$	111 $\frac{1}{2}$	112 $\frac{1}{2}$	Petroleum, Mid-continent crude 33 deg., to 33-90, at well, per barrel	104	104	116	116
Barley, nearest future, Chicago, per bushel	(a)	85	85	85	Copper, "Electrolytic," Domestic, spot, per lb.	8-77 $\frac{1}{2}$	12-27 $\frac{1}{2}$	13-17 $\frac{1}{2}$	13-72 $\frac{1}{2}$
Coffee, Rio No. 7, cash, per lb.	6 $\frac{1}{2}$	9	9 $\frac{1}{2}$	9 $\frac{1}{2}$	Copper, "Electrolytic," Export prompt, per lb.	9-00	12-50	13-40	13-95
" Santos No. 4, cash, per lb.	9 $\frac{1}{2}$	11 $\frac{1}{2}$	12 $\frac{1}{2}$	11 $\frac{1}{2}$	Spelter, East St. Louis, spot, per lb.	4-85	6-00	6-40	6-

The Times, urges the need to turn the nation in peace on to a war footing, with a General Staff for the home front in peace and war. Such civil measures on top of re-armament, though necessary, would mean an added burden. However great the country's financial resources may be, both for taxation and for loans, our defence works cannot be borrowed from posterity. We must pay high prices and wages to get people to make them, rather than to meet civil demand.

Thus, our new expenditure on arms—at thrice the cost of those we maintained in 1934-35—will certainly unleash a vicious spiral and lead to a crash, unless immediate steps are taken to control, by comprehensive policy, the pace of re-armament. If we are to re-arm for an isolationist foreign policy, the reckoning will be more certain and more swift. Isolation works both ways; the Powers from whom we are isolated will also put on a spurt in the arms race; and then, in proportion to the speed-up of our unproductive activities, so will the reckoning be worse. The strain of diverting the peace economy to a war footing will bring breaking-point nearer, according as the unproductive element battens, cancer-like, on the productive system.

It is for this reason that some international economic agreement is to-day imperative. Indeed, such agreement has by now become the condition precedent of any international arms agreement; for in many countries, our own included, employment and production have come to depend to an undue extent on Government orders for

arms. The demobilisation of war industries, and their diversion to a peace footing, will raise problems as acute as those raised in a peace-time economy by the outbreak of war. It is encouraging to note in all countries the growing realisation that international trade must be expanded, if ever the slack of disbanded war industries is to be taken up and grave social upheavals avoided. *The Times* suggests that new methods must be found to increase our exports, while protective measures are retained. It is amusing to observe to what lengths of circumbulation the protectionist mind is being driven in its attempts both to maintain tariffs and to jump over them, to retain import quotas and to circumvent them. But, as Mr S. M. BRUCE urged this week, we must buttress peace by *freeing* trade. The Western nations are frantically piling the Pelion of armaments on the Ossa of protectionism. The only safeguard is to broaden the basis of their commerce.

There is still a way out from the disastrous course into which a re-arming world has rushed; and the British Government is best fitted to show it. Let us negotiate agreements for political security and for the removal of trade barriers with all those countries who will reciprocate. Security against aggression will restore confidence, and expanding trade will furnish a timely buffer to the impact of war finance. Then we can really secure both peace and plenty—which we can never do by a semi-mobilisation of our resources for a hypothetical war.

Non-Intervention at Last

THE London Committee's long and hitherto mostly barren labours have at last borne some fruit in the general acceptance and implementation of a scheme for extending the principles of non-intervention in Spain from war materials to volunteers. As from midnight last Saturday, February 20th, a ban upon the departure of any further volunteers to Spain came into effect in all the countries represented on the Committee. Several of the States are already reported to be taking the requisite legislative or administrative measures for extending the ban to their own nationals. So far, implementation of the agreement is solely dependent on the national action of each of the countries concerned. If the non-intervention plan were to be left at that, it would hardly be worth the paper it was written on, in view of the record of certain Governments in respect of the fulfilment of their existing pledges not to supply the Spanish combatants with arms. This national action is, however, to be supplemented by international control round the land frontiers as well as the coasts of Spain; and these international measures on the spot are to come into force on the night of March 6th.

The naval arrangements for patrolling the Spanish coasts have not been so difficult to work out. The sectors in the insurgents' hands will be patrolled by the British, French and Russian navies, and those in the legitimists' hands by the Italian and German navies. It is possible that some awkward questions might still arise if, as a result of the ebb and flow of the Spanish civil war, some port were to fall into the hands of the Spanish *protégés* of an ex-interventionist foreign Power which had been assigned that particular sector to patrol just because its own Spanish friends were *not* in occupation there. Such difficulties, however, will be capable of adjustment if all the parties to the agreement act with the bare minimum of good faith.

The problem of supervising the land frontiers of Spain has been more delicate. Here the British and French Governments deserve praise—the French for having put the perverse kind of national pride in their pocket in

consenting to allow foreign observers on French territory, and the British for having induced the Portuguese to accept—not, indeed, an international control on the same footing as the French, but a British collaboration in a Portuguese national control which will probably in practice amount to the same thing.

This Anglo-Portuguese agreement has surmounted the obstacle of Portuguese intransigence, which has hitherto been one of the chief causes of the delay and obstruction which have dogged the London Committee's steps. It is still something of a mystery how far Portugal has been obstructing on her own initiative and how far she has been serving as the cat's-paw of Italy and Germany. Ideologies make strange bedfellows. The present Fascist masters of Portugal are so terrified at the possibility of the Spanish Fascists suffering defeat that they have thrown themselves into the arms of the two Powers that have the most keenly whetted appetites for colonial acquisitions. It is an odd way of safeguarding the national independence of Portugal and the integrity of her colonial empire. No doubt it is a perception of the dangers of this course that has moved the Portuguese Government to veer round again towards Portugal's oldest ally.

The thirteenth hour is a melancholy time of day; and the non-intervention plan has so palpably come into effect just too late, instead of just in time, that it is impossible to greet it with any great enthusiasm. In any case, the delay has added enormously to the agony of Spain and her people. And the sceptics will wonder whether this plan would ever have been allowed to come into force at all if it had not been calculated that the moment when it could have proved effective had already passed. The working of the London Committee over the Spanish civil war has, in fact, borne a most unpleasant resemblance to the working of the League of Nations over the Italian crime against Abyssinia. In 1935 there was one aggressor; in 1936 a number of aggressors intent upon exploiting the Spanish tragedy to their own advantage. On the other hand, there has been a band of

pacifically-minded Powers which have had no temptation to commit aggression on their own account, but also hesitated to cross an aggressive neighbour's path for the sake of rescuing his victim and upholding international law. In these circumstances, the professedly respectable Powers appear to have stumbled on a method of compounding the aggressors' misdeeds without officially losing face.

On the one hand, if we find that the new arrangements about non-intervention in Spain are on the whole *bona fide*, we shall be inclined to view them as a valuable precedent. On the other hand, if they prove to be a collusive and face-saving cloak for international penetration-without-tears, history will record that the French and British Governments preferred to leave the Spanish Government, as they left the Abyssinian Government, to its fate rather than come into collision with the aggressor.

In this latter case, we may ask ourselves whether the same technique would work if the criminal's victim happened to be some country in whose fate the police Powers were genuinely concerned for their own selfish reasons. For instance, would the Russian Government show itself so accommodating if HERR HITLER had been doing for the German minority in Czechoslovakia what he has been doing in Spain for GENERAL FRANCO? Or would the French and British Governments be content to bolt the door of their neighbour's house after the burglar had made his entry, supposing that the scene of

the crime were not Spain but Belgium, and that German "volunteers" had been streaming across the Meuse to fight the battles of a Flemish or Rexist insurrection?

The answer raises many complex considerations. One is that few nations have fully realised that insistence on the rule of law in international affairs is in their own most vital interest; and even if they are dimly perceiving it, they have little confidence that other nations appreciate and will act on this fundamental fact. Hence all this hesitation. And when there is lack of confidence it is easy to find excuses for the face-saving technique in the circumstances of the victim himself—such as the excesses on both sides of the Spanish struggle and the unexpectedly sudden collapse of Abyssinia. The moral is that neither Abyssinia nor Spain provides any precedent for forecasting what is likely to happen if the gangsters transfer their beat one stage nearer still, north of the Pyrenees, Alps or Dolomites. Moreover, if international quarantine on Spain works at all, it may serve to revive some small measure of confidence in collective action. A century hence, posterity may look back on the Abyssinian and Spanish episodes of the nineteen-thirties as the peak in the ascending curve of Fascist power-politics. If that is to be the verdict of history, it must be the business of European democratic Governments to guard against diplomacy by *agents provocateurs* and politics by penetration. If Europe learns that lesson from Spain, the Spanish tragedy and the farce of non-intervention will not have been fruitless.

The Uses of Advertisement—II

Advertising and the Public

IN the first of these articles we discovered that business men spend on all forms of advertising eighty-odd million pounds a year. Of this about two-fifths is spent on advertising in the newspapers, the remainder being devoted to the hoardings, to window display and to other forms of publicity.

We have still to find exactly who spends this money, and with what effect. Not all industries advertise, and those which do so employ a great variety of methods and technique. Hence the total bill for advertising is not spread out equally over all businesses; nor is advertising expenditure uniform among businesses of the same kind. A comparison of the estimated figures for 1931 and 1935 (supplied to us by the London Press Exchange) shows how press advertising by certain large industries has increased in recent times:—

SUMS SPENT ON DISPLAY ADVERTISEMENT OF BRANDED GOODS IN THE PRESS		
	1931	1935
Food and Drink	3,291,030	3,947,663
Household Equipment	2,207,972	2,698,750
Patent Medicines	1,737,193	2,559,750
Soaps and Toilet	1,711,067	2,405,200
Tobacco and Cigarettes	1,514,861	1,517,295
Motor-cars and Accessories	1,253,352	1,527,036
Clothes	862,945	1,008,947
Miscellaneous	721,449	1,799,760

There was no great change in the distribution of spending among the different industries between these two dates, although there was a general increase in expenditure. In both years, firms advertising food and drink, household equipment, patent medicines, soaps and toilet requisites spent the most money. The chart overleaf shows how different groups of advertisers contributed to the total in 1931 and in 1935.

The same story is told by the actual number of firms engaged in advertising various products. In 1935, some 739 firms were engaged in advertising foodstuffs in the Press. Patent medicines were brought to our notice by

557 firms, beauty preparations by 190, and beer and stout by 114.

In most instances, however, a comparatively few very big advertisers predominated and spent most of the money. Of the 81 firms advertising confectionery, two were responsible for 50 per cent. of the expenditure on display advertising in newspapers. Three tobacco companies spent 35 per cent. of the total amount paid by 80 firms to advertise cigarettes. Similarly, in the case of beer and stout, nearly half (49 per cent.) of the total expenditure was spent by 3 out of 114 concerns.

It would not be true, however, to say that every much-advertised commodity was mainly popularised by a few big concerns. Of the 103 advertisers of wireless sets, only two firms spent more than 5 per cent. of the total amount; and only 3 manufacturers spent more than 10 per cent. of the total cost of advertising motor cars.

Moreover, not all advertisement is alike. The figures we have been examining relate to branded goods display advertising in newspapers, and cover only about one-fifth of the total advertising bill. As we saw in the first of these articles, postal advertising, window displays and posters are very widely used to persuade us of our wants and needs, and to tell us how best they can be satisfied.

The purposes of all these methods of advertisement are similar; but they differ in the way in which they set about their task. All advertising aims to inform and to persuade: to tell the world what there is for sale and to persuade people to buy it. But while some advertisements are almost entirely informative, others are nearly all persuasion.

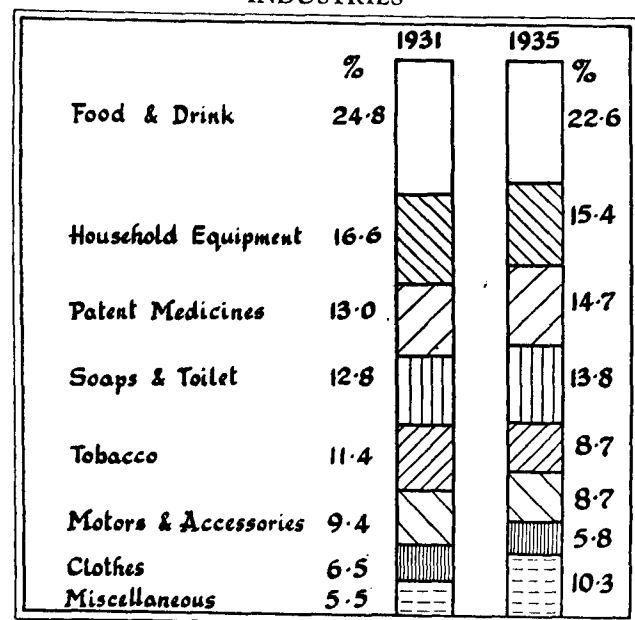
The ways of an advertiser with his public are familiar. He always begins by telling us what he has to sell. He may stop there, with a curt notice that "Messrs Smith will sell a consignment of soap." But he may go on to "brand" the soap he has for sale and urge us to buy. "Smith's Soap." More enthusiastically, he may present

his soap to us as the only soap—"Buy Smith's Super Soap and Refuse all Others." In other words, he may be content to sell soap; or he may want to sell more soap than other people; or he may be eager to sell *all* the soap, to create a monopoly.

If his aim is to sell all the soap, he will seek to bend us to his will. Dozens of skilled experts will analyse the possible reactions of our secret fears and hidden longings to the problem of soap; and we will be shocked, amused, alarmed or inspired in the cause of Smith's Super Soap.

These quasi-psychological appeals and warnings have become almost a part of the air we breathe. There is the single arresting phrase: "Don't meet your wife" before which we halt to read on, "till you have used Smith's Super Soap." There is the pseudo-scientific warning, "Bacteria kill thousands daily, use Smith's Super Soap"; the social threat, "Cleanliness means popularity, use Smith's Super Soap"; the appeal to snobbery, "Lady Blimp uses Smith's Super Soap, why don't you?"; and the appeal to our ambition, made in a pictorial series of the man who used Smith's Super Soap and became chairman of a public company.

PROPORTION OF TOTAL EXPENDITURE ON DISPLAY ADVERTISEMENTS OF BRANDED GOODS, ATTACHABLE TO VARIOUS GROUPS OF INDUSTRIES



Thus from grave to gay the advertiser pursues our income. He splits our sides with a cartoon, and opens our mouths with alarm. He repeats himself, over and over again, until we know him and the wares he has to sell; we see his slogans everywhere, and we learn them by heart, "More hope in Smith's Soap." With ceaseless repetition he wages his campaign, and most of us can bear witness of his success.

But these are the more spectacular forms of advertisement. The basis of all advertising is information, and a large amount of advertising is still purely informative. If the object of advertisement is to bring to our notice the things which we may want and may need, informative advertising is a necessary and unexceptionable function of modern life. There are so many people with so many requirements that contacts must be deliberately made between supply and demand.

It is, however, the more complex forms of advertising which engage, perhaps, a disproportionate amount of our attention. Actually, these more spectacular forms of advertising are limited to a much narrower range of industries than is generally supposed. We have already seen the preponderance in "display" of food and drink, patent medicines, household equipment and toilet requisites; and we know from experience the importance of only a few sorts of articles in the advertisements we see.

In fact, there would appear to be certain well-defined conditions without which elaborate advertising is impracticable and uneconomic. There must be a name to begin with; there must be a reasonably elastic demand for the article advertised; there must be a considerable degree of standardisation, and considerable economies in increased output must be possible. No advertiser can command an infinitely expanding market, of course; there are definite limits to the amount of money we have available at any time to spend on the sort of things he has to sell. But he will be satisfied if by his advertising he can hold a market already big enough to make large-scale economies feasible; and he will try to capture year by year a steadily increasing demand, as shops and houses grow in number.

Only a limited number of articles fulfil these conditions. Many of these are largely luxuries or semi-luxuries. Is there a danger that producers of such goods may not be content merely to tell the consumer what there is to buy, but will endeavour to persuade him that there are no satisfactory substitutes for the advertiser's goods—i.e. to create a monopoly? Such a danger may be inherent in the sale of branded goods, as such; for every *brand* is a monopoly of the firm which has the right to use it. But responsible newspapers to-day take an increasingly serious view of their duties as media for advertising. Their ultimate power of veto of advertisements which endeavour—explicitly or implicitly—to decry the products of the advertisers' competitors is a weapon which is none the less effective because the occasions for its use are now, happily, rare. Advertisers and their expert advisers have learned, indeed, by experience that derogatory advertising does not pay, in the long run; and the same condition applies to advertising which makes extravagant claims, e.g. for medicinal products, or otherwise offends public canons of truth or good taste. Recognition of the implications of this fact is the consumer's best protection against unscrupulous and extreme forms of advertising. It has also played a part in the development of "collective" advertising, whose aim is usually to develop a habit, to change a taste or to speak for an industry as a whole. In 1931, £55,341 was spent on collective advertising; in 1935 the figure was £342,330.

The ultimate safeguard for the consumer against the least desirable forms of advertising is the fact that he holds the national purse-strings. Public opinion, the Press and the advertising industry itself may need to be constantly on guard against the type of advertising which avowedly makes an appeal to ignoble or anti-social instincts, like ignorance or cupidity. In some instances, the drawing of the line of permissibility may involve a nice problem. Whether advertisers, for example, should be permitted to make unqualified statements in praise of products whose market is wide, but whose social merits are contested by a substantial body of opinion, is a question to which only an empirical answer may, at present, be possible. The same remark may apply to advertisements of products whose market depends on a popular fashion like the present vogue of a *svelte* feminine figure; for the ultimate effect on public health of such a fashion may be debatable.

On the whole, advertisers have learned that a successful business must be based on a continuing market and that the best advertisement of all is a satisfied customer. The larger an advertiser's allocation, the stronger is his realisation that publicity may sell an inferior article once—but once is not enough. The artistic standards and technique of the advertising industry have greatly improved in recent years. On the whole, the standard of truth in advertising has similarly risen as the standard of living has improved and the public has become more discriminating.

The Great Cities of Britain—IV

Commercial Bristol

"BRISTOL (Brigstow, Briston, Bristow, Bristole)," the Encyclopædia Britannica remarks "is one of the best examples of a town that has owed its greatness entirely to trade." And, indeed, hidden in a little bowl formed by the confluence of the Avon and the Frome, surrounded on all sides by substantial hills, and eight miles from the estuary of the Severn, it was little fitted for anything else before the advent of modern communications. But it would be hard to imagine a better position for a port.

The first details known about Bristol concern its trade: in the reign of CANUTE the town was exporting English wool, and, rather surprisingly, English slaves to Ireland. The connection seems to have flourished in succeeding centuries almost to the extent of making Dublin a colony, administered by emigrant Bristolians. With the great producing area of the Cotswolds nearby, the town could then open an additional trade in wool with the Baltic, and start as well importing lime from France, not long after the Conquest. Later, one BLANKET set up looms and founded a prosperous cloth trade. WILLIAM CANYNGE, the greatest of the fifteenth century merchants, and five times mayor, could rebuild St. Mary Redcliffe out of his own pocket. The Merchant Venturers pushed the boundaries of Bristol's commerce as far as the Levant. The CABOTS were not the only men to start from Bristol on voyages of exploration. The Canaries and the Spanish Colonies in America became used to the sight of Bristol ships.

When England started on her Colonial career Bristol, while keeping up her older connections, took no small part. Many of her capitalists had large tobacco and sugar plantations in Virginia, the Carolinas and the West Indies. Her ships did a thriving triangular trade carrying goods to Africa, exchanging them for slaves, and exchanging the slaves for sugar in the West Indies and tobacco in Virginia. Despite the calamities of the Civil War and London's growing power, Bristol by the eighteenth century, with a population of 40,000, was claiming to be the second city of the country. Of this period it is recorded that "Bristol had a good deal of style and even grandeur in its social life." A certain rich brewage, as MACAULAY termed it, was current in Bristol: it was called milk not only because it was as common here as milk in other places but "because the inhabitants esteem it as pleasant, wholesome and nourishing." BURKE represented the city in Parliament. CHATTERTON and SOUTHEY were born here. And though the town was "small, densely populated and dirty" the influence of her energetic community of Quakers, and of her Methodists, helped to relieve the ordinary squalor of Georgian town-life. Its citizens, then as now, were proud of their two mottoes: "No age, nor time, can wear out well-worn fame" (CANYNGE's epitaph), and "Ship-shape and Bristol fashion."

But at the beginning of last century Bristol faced the great crisis of her history: the wool trade was declining fast, due to the growth of Irish competition and the emigration of Industry to the north; the slave trade, partly owing to the efforts of Bristol's own humani-

tarians, was abolished; Liverpool, once its cotton trade was established, showed itself an equally or more convenient port; and the local vested interests, banded together in sleepy monopolies, barred the way to rapid adaptation. It seemed possible that Bristol would go the way of Winchester or Wisbech: small wonder that Bristol people went radical, and showed their representatives with some energy, in the great riots of 1831, that they wanted reform, and intended to get it.

Since then the history of Bristol has been the history of her triumph over the impending danger. The port, now municipally owned, has continually been increased and repeatedly re-equipped, and it now extends to the mouth of the Avon

and along the banks of the Severn. Despite Bristol's pioneer efforts in the building of Atlantic steamships, the size of modern ships prevents them from approaching closer than Avonmouth, though it is still no uncommon sight to see the masts of substantial tramp steamers rising in the centre of the old city. Bristol still imports tobacco, cocoa and sugar in great quantities (the port contributes about £30 millions in excise annually) and has added grain, fruit, timber, hides, cattle and much else. Grain, in particular, accounts for 37 per cent. of the total traffic of the port and about one-tenth of the total grain imports of the country. Last year the registered tonnage entering the port reached a record figure.

The outstanding development of the last century, however, has been the growth of manufacturing industry. To-day Bristol is said to possess 300 separate industries and 2,000 factories. Some of these, such as the celebrated tobacco and chocolate firms, and the lesser known shipbuilding, flour milling, and soap industries, are a natural and profitable development of her traditional import trade. Others—boots and shoes, smelting, paint and glass, for example—are less firmly rooted in the past, though they all make use of the port for obtaining their raw materials. Yet others—such as engineering and the manufacture of aircraft (now in a state of boom)—are a somewhat newer departure, and one of great interest. The first commercial aircraft factory was established at Bristol.

In a population of 400,000, Bristol has an insured population of about 150,000, and unemployment of about 10 per cent—a figure rather below that of the country as a whole. But prosperity is really greater than this figure would indicate. The proportion of female labour is exceptionally high, and helps to maintain a good family income; and furthermore the city possesses an unusually large number of professional and business men. Again, the great variety of industries and the fact that the port is predominantly concerned with imports have helped to save Bristol from the worst of the depression. Above all, her industries are mainly concerned with cheap luxuries having a stable and nationwide demand, and more or less immune from home or foreign competition. At the bottom of the slump it was the building and engineering trades, proportionately quite a small part of the total industry of the city, that contributed most to the total of unemployment. These



have now recovered, and are likely to remain prosperous for some time. The city's deposits in the Post Office Savings Bank are now second only to those of London; and a recent marketing survey estimated Bristol's purchasing power per head at 13 per cent. above that of the average of the hundred largest towns of the country.

Bristol, therefore, is blessed with a singularly well-balanced economy, and a large share of good fortune. Wool exports declined just when sugar and tobacco grew, and England took to importing agricultural produce just about the same time as shipbuilding moved north. By and large, Bristol has so far maintained almost continuous prosperity; and there are no reasons why that prosperity should diminish. The city possesses an enterprising municipality and an energetic

Development Board. Of the 25,000 houses built since 1919, the Corporation can claim a half. A civic centre is in process of creation: two new arterial roads will reduce the congestion in the centre of the town. Trams are to be replaced by buses, owned jointly by the city and the existing private company. There is a municipal and a military airport. New schools, libraries, clinics and nurseries are being built. The town has a university of its own (where MARSHALL first taught), endowed very largely by the members of the WILLS and FRY families, latest in the long line of Bristol's local benefactors. A social survey, financed locally, is now in course of preparation; it should provide a most interesting account of the success (and failures) of capitalism at its best. It cannot fail to emphasise the adaptability of Bristol's economic life.

British Railway Receipts

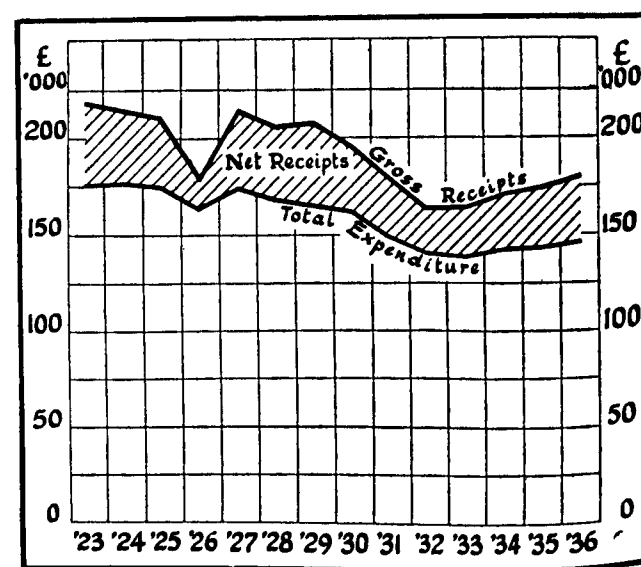
THE history of British railway finance since the amalgamations of 1923 falls into three fairly distinct periods. During the first period, from 1923 to 1929, there was a steady, but not in any one year a drastic, fall in gross receipts on each of the four companies' lines, except in 1926, the year of the general strike and the coal stoppage. The adjustments required by changes in traffic during this period, though important, were never of an alarming character. The managements were largely preoccupied, at first with the problems resulting from amalgamation and later with the growing menace of road competition. In the second period, between 1930 and 1932, however, sharp declines in traffic were recorded. As will be seen from the chart on this page, and from the detailed tables on page 501, the reductions in gross receipts in this second period were of quite a different order of magnitude to those of the first. They led to important changes both in the provision of freight services and the level of passenger fares. The third period lasted from 1933 to the present day. The results of 1933 showed that the tide of depression had turned, and there has subsequently been a slow but sure improvement every year, which was more than maintained in 1936. In our more detailed tables, we have selected the figures of gross receipts, etc., for certain key years for closer examination. These years are as follows: 1924, the first year after amalgamation proper; 1929, the last year before the great depression; 1932, the year when railway traffics and receipts reached their lowest point; and the two most recent years, 1935 and 1936.

The extent to which the great railway undertakings of this country are able to adjust themselves to-day to changing conditions may be contrasted with the experience of pre-amalgamation days. In those times, unless falling revenues had been at once offset by some change in services, some reduction in costs, or some alteration in the basis of fares or charges, the smaller undertakings would soon have been threatened with financial ruin. To-day, whole sections of a complex railway system may continue to be worked on a relatively unprofitable basis for a considerable period, till the cumbrous machinery of large-scale adjustment comes into action. Moreover, on many matters of policy the Big Four railways act together. This not infrequently means that the pace is set, not by the company which is most desirous of making a change or most convinced of its efficacy, but rather by the company to whom the wisdom of the change is least obvious, i.e. by the slowest member. Nevertheless, the capacity of the railways to adjust themselves to changing external conditions will ultimately determine their profitability. We propose, therefore, to consider their figures from this special angle.

If the total gross receipts of 1929 be compared with those of 1924 (the figures include both railways proper and ancillary services), it will be seen that while all the companies suffered declines, those of the "Northern"

lines were the more substantial. On the two "Southern" lines, indeed, gross receipts in 1929 were virtually identical with those of 1924, the fall being less than 1 per cent. in each case. During this period the growth of road competition was rapid; for the railways did not enjoy the benefits of any protecting Acts, such as they obtained later. The Road Traffic Act was enacted in 1930 and the Road and Rail Traffic Act in 1933. The "Southern" lines, however, were compensated for the increase of road traffic by the comparative prosperity enjoyed by the South of England; and in the case of the Southern Railway electrification made, and has continued to make, a special contribution to the maintenance of receipts.

TOTAL GROSS RECEIPTS, EXPENDITURE AND NET RECEIPTS ON FOUR GROUP RAILWAYS, 1923-36



In this first period, however, the movement of industry from north to south was an unfavourable factor for the two "Northern" lines. The London, Midland and Scottish receipts showed a total decline of 5.5 per cent. between 1924 and 1929, the corresponding figures for the London and North-Eastern being 2.8 per cent. But these changes are chiefly remarkable for their small size, by comparison with those of the following period. Between 1929 and 1932 the L.N.E.R. suffered a fall in gross receipts of no less than 23.6 per cent. The G.W.R. and the L.M.S. had declines of 21.3 per cent. and 19.8 per cent., respectively, and the Southern a decline of 15.9 per cent. The railways felt the full force of the great depression, and were set a hard task in meeting their difficulties. Finally, recovery has been common to all lines from 1933 to 1936. In the last four years the L.M.S.R. has secured an increase of 11.0 per cent. in

gross receipts, the L.N.E.R. of 10.9 per cent., the Southern of 8.7 per cent. and the G.W.R. of 8.2 per cent.

So much for the course of gross receipts since the time of amalgamation. The data for a similar survey of total expenditure will be found on page 501. The figures bring out the fact that, between 1924 and 1929, the percentage falls in total expenditure in every case exceeded the percentage falls in gross receipts, but not in any substantial proportion. The economies of amalgamation, obviously, were not striking. On the L.M.S.R., for example, a fall of 5.5 per cent. in gross receipts was matched by a fall of 7.5 per cent. in total expenditure. The two "Southern" lines, whose gross receipts remained virtually unchanged between the two years under review, showed falls in total expenditure of only 5.3 per cent. on the G.W.R. and of 3.7 per cent. on the Southern Railway. Their total net receipts thus increased only to a small extent.

The railways, in short, had achieved few large-scale economies up to the eve of the great depression. To what extent can railways rapidly adjust their expenditure in order to cope with falls in gross receipts of the magnitude of those experienced between 1932 and 1929? Their capacity depends upon the extent to which they are dealing, respectively, with passengers or with freight, since opportunities for rapid adjustment are greater in the latter than in the former. Actually, between 1929 and 1932, falls in gross revenues ranged between 23.6 per cent. on the L.N.E.R. and 15.9 per cent. on the Southern. On what scale was total expenditure reduced?

War in the Air

It is a commonplace that the aeroplane has revolutionised both peace and war. In peace, it bids fair before long to put Puck's girdle round the earth in forty minutes. But it is in warfare that the third element becomes supremely important. Within a generation Western peoples have been forced to realise that their society may be more fundamentally, and far more speedily, revolutionised by the military aeroplane than it was when gunpowder first spanned mediæval moats and pulverised city walls.

Quite the most alarming feature of aircraft is the accelerating rate at which they have been, and are being, improved. To-day Glasgow, Liverpool and Cardiff are all within 2½ hours' flight of Kiel by the latest fully-loaded medium bombers; London is within the same time-distance of Milan; Berlin of Paris; and Rome of Marseilles or Munich. The ceiling—the upper limit of effectiveness—of a medium bomber has risen in the last few months to between 22,500 feet and 25,000 feet; while its speed has risen to 250 m.p.h. on the average, and the weight of its bomb-cargo to half a ton. Compared with ten years ago, the single-seater fighter and interceptor machine, fitted with fixed guns firing forward, and perhaps carrying a light bomb rack, accounts for far less of modern air force strength, as the realisation has grown that "the bomber will always get through." It is significant that to-day even the defensive-minded nations—e.g. Britain, France—have increased the percentage of bombers in their air forces at the cost of fighters; so much so that to-day the British Air Force is working to a ratio of about 70 per cent. bombers (including medium bombers and light bomber-fighters), whereas in 1925 the figure was almost reversed at about 30 per cent. It is commonly assumed to-day that the only effective aerial defence against aerial attack is the threat of overwhelming reprisals in kind—a view that is sanctified in our own Government documents and in every Western country.

What are to-day the most likely tactics of air attack and defence? First, it may be taken as axiomatic that no offensive-minded Power will in future stop to declare war before launching surprise knock-out blows at his victim's military, industrial and communications centres. In the air, the Napoleonic element of surprise is magnified in importance to the nth power. Secondly, it may be unpalatably, but equally axiomatically, assumed that

Railways in general, and very large railways in particular, are confronted with peculiar difficulties when traffics and receipts fall substantially, since a large proportion of working costs does not vary with the volume of traffic moved. In the light of this fact, the achievements of the British railways during this period are distinctly creditable to their managements. The fall of 23.6 per cent. in gross receipts on the L.N.E.R., for example, was accompanied by a reduction of no less than 17.9 per cent. in total expenditure. Reductions on the other three lines were 14.4 per cent. on the L.M.S.R., 14.9 per cent. on the G.W.R. and 12.4 per cent. on the Southern.

During the period of recovery gross receipts have risen in every case by more than 8 per cent. But from the shareholders' point of view the eventual results have been disappointing, for expenditure has closely followed receipts. The rise in gross receipts of 11.0 per cent. on the L.M.S. has been matched by a rise of 5.1 per cent. in total expenditure. On the other three lines increases in expenditure have ranged from 7.6 per cent. on the L.N.E.R. to 3.6 per cent. on the Southern and 1.7 per cent. on the G.W.R.

The conclusion strongly suggested by this survey of thirteen momentous years is that although the fruits of railway amalgamation were somewhat delayed, they came most opportunely to the help of all concerned in the great depression. The fruits of recovery, however, have been much less striking, and in every case, net receipts were lower in 1936 than in 1929.

the same offensive-minded Power will, from the outset, be as concerned to strike panic into civil populations and destroy the civil man-power of his victim as he is to annihilate military works and formations. In an article in *The Times* this week Sir William H. Beveridge makes these assumptions in what he terms a logical spirit; and, unwilling though we may be to do so, we must make them too if we are to survive. It is clear from our experience in the last war that an increasing proportion of the fit and skilled population must be retained at home to turn out the complicated material of war; therefore an attacking air force will certainly try to spill the economic life-blood, or else continuously to disorganise the industrial life, of an enemy country. Germany has already guarded against this danger by spacing out the component shops of important factories and equipping them with underground bomb-proof and gas-proof shelters for all employees.

Again, densely populated regions offer the best targets from the air. In the London Transport Area are 9,500,000 persons; docks, alimentary and transport equipment for as many as 18,000,000 people; the principal power stations, flour mills, gas plants, waterworks, railway heads and factories in the South of England; and the largest aggregation of dwellings in the world. Fifty tons of bombs—containing gas, thermit (an incendiary substance which burns so fiercely that water thrown upon it merely explodes as steam), explosives—can be dropped by 100 machines. There will be much waste of explosives; but there will certainly be extensive damage to life and property; and if raiding be continuous, panic may seize the suffering population.

This raises the question of land defence against air attack. The anti-aircraft gun, and much more the range-finder, have been greatly improved in the last two or three years. But the range-finder cannot ensure that, from the time the shell is fired, the air-target will continue to move in the same direction, at the same speed, at the same altitude, and with identical wind direction and velocity. Aircraft will zig-zag in three dimensions; the wind will change; and artillery accuracy diminishes alarmingly with the height of the target. Bombers that come low (i.e. below 5,000 feet) to sight specific objectives—e.g. railway sidings, flour mills, power stations, waterworks, arsenals, shipping in river fairways, docks and wharf equipment—will run great risks

of being hit by pom-pom anti-aircraft guns which spray explosive shells in a wide orbit, like machine-guns. But a thermit bomb on a flour mill, or a high-explosive on a ship near the entrance to a big dock, will be worth it to the attackers: *Paris vaut bien une messe!* Defending aircraft can operate against a veritable attacking armada, close and compact as they cross the frontier. But no one yet knows if the attackers will be as obliging as this; they may come in twos and threes from different points of the compass, on wireless bearings which converge on the objective. Or, if they come as an armada, they will bring their own fighters with them. The latest single-seater fighters are capable of speeds up to 400 m.p.h.; at which accurate sighting—to say nothing of the strain on the pilots' faculties—is almost impossible. Thus, progress tends towards stalemate in aerial combat. The opposing fighters may engage in single combat while the bombers sail on, to the discomfort of the population. We may even have to envisage running engagements between air armadas—the bombers surrounded by their own fighters who first give battle. Then the whole idea of interception will be superseded by tactics for line of battle.

If we presume that the defending fighters can actually intercept the attackers, the latter may lose as much as 40 per cent. of their attacking power; the other 60 per cent. will then be launched against so-called civil defences—artillery, balloon barrages, and anti-gas and anti-fire organisations. Of these, the balloon barrage seems more calculated to act as a barrage against public anxiety than against attacking bombers.

The lesson of the last war, of the Abyssinian campaign and of the desultory fighting over Madrid and Malaga is that an aerial offensive upon specific objectives can cause chaos to the communications and com-

missariat of the victim, even when adequate aerial defence is available. The Great and Lesser Western Powers reckon their first-line machines in thousands; their reserves are as many as twice their first-line strength; and the aircraft themselves are becoming both swifter and larger. Aerial fleets of modern bombers and bomber-fighters are being built, to be launched against navies, military land operations, industrial centres, communications and civil populations. In the modern arms race, and in a literal sense, "the sky's the limit"; and the initial advantage in war will lie with the Power which first launches a surprise aerial offensive.

There are, however, still obvious limitations on the decisive use of the air arm. It may temporarily harry and even paralyse the enemy's military and civil operations; but it cannot occupy, still less hold, territory. Its efficacy is greatest in striking a blow; and therefore greatest in short, sharp conflicts. It has so far failed to provide a method of inflicting immediate and crushing defeat on an equally-matched enemy. Its destructive power bids fair to attain terrible proportions; but that power is as strong on one side as on another; and a ding-dong battering match, ending in the exhaustion of both combatants, spells eventual stalemate in the air. The dislocation of land and maritime communications by aerial bombardment can be minimised by multiplicity of routes, frequent (and secret) variation of journeys, and the organisation of army operations in defined military zones, self-sufficient in forces, munitions and foodstuffs. However terrible in its immediate effects, the terror that flies by day and by night is still an auxiliary force. It will aid military decisions in a campaign; but the decision of a campaign itself is likely for some time to come to rest with armies, navies, and the economic resources that maintain them.

Notes of the Week

Pointers to Freer Trade.—Addressing the Birmingham Chamber of Commerce at the British Industries Fair on Wednesday, the High Commissioner for Australia, Mr S. M. Bruce, reminded his hearers that Britain's financial and commercial strength in the past, which had made her a Great Power, had been based on the export trade. A dangerous position in this country had been reached when manufacturers had to turn away export orders, or quote unacceptable delivery dates, before the new re-armament programme was even set in motion. We should increase foreign trade; but as Governments would inevitably encounter formidable resistance to relaxations of trade barriers from vested interests, we should capture popular imagination by demanding freer trade in the interests of raising the standards of living in the United States, France, and this country and the Dominions. Economic leadership is required, and Britain should give it. Thus an Australian voice powerfully reinforces that of General Smuts a fortnight ago in demanding the unshackling of world commerce.

On Wednesday, also, Mr Runciman addressed the National Liberal Club, and supported President Roosevelt's and Mr Secretary Cordell Hull's policy of increasing world trade as a means of establishing world peace. He made, however, one egregiously ambiguous observation when he said that American and British tariff policy might move along parallel lines. This has prompted American observers to wonder if such parallel lines "are never to meet in the Anglo-American reciprocal trade agreement which the Roosevelt Administration desires to conclude." Americans must be aware that just as the Ottawa agreements are handcuffs on the British Government's wrists, preventing the freeing of our import trade in foodstuffs and primary commodities, so the American industrial tariff prevents payment for extra British imports from the United States by extra British exports of our manufacturers thither. The shrill voices of die-

hard American protectionist senators were again heard on Wednesday; and our own Chancellor of the Exchequer, in his closing speech on the first day of the Defence Expenditure debate, uttered the ominous warning that our Ottawa preferences were not merely based on economic considerations. If such narrow views prevail on both sides of the Atlantic, the best intentions of the French, Dutch, Belgian and Scandinavian Governments—to say nothing of the British and American administrations and those of the British Dominions—will be brought to nought. In fact, the opportunity was never greater than it now is for the Anglo-Saxon democracies to lead their French, Dutch, Belgian and Scandinavian fellows to widen the ambit of reciprocally freer trade. These Powers stand to lose most if they miss this opportunity to establish peace on a sounder economic basis. They stand to gain most if they determine to take it.

Distressed Areas.—The eagerly awaited Special Areas Bill, which will be explained and justified in a White Paper to be issued next Monday, has already cast a gloomy shadow before it. *The Times*, in an inspired forecast, implies that the scope of the work proposed will be limited, and that there will be no changes in the definition of Special Areas. No existing areas will be excluded, and no new ones will be added. The Minister of Labour has chosen this moment to make public a report delivered to Sir Malcolm Stewart by the firm of Sir Alexander Gibb and Partners last November. These consulting engineers were asked to consider the possible prospects for South-West Durham. They give little hope and suggest no comprehensive cure. The coal workings of South-West Durham, they declare, are defunct, and almost the entire population of 170,000 is congregated around permanently idle pits. Some 42 per cent. of the workers are unemployed; and there is no work, no traffic

and no industry. Nor is there, the report maintains, any means of securing effective industrial employment in the area. It is proposed that South-West Durham should be liquidated. Some part of the area must revert to farming, but in the main the solution must be found otherwise. Villages, it is urged, must be abandoned and the population transferred elsewhere—to the Team Valley trading estate and to small factories sponsored by the Special Areas Reconstruction Association. Nature has done her worst for South-West Durham; the coal is largely finished. But has man done his best? The Special Areas Bill is to be preceded by a financial resolution. But the time is past when the spending of money alone can solve the problem of the Areas, whose chief hope is the restoration of foreign trade.

* * *

The Lessons of Gresford.—The magnitude of the disaster at Gresford Colliery in September, 1934, when 265 men lost their lives, was exceptional; but the conditions which caused the explosion may not have been so unusual. Nothing in the Chief Inspector's report (discussed in *The Economist* of February 13, 1937) and nothing in the deeply serious debate in the House of Commons on Tuesday evening served to allay anxiety for the present safety of workers in British mines. Many of the necessary conditions of safety were absent at Gresford mine; ventilation was inadequate; the roof and sides were improperly supported; and the available exits were insufficient. Yet the House was told by the Secretary for Mines that the inspectors were not at fault. Captain Crookshank said that we must learn the lessons of Gresford. We must; but we cannot proceed by trial and error when human lives are the price of our mistakes. We cannot really be sure that existing safeguards are adequate, or that the present methods of inspection are effective. But we should like to be assured, beyond all peradventure, that "adequate inspection" will refuse to tolerate the sacrifice of safety to considerations of output and profit; or to allow "speeding-up" to override the requirements of the law. That the Attorney-General should now be considering drastic action in the Gresford case is proper but belated; for 265 men lie dead in the still-sealed pit. There were 777 mining fatalities in our mines last year; and we are told that these were the lowest of any normal year. The country will tell the Ministry and the Royal Commission on Safety in Mines that this must stop.

* * *

Unemployment Insurance.—A year ago it was found possible, not only to reduce the contributions of employers and workmen to the Unemployment Insurance Fund, but also to estimate a surplus in the operation of the Fund. Since then, the wheel of economic recovery has rolled on, and the estimated surplus has been exceeded by a considerable margin. The surplus for 1936 was £6,700,000 more than was anticipated; that for 1937 will probably be £12,000,000 more than the previous estimate. The annual report of the Statutory Committee, issued on Monday, recommends that some £16,500,000 of these surpluses should be devoted during the next eight years, together with interest accruing of £750,000, to the improvement of benefit conditions. It rejects the suggestions of a minority report that contributions should again be reduced; or that the surplus should be applied to the speedier reduction of the debt which the Fund owes to the Exchequer and is paying off at the rate of £5,000,000 a year. It is proposed to reduce the number of days for which a man must wait after losing his job, before claiming benefit, from six to three (the original "waiting period" of the 1920 Act); and to increase the number of extra days' benefit beyond the present limit for a man who has been fairly regularly in work for five years.

A man who loses his job will still have to wait for anything up to eleven days before drawing any benefit. Nevertheless, the reduction of the waiting period will make it less necessary for men to resort to public assistance in the interim; and some 60,000 fewer men will come under the Means Test because of this measure. The extension of the benefit period will have similar consequences. At present, a man who has paid 30 contributions in two years may claim, not only 156 days' benefit, but also 3 days' extra benefit for every 5 contributions paid, less 1 day for every 5 days' benefit drawn in the past 5 years. In future, now the Government has endorsed the report, his extra days' benefit will be reduced, not by one for every five days' benefit already drawn, but by one for every eight days. These are welcome advances on present practice; and it is only fair that the workless should derive some benefit from the return of prosperity. But less than half of the unemployed persons in receipt of payments are chargeable on the insurance fund, since long-period unemployment was taken over by the Unemployment Assistance Board. The more serious problem remains the prospect of employment for those outside the insurance scheme.

* * *

Future Employment Conditions.—This is a period of active trade. There is a considerable shortage of labour, although some 1,600,000 persons are still unemployed, which is about 12 per cent. of our registered workers. It is reckoned that there must normally be an unemployment percentage of at least 5, due to labour mobility and seasonal fluctuations. The remaining 7 per cent. of present unemployment is largely accounted for by special factors, by the plight of the coal industry, and by the sad state of some of our staple export trades, brought about by the deliberate strangulation of world commerce by Governments, including our own. The Unemployment Insurance Statutory Committee, and its chairman, Sir William Beveridge, have expressed the belief that it is unlikely that this hard core of unemployment will be further reduced. It is pointed out that the improvement in the Insurance Fund, and the reduction of unemployment which made that improvement possible, were caused by the recovery in world trade; and that the boom will be artificially prolonged for some little time by the gigantic defence programme now in train. But after this, the deluge; the boom will be followed, they forecast, by a severe recession, made more severe by the dead-end of re-armament. Unemployment over the next eight years will average, it is estimated, 16½ per cent. What can be done about it? In particular, what can be done for the depressed areas and for the forgotten rural districts of Scotland and Wales, to say nothing of the black-coated workers who now oscillate between respectability and the Means Test? We can nurse only two hopes: the Special Areas Bill, the text of which will be known next week,



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may possibly relieve the dark shadows which hang over those places where unemployment is as high as 30 per cent.; and the Government may be inspired to take a strong hand in the liquidation of tariff madness and kindred disorders. In both cases experience may lessen our optimism; but, if justice is to be done, and if prosperity is to be really national, our hopes must needs be realised. Exports are more vital than munitions for the future of British employment.

* * *

Baron Neurath in Vienna.—The incidents that accompanied the German Foreign Minister's visit to Vienna this week show how precarious is the present balance of forces in Austria and, in consequence, the present entente between Germany and Italy. Upon his arrival, Baron Neurath was greeted with shouts of "Heil Hitler" from throngs of Austrian Nazis who had lined the streets along which he was to drive. This Austrian Nazi demonstration, of course, throws little light on the relative strengths of parties in Austria. Even a small minority is capable of making a big uproar. The Austrian police were gentle in their treatment of the demonstrators; and counter-demonstrations were quickly evoked from the Patriotic Front. Have the Austrian Nazis been broken up or merely driven underground? The same question applies to the Austrian Social Democrats. And we may also ask ourselves how far Dr Schuschnigg and his colleagues really rejoice in their clientage to Italy, upon which they lay so much public emphasis. It may be sheer *raison d'état* which inwardly goes against the grain with them as much as with any patriotic Austrian of another political persuasion.

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The greatest puzzle of all is the question whether, even with Italy's support, Dr Schuschnigg is strong enough to withstand the Nazi pressure upon him if he merely rests upon the *status quo*. Is not this poor little Austrian Republic indissolubly associated with memories that are too depressing for it to be cherished by anybody as a sign in which Nazidom can be conquered? Dr Schuschnigg has done what he can to brighten up a dismal house. He has given it a corporative façade, and has posted a squad of smartly turned out troops at the door. But, sooner or later, will he not be forced to attempt to restore the Habsburg dynasty, as the only device which would have any real prospect of making Austria once more a positive thing-in-itself? This question was perhaps at the bottom of Baron Neurath's visit. For, from the standpoint of the Third Reich, the present Austro-German agreement is a *modus vivendi* which must not be used as a breathing space to give time for Dr Schuschnigg to take any step which would rule out the eventual *Anschluss* of Austria to Germany. Of all the alternative steps that Dr Schuschnigg might take, a Habsburg restoration is the one that would be received by Herr Hitler with the greatest alarm and resentment; and it would divide him from Signor Mussolini. Did Baron Neurath go to Vienna in the hope of extracting some assurance that a restoration was not, after all, in the offing? If he did, the official Austrian denial, repeated this week, may satisfy him.

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Reconciliation in Czechoslovakia.—On February 10th it was announced at Prague that a large measure of agreement had been reached in the negotiations that had been taking place between the Czechoslovakian Government and the three German political parties in Czechoslovakia which have held aloof from the Henlein front. The requests which the Government has conceded are, first, a fair quota of Government contracts (e.g. armaments contracts) for the German areas; second, the appointment of German officials in numbers proportionate to the ratio between the German element and

the total population of the republic; third, an increase in the grants for social services to the German districts; fourth, an allocation to the German districts of 20 per cent. of the total grant for State theatres; and, fifth, certain concessions in regard to the official use of the German language in the German-speaking parts of Czechoslovakia. This agreement is equally creditable to President Benes and his Prime Minister, M. Hodza, on the one side, and to the non-Henlein German leaders on the other. It is notoriously difficult to make concessions when one is under pressure—as the Czechoslovakian Government is at this moment from Henleinism at home and from Nazidom just beyond the frontiers. In making the present agreement under the present untoward conditions, the Czech statesmen have made a substantial contribution to their country's security. Once again, Czechoslovakia has proved herself to be, as she claims to be, a country with a thoroughly Western standard of enlightenment.

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It is not only the Czechs who have shown wisdom in this affair. The minority of the German minority in Czechoslovakia has been equally wise, on its side, in coming to terms with its fellow-Bohemians of Czech nationality, instead of placing itself in the hands of a raging, tearing Nazi movement which is as implacably hostile to Christianity as it is to democracy and to Socialism. No doubt Herr Henlein and Herr Hitler will now cry aloud with one voice that these Czechoslovakian Germans who have compounded with the Czechs are as unrepresentative as they are traitorous. To this the pertinent answer is that the German leaders who have conducted these successful negotiations with the Czech Government have actually obtained satisfaction for the greater part of the demands that Herr Henlein himself has put forward. The Czechoslovakian Government is now proposing to enter into negotiations on similar lines with the Polish and Magyar minorities. A country which has taken such wise and timely steps to forestall any possible justification for any German act of aggression against her is more than ever entitled to receive our covenanted support if, all the same, she were eventually to be attacked.

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Berlin and Prague.—Dr Goebbels has explained that the German Government never meant that the newly constructed Czech aerodromes—described by certain English publicists as plague cells of Bolshevism—were actually Russian property, but that they would be used by Russians. No doubt they would, for purposes of defence against any wanton attack on Czechoslovakia; just as British aerodromes would be used by French or Belgian aircraft, and theirs by our aeroplanes in the event of wanton aggression in the West. That is not plague-carrying; rather is it antiseptic action. The German propaganda has therefore shifted ground. It is now attacking the Czech Government for its attitude to the Bohemian Germans. Not all of these are in the Henlein party; for three other German parties have their Ministers in the present Czech Government. While Herr Henlein personally did not originally claim that the Sudetenland and its Germans should be absorbed into Germany, the organisation of his party from Berlin has made that the aim, and so weakened his position and influence as nominal leader. The Henlein Party to-day effectively stands for the dismemberment of the State to which it owes allegiance. And Herr Hitler on January 30th claimed the right to supervise all German minorities abroad. On the other hand, two of the three non-Henlein German Ministers in the Czech Coalition Government last week declared themselves against any attempt to alter the Czech frontiers or to make the Sudetenland problem into an object of international bargaining or manoeuvring. It seems as if the exploitation of the Sudetenland minority question by the German Government's Propaganda Ministry will also prove barren.

The Coronation Oath.—Smaller changes have been made in the Oath to be taken by His Majesty upon his coronation than were suggested by the general air of mystification that had been allowed to hang over the issue. We have not been reduced to the absurdity of having a separate oath for each self-governing member of the Commonwealth. The King will swear to govern "the peoples of Great Britain, Ireland, Canada, Australia, New Zealand and the Union of South Africa," of his possessions and any territories belonging to them, and of the Empire of India, "according to their respective laws and customs." The phrase "according to the statutes in Parliament agreed on" disappears—a tribute both to the difficulty of inventing a formula which would cover the existence of six sovereign Parliaments, and to the unquestioned legislative supremacy of Parliament in these days, by contrast with the seventeenth century when the phrase first appeared. The use of "Great Britain, Ireland . . ." instead of "the United Kingdom of Great Britain and Northern Ireland, the Irish Free State . . ." is in parallel with the present Royal Style and Titles; it is also taken as keeping open the door that leads to an ending of the formal partition of Ireland. The oath to maintain the Protestant Reformed religion established by law is to be confined to the United Kingdom, in which alone the King has powers to carry it out. The Church of England itself, of course, is an oecumenical body; otherwise the changes in the Oath might be said to have drawn a line between the imperial duties of the King and those he owes as Governor-General of the United Kingdom.

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Britain's Balance of Payments.—The official estimates of the balance of payments of the United Kingdom in 1936, together with revised figures for the two previous years, appeared in this week's *Board of Trade Journal*. The figures are as follows:—

BALANCE OF PAYMENTS OF THE UNITED KINGDOM (£ millions)				
	1934	1935	1936	
Excess of imports of merchandise and silver	294	260	347	
Excess of Government payments*	—	2	2	
Total	294	262	349	
Excess of Government receipts*	7	75	95	
Net national shipping income†	70	75	95	
Net income from overseas investments	170	180	195	
Net receipts from commissions, etc.	30	30	30	
Net receipts from other sources	10	10	10	
Total	287	295	330	
Estimated total credit or debit balance	— 7	+ 33	— 19	

* Including some items on loan accounts.
† Including disbursements by foreign ships in British ports.

The final result for 1936 is broadly in accordance with expectations, though the debit balance of £19 millions is surprisingly large. There is reason, however, for believing that some of the credit items have been underestimated. Thus the *Journal* specifies items under both the last two heads which have increased in the past year; but the entry is not altered. On the other hand, a generous allowance has been made for shipping income. The estimate for net income from overseas investments differs in some particulars from Sir Robert Kindersley's figures, but the entries in the table have been revised downwards in the light of his latest estimates.

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There is, of course, no reason for alarm in the appearance of a debit balance. As the article in the *Journal* points out, the "adverse balance of merchandise trade" appears to increase and diminish in alternate years, doubtless due to the time-lag between increased purchases of food and raw materials by the United Kingdom and the consequent increase in purchases of British goods by the primary-producing countries. Furthermore, if the attempt is made to draw conclusions about the future of sterling from the figures of the balance of payments, it should not be forgotten

that the balance of payments concerns the whole of the United Kingdom's transactions with overseas countries, while sterling is affected by the balance of transactions between the sterling *bloc* as a whole and the rest of the world.

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Budget Prospects.—The last quarter of the financial year is now more than half over. It is still hazardous to make forecasts of the probable outcome of the year's working, as the ultimate figures are liable to be influenced by last-minute transactions both within and without the Treasury's control. But the indications confirm the prophecy which we made at the beginning of January, namely, that "if there is a deficit it will be no larger than the debt reduction which will be accomplished out of the allocation for interest and management of the National Debt . . . and it is by no means impossible that there may be a small surplus." Indeed, it is now the small surplus which appears the more likely possibility. The deficit on December 31st was this year £24.8 millions larger than last year. Last year closed, however, with a surplus of £2.9 millions. For revenue and expenditure this year to be exactly balanced the fourth-quarter surplus would thus need to be £21.9 millions larger than last year. In the period January 1st to February 20th this year revenue has exceeded expenditure by £133.0 millions, compared with a surplus of £123.1 millions in a period two days longer last year. If this rate of improvement continues, the surplus on the full fourth quarter will be £24.1 millions, or about £2 millions more than is required for an exact balance. Moreover, "surplus" is here used in the official sense, and does not include the sum of about £12 millions by which expenditure on the interest and management of the National Debt will fall short of the amount provided.

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This favourable result is due in the main to the admirable buoyancy of the revenue. But it has also been assisted by a surprising failure of expenditure to come up to the full estimates. Expenditure will, of course, be higher than was allowed for in the Budget, but considerably lower than appeared likely at one time. On January 1st expenditure of £215.8 millions was needed to equal the Budget estimate. At the rate of expenditure prevailing in the intervening weeks, the total for the quarter will be about £220 millions, or only about £4 millions more than the Budget estimate, in spite of Supplementary Estimates (other than those provided for in the Budget) of over £18 millions. There may, of course, be a rapid increase in armaments expenditure in the next six weeks, which would affect all these calculations. But the time is too short for any substantial modification to be made in the picture as it is now beginning to take shape.



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Civil Estimates.—The Estimates for the Civil and Revenue Departments have been issued. The figures are as follows:—

	1936-37 (Final Estimate)	1937-38	Change
1. Central Government and Finance.....	2,423	2,549	+ 126
2. Foreign and Imperial.....	9,506	8,988	- 518
3. Home Department, Law and Justice.....	19,243	23,940	+ 4,697
4. Education.....	61,510	62,801	+ 1,291
5. Ministry of Health, etc.....	30,878	26,550	- 4,328
Old Age, etc., Pensions	59,321	61,319	+ 1,998
Labour and Unemployment.....	77,819	82,298	+ 4,479
6. Board of Trade, etc.....	3,314	1,373	- 1,941
Agriculture.....	13,294	12,084	- 1,210
Transport, Roads, etc.....	2,295	17,926	+ 15,631
7. Works, Stationery, etc., ...	9,508	9,899	+ 391
8. War Pensions.....	44,991	43,934	- 1,057
9. Contributions to Local Revenues.....	45,199	54,392	+ 9,193
Total Civil Estimates....	379,302	408,054	+ 28,752
Revenue Departments.....	13,488	13,897	+ 409
Post Office.....	69,004	72,328	+ 3,324
Total Civil and Revenue Departments.....	461,795	494,278	+ 32,483

The gross increase of £32,483,000 needs considerable interpretation. In the first place, £3,324,000 of it is the estimated increase in the expenditure of the Post Office, which will, of course, be recouped out of Post Office revenue. Secondly, the Estimates reflect the approaching demise of the Road Fund, and consequently include expenditure on roads. This amounts to £22,500,000, spread mainly over Classes VI and IX. It is impossible to say whether this represents an increase or not in expenditure on roads until the accounts for the Road Fund for the present year appear. The estimated income of the Fund for the present year is £26,500,000. But it does not necessarily follow that all of this will be spent.

Omitting the Post Office, and allowing for the expenditure on roads, the estimates show an increase of £6,659,000 millions over last year. Moreover, a warning is appended that Supplementary Estimates will be necessary, especially for the Special Areas and for the continuation of the shipping subsidy. The Home Office shows a very large increase, presumably at least partly in connection with its Air Raids Precautions work. Another substantial increase is under the head of Labour and Unemployment and is attributable to the approach of the "second appointed day" when the Unemployment Assistance Board will for the first time assume its full responsibilities. The increase in Class IX, in so far as it is not due to road expenditure, reflects the revised block grants. On the whole, these Estimates show that reasonable economy is being practised. It is a necessary, but unfortunate, corollary of defence lavishness that the civil estimates should be kept down as much as possible, even though relaxation here and there would bring immediate benefit to the nation.

A Dangerous Rise in Prices.—Events of the past week have shown that the danger of an inordinate rise in commodity prices is at hand. Until the autumn of last year the prices of raw materials and crude foodstuffs rose gradually with the improvement in demand and the steady reduction in stocks, hastened in the case of copper, rubber and tin by restriction of output. In general, stocks of international primary products are now little higher than in 1929, but the trend of demand is still upwards. The present position is thus providing speculators with a happy hunting-ground, especially as the output of many materials cannot be increased substantially at short notice. This week's developments in the market for base metals provided a foretaste of boom conditions. The Government's White Paper on the progress of re-armament, containing a reference to the need for the accumulation of raw materials, provided specu-

lators with an excuse for spreading rumours of a coming scarcity of base metals. The price of copper, which at one time rose to over £73 per ton, closed on Wednesday at £66 17s. 6d. per ton, against £58 17s. 6d. per ton a week ago. The quotation for spelter rose from £25 12s. 6d. to £29 13s. 9d. per ton, and that of lead advanced from £28 6s. 3d. to £30 10s. per ton. Similarly, the quotation for tin was pushed up from £231 10s. to £240 10s. per ton. Except in the case of copper, which was subject to a restriction scheme in 1929, the prices of the leading base metals are now appreciably above the average for 1929. While some rise in quotations was undoubtedly justified, hectic movements, such as those which took place last week, are bound to be harmful to orderly industrial progress.

Even more disquieting is the more marked upward trend of the prices of domestic raw materials and products. The rise in coal prices, facilitated by Government legislation, is already causing concern. In the case of iron and steel the position has become dangerously tight. There is a pronounced scarcity of supplies, and prices are now being increased to an extent which threatens the consuming industries. Reports are already current of forced curtailment of output in the steel-consuming industries in the West of Scotland; for example, re-rollers have been constrained to reduce operations at a number of plants, with a possibility of further curtailment later on. Moreover, it appears that the British Iron and Steel Federation has intimated to the railway companies and other large users of steel that it is proposed to raise prices under existing contracts, to an unspecified figure, from June 1st. As we point out in a survey of the trend of business in the Trade Supplement published with this week's issue of *The Economist*, the growing scarcity and rise of prices of iron and steel may strike at the root of recovery, by leaving current demand for civil purposes unsatisfied and by raising the cost of the work on capital construction to a level which may soon prove unremunerative. In spite of Mr Runciman's reassurances in the House of Commons on February 24th, the least the Government could do at this stage is to throw overboard, while there is time, the whole of the paraphernalia of import quotas and duties with which the British Iron and Steel Federation has armed itself.

Steel Scrap.—Six and a half million tons of scrap were used by the steel industry last year in producing its output of 11,000,000 tons. About half the tonnage of scrap was provided by the steel works themselves. But some 3,000,000 tons were obtained by outside purchase, including 1,085,000 tons imported. The whole of the huge tonnage of outside scrap required by the industry (which now uses about 60 per cent. of scrap in producing a ton of steel, against 30 per cent. before the war) is now to be purchased co-operatively through the British Iron and Steel Corporation, which is the recently established trading organisation of the Federation. Central buying, moreover, is not to be confined to scrap, whether imported (imports last year were 1,085,000 tons) or of domestic origin: it is to extend also to foreign pig iron. The Federation already controls the selling prices of the steel industry, the quantities which it may export and the amounts of new and semi-finished material which it may import. With its added functions it will become one of the most powerful trade organisations in the world; and the British steel industry will be one of the more rigorously regimented of industries. The reason for this latest extension of "control" is, of course, the acute and growing world shortage of scrap and pig—the vital interchangeable ingredients of steel. This shortage is due to European trade recovery and re-armament, to the Spanish civil war, and, last but not least, to the very vigorous, if belated, revival of the American steel industry. Thanks to this revival American scrap has risen by 50 per cent. in price in recent months. The British price is now very little below the 1929 maximum.

Congress and the Indian Elections.—The successes of the Congress continue in the Indian provincial elections. They will have an absolute majority in two more provinces—Madras and the Central Provinces—and possibly in a third, Bombay. In Madras they are triumphantly repeating their victory of two years ago over the Justice Party, which was one of the few genuine political parties with a mass appeal that resulted from the Montagu-Chelmsford reforms. If Bombay also falls to them, the Congress will be in a position to form Ministries in the whole of the central portion of British India, comprising six provinces between the Himalayas and Cape Comorin. Only in the north-western and north-eastern wings are they in a minority, though in two more provinces—Assam and the North-West Frontier Province—they are the largest single party and can only be outvoted by uneasy coalitions. With the exception of Assam, with its peculiar racial and economic make-up, the provinces may be divided into two simple groups: Moslem India (the Punjab, Sind, Bengal, and the North-West Frontier) and Congress India. But that is only the beginning of a political analysis. Congress leaders have now to make up their minds whether to accept office; if they do so—as everyone expects—they will have to develop a practical programme for everyday political and economic affairs, and this process is certain to reveal that there is not one Congress party but many.

An Empire Air Base?—The long-debated question of the location of an air base in this country for our Empire services has been forcibly reopened in the last fortnight by the inauspicious delay in the departures of the first giant flying-boats of Imperial Airways to start the Empire service. The Portsmouth City Council have long been in negotiation with the Air Ministry over the provision of an air-base at Langstone Harbour, between Hayling Island and Portsmouth. The alternative schemes were for a tidal base, necessitating continuous dredging to provide the necessary depth of water for the length of runway; and a barrage scheme, which involved the damming of Langstone Harbour. The City's Airport Committee recommended the second, though the capital cost would have been £167,000 more than that of a fairway scheme. The Council then overrode them, and decided, happily only provisionally, on the tidal scheme for reasons of economy. The Air Ministry and Imperial Airways naturally prefer the barrage scheme, which would maintain a constant level and depth of smooth harbour water. Moreover, it provides adequate runways in all directions of wind, which the fairway scheme cannot do. This week, the City Council decided on the barrage scheme. This is welcome evidence of municipal far-sightedness; though some Portsmouth ratepayers have voiced objections to it. In time, the City's ratepayers may well find it a profitable investment. The tidal base seems false economy, as much for aviation as for Portsmouth; since barrages round Langstone Harbour would provide better road connections between Portsmouth, Hayling and Chichester. It is also reported that a hydro-electric plant can be profitably worked from the barrage.

Ontario Power Dispute.—The dispute between the Ontario Government and the private electric power companies has now been brought a stage nearer settlement by the conclusion of an agreement between the Ontario Hydro-Electric Commission and the Ottawa Valley Power Company, one of the corporations whose contracts were cancelled for mainly political reasons in April, 1935, by the then newly-installed Liberal Government. The Commission now contracts to buy the whole output of the company at \$12½ per horse-power, in lieu of \$15 in the cancelled contract. Although it also agrees to bear the entire cost of the operation of transformer stations, it reckons to save \$1,000,000 during the four-

and-a-half years of the contract. The company forgoes claims under legal judgments recently delivered against the Commission in the Ontario Courts. The agreement also gives the Commission an option to purchase for \$15 millions the company's interest in the Chats Falls power plant, which is to be jointly developed by the company and the Commission, but it is semi-officially stated that the option is unlikely to be exercised. It remains to be seen whether the other companies concerned in the dispute will be prepared to agree to a settlement on similar lines.

Anglo-Canadian Trade Agreement.—The text of the new Trade Agreement between the United Kingdom and Canada, which replaces the agreement made at the Ottawa Conference, was issued on Thursday evening. A first glance at its terms shows it to contain a considerable relaxation of the restrictions on Anglo-Canadian trade. Much the larger part of this relaxation, however, is accomplished by the Dominion Government; the British contribution is comparatively small. The Agreement provides for reductions of Canadian duty on a long list of British goods, which together make up about 40 per cent. of the total British exports to Canada, the most important reductions being in the duties on cotton and woollen goods. In addition to these reductions, free entry is guaranteed, the existing duty conventionalised, or the existing preference stabilised, for the great bulk of trade not affected by the reductions. Only about 15 per cent. of the British trade is not covered by one or other of these clauses.

In return for these generous and welcome concessions, the United Kingdom undertakes to maintain the present free list for Canadian goods, with the reservation that a duty may be imposed on dairy produce subject to maintenance of the preferential margin. The right is also reserved to impose quantitative regulation on dairy produce, meat and bacon "if necessary in the interests of the United Kingdom producer." A similar provision is inserted with respect to zinc. The only actual reductions of duty promised by the United Kingdom are on silk stockings and reed organs; in addition, the existing duty on Canadian motor cars is not to be increased. Compared with the original Ottawa Agreement, this new document is clearly an improvement. Trade between Great Britain and Canada is given certain differential advantages, which will not, of course, be to the taste of other countries trading with the signatories. But it can be claimed in this Agreement's defence (as it could not in that of the 1932 Agreement) that the benefits are conferred by reductions of intra-Imperial tariffs and not by increases in the duties prevailing between the British countries and the rest of the world.

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L.C.C. Estimates.—The extent to which the capital expenditure of a local authority may fluctuate as the result of economy drives is well illustrated by the annual estimates of the London County Council, published this week. Actual capital expenditure receded from £8,456,000 in 1930-31 to £2,432,000 in 1933-34, and has since increased to £9,519,000 in 1936-37. Spectacular changes have been made in housing, which absorbs more than half the total, the figures under this heading having increased by over £4 millions in the last three years to an aggregate of £5½ millions in 1936-37. Larger proportional increases have occurred, however, in the figures for parks and for education, on which expenditure increased from £8,000 to £90,000 and from £110,000 to £800,000, respectively, during the last three years. The synchronisation of all this capital development with the large expansion programmes of the London Passenger Transport Board and the Metropolitan Water Board—not to mention the Government's re-armament programme—emphasises the need for better machinery to co-ordinate national investment, in order to prevent over-expansion in the active phases of business cycles and to distribute expenditure over as long a period as possible. All things considered, it is perhaps as well that the Council's capital estimates for 1937-38 are £1,300,000 below those for the current year.

Bacon Supplies.—In view of the troubled period through which the pigs and bacon marketing schemes have recently been passing, particular interest attaches to the Report of the Bacon Board for 1936. This detailed and interesting Report shows that the amount of bacon put into cure by registered curers rose by 37 per cent. from 1,736,183 cwt. in 1934 to 2,376,891 cwt. in 1935, and by a further 16 per cent. to 2,752,910 cwt. last year. Meanwhile, imports, as the following figures show, have been cut by 40 per cent. (54 per cent. in the case of foreign shipments) since 1931:—

IMPORTS OF BACON AND HAMS
(Thousand cwt.)

Year	Empire	Foreign	Total
1931	436	11,529	11,965
1932	541	11,651	12,192
1933	911	9,042	9,953
1934	1,457	6,870	8,327
1935	1,589	6,015	7,604
1936	1,898	5,343	7,241

Although the contract system has broken down, the Board of Trade is continuing the regulation of imports by reference to the estimated volume of home production. The price at which bacon pigs are sold by the farmer to the curer is now a matter for negotiation between the parties concerned, but provision has been made by the Pigs Board for grading bonuses and deductions. The object, so the Report states, is to preserve a measure of orderly marketing until a permanent basis for working the schemes can be evolved. On the question of long-term policy, the Bacon Board states that it has submitted to the Government proposals for amendments to the marketing scheme. The Board is not opposed to an increase in supplies of bacon—"provided that the home industry is adequately safeguarded"—and considers that the levy-subsidy "should form an integral part of any reconstruction of the marketing schemes." We agree that, if the home producer must be protected at all, a levy-subsidy scheme would certainly be preferable to the present method of rigid regulation by quota.

Price of Wood Pulp.—During the past twelve months wood pulp prices have been steadily advancing, some grades now being as much as 70 per cent. dearer than a year ago. The intensification of the movement in recent weeks led to the matter being raised in the House of Commons not long ago. The existence of Scandinavian and European conventions for the regulation of pulp production (to use Dr Burgin's euphemistic phraseology) has given rise to complaints by British

paper-making concerns that they are being exploited by wood pulp manufacturers. It is not easy to unravel the skein of causation, but there appear to be certain solid reasons for the advance in wood pulp prices. In the first place, the once excessive stocks in Scandinavia and North America have now been substantially reduced in consequence of greater activity in the consuming industries—including rayon production. Moreover, costs are increasing. Demand for timber showed a considerable expansion last year, and this factor, besides raising the price of the pulp manufacturers' raw material, is reported also to have reduced the supply of available labour—at least in Canada. A further important factor on the cost side is the price of coal. To the charge that they are exploiting the consumers of wood pulp, the Scandinavian producers reply that the British coal, which they are compelled to take by virtue of the trade agreements with this country, is more expensive than comparable qualities of Polish coal. Indeed, according to the *Paper Trade Review*, the excess prices paid for British coal by Norwegian producers in the past three years are estimated to represent 5,000,000 to 6,000,000 kr. On the question whether the recent rise in costs has been sufficient to justify the drastic advance in pulp prices, it is difficult to be dogmatic. But the paper makers apparently have their doubts.

Wholesale Price Movements.—This week there has been a further rise in British wholesale prices, mainly in those of non-ferrous metals. In consequence the complete *Economist* index number has risen by 1.0 per cent., while primary products have advanced by 1.1 per cent. There has been a smaller increase of 0.6 per cent. in American primary products, while the Irving Fisher general index number has risen by 0.3 per cent. French wholesale prices have advanced by 0.3 per cent., but German wholesale prices are fractionally lower:—

SEPTEMBER 18, 1931 = 100

Date	The Economist Indices			Price of Gold (sterling)	U.S.A. Irving Fisher	France, Statistique Générale	Italy, Milan Chamber of Commerce	Germany, Statistisches Reichsamt
	British Complete Index (sterling)	Primary Products						
		British (sterling)	American (dollar)					
1932								
July 27th 1933	99.5	103.5	84.1	136.9	88.3	91.3	88.5	88.1
July 26th 1934	108.1	120.6	124.7	145.7	100.9	89.7	86.2	86.6
July 18th 1935	109.5	124.8	136.7	162.4	113.2	81.4	83.2	91.1
July 31st 1936	112.7	126.7	146.2	165.6	120.2	75.9	98.2	93.9
Jan. 29th 1937	118.1	131.7	145.7	165.6	121.8	82.3	...	95.1
Feb. 26th 1937	117.4	132.8	145.0	166.0	120.7	85.2	...	95.2
Mar. 25th 1937	117.4	133.9	144.3	165.8	119.6	85.2	...	95.3
Apr. 29th 1937	117.3	132.8	143.2	165.8	119.2	85.0	...	95.3
May 27th 1937	115.5	130.1	140.5	164.3	117.7	85.2	...	95.4
June 24th 1937	116.2	133.2	147.0	163.2	119.8	84.1	...	95.5
July 22nd 1937	118.7	140.4	157.2	163.4	120.6	86.6	...	95.7
Aug. 19th 1937	119.4	141.9	163.2	162.7	121.9	86.8	...	96.1
Sept. 30th 1937	121.8	144.5	159.6	165.0	121.8	102.1	...	95.8
Oct. 28th 1937	123.6	145.7	161.1	167.1	122.5	105.4	...	95.8
Nov. 11th 1937	125.0	148.9	167.8	167.7	123.7	105.3	...	95.9
Nov. 25th 1937	126.3	150.9	172.0	167.2	124.8	106.9	...	95.9
Dec. 9th 1937	128.2	157.0	179.5	166.7	125.6	108.9	...	96.3
Dec. 30th 1937	131.3	163.9	187.3	166.7	128.8	113.0	...	95.4
1937								
Jan. 13th 1937	133.6	165.1	190.2	166.6	131.5	115.5	...	96.7
Jan. 27th 1937	134.2	164.2	184.5	167.0	131.0	115.9	...	95.7
Feb. 10th 1937	135.0	166.3	184.3	167.2	131.5	116.2	...	97.0
Feb. 24th 1937	136.3	168.2	185.5	167.4	131.9*	116.6*	...	96.9*

* These figures refer to Feb. 17th.

Outside the minerals group there has been little change in British wholesale prices, but the cereals and meat index has fallen by 0.9 per cent.:—

The Economist INDEX
(1927 = 100)

	Sept. 18, 1931	Jan. 27, 1937	Feb. 10, 1937	Feb. 24, 1937
Cereals and meat...	64.5	88.3	88.3	87.5
Other foods	62.2	67.8	68.7	68.6
Textiles	43.7	69.2	68.8	68.9
Minerals	67.4	97.2	99.3	105.4
Miscellaneous	65.8	82.2	82.8	82.9
Complete index	60.4	81.0	81.5	82.3
1913 = 100	83.1	111.4	112.2	113.3
1924 = 100	52.2	70.0	70.5	71.1

Grain prices are lower than a fortnight ago, while meat moved irregularly. The main changes in other foods were a rise in tea and a decline in butter. Cotton prices were firmer, but wool was slightly cheaper. In the minerals group there were big increases in non-ferrous metals. Among miscellaneous materials there were increases in Swedish timber and rubber and declines in hides, linseed oil and certain chemicals.

Volume of British Production.—The official index of industrial production, published in last week's *Board of Trade Journal*, confirms the marked expansion of output last year revealed by *The Economist* monthly index of Business Activity. Industrial production, as measured by the Board of Trade Index, rose by 9.7 per cent. between 1935 and 1936, while the more comprehensive *Economist* index registered an increase of 6 per cent. in general business turnover. Changes in the output of the principal branches of activity are shown below:—

BOARD OF TRADE INDEX OF PRODUCTION
(1930 = 100)

Group	Year 1935	Year 1936	1936		
			Dec. Quarter	Sept. Quarter	Dec. Quarter
1. Mines and quarries	91.7	94.4	98.1	89.7	99.1
2. Iron and steel	125.6	150.1	133.3	149.1	155.6
3. Non-ferrous metals	137.3	143.8	132.1	145.3	154.0
4. Engineering and shipbuilding	104.8	123.1	108.0	121.6	132.2
5. Building materials and building	147.0	156.8	150.2	164.3	156.2
6. Textiles	118.9	126.1	126.5	122.7	130.2
7. Chemicals, oils, etc.	110.6	114.3	119.0	110.6	119.2
8. Leather and boots and shoes	116.0	120.7	122.1	116.3	119.5
9. Food, drink and tobacco	107.6	114.5	113.9	115.2	121.2
10. Gas and electricity	132.6	148.2	(a)	(a)	(a)
Total of manufacturing industries (2-10)*	116.9	129.3	124.4	127.7	137.5
Total of all groups (1-10)*	113.5	124.5	120.7	122.4	132.1

* Includes also various industries not specified above.
(a) Quarterly particulars of gas production are not available and complete information in respect of the year 1936 cannot yet be given; a provisional estimate of the quantity made has been used for the calculation of the group index for last year. The available data for electricity have been included in the general index numbers.

The iron and steel and engineering and shipbuilding industries, it will be seen, made most headway during the past year. With the exception of the jute trade, all the industries included in the textiles index experienced an improvement. The output of building materials, food, drink and tobacco, non-ferrous metals, and footwear was also considerably higher than in 1935, but there was only a small improvement in the chemicals and coal-mining industries. The latest developments in British industry are discussed in the Trade Supplement, published with this week's issue of *The Economist*.

Fifth Census of Production.—The results of the fifth Census of Production, relating to 1935, are now being published as fortnightly supplements to the *Board of Trade Journal*. The figures are provisional, as complete returns may not have been received in all cases at the time of publication. The Census covered manufacturing industries, mines and quarries, the building and contracting trade and the productive services carried out by Public Utility Undertakings, whether publicly or privately owned. Repairing and "processing" work was included. The number of separate trades distinguished was 122. As in the case of the 1930 Census, and in the Import Duties Act Inquiries of 1933 and 1934, the output of firms employing less than eleven persons, on the average, is excluded from the returns. Comparison of the results for 1935 is made with those of the most recent previous year for which statistics are available, i.e. with those for the year 1934 in the case of the 78 trades included in the Import Duties Act Inquiry for that year, and with those of the 1930 Census in the case of the remaining trades.

Volumes I and II of the 1935 Census cover some of the textile and allied trades. The following table shows the gross value of production in these industries, as well as

the net output (gross value of output less cost of materials and work given out) and the net output per employee, together with comparable figures for 1934:—

Industry	Gross Output		Net Output		Net Output per Employee	
	1934 Thous. £	1935 Thous. £	1934 Thous. £	1935 Thous. £	1934 £	1935 £
Cotton spinning & doubling	71,321	74,073	20,554	20,147	112	111
Cotton weaving	67,593	68,809	20,538	20,334	120	123
Jute	7,823	8,079	2,966	2,906	126	120
Linen and hemp—						
Great Britain	4,248	4,803	1,640	1,638	127	121
Northern Ireland	18,438	19,145	5,519	5,406	96	97
Silk and artificial silk	32,812	36,056	12,856	14,052	176	172
Hosiery	39,528	39,385	16,922	17,206	148	150
Rope, twine and nets	5,265	5,466	2,098	2,146	144	143
Canvas goods and sacks	4,437	5,381	1,157	1,444	161	165
Asbestos goods, including engine and boiler packings	4,510	4,928	2,800	2,963	353	314
Elastic webbing	1,930	1,975	937	954	144	146
Roofing felts	1,090	1,294	481	586	328	372

Apart from the silk and artificial silk trades, the principal textiles industries made no headway between 1934 and 1935. The marked increase in the value of the output of canvas goods and sacks during this period reflects the general expansion of business activity in 1935.

Record Rubber Consumption.—Thanks largely to the growth of mechanised road transport, demand for rubber declined considerably less during the depression than that for most other raw materials. World consumption, as shown in the January issue of the *Statistical Bulletin* of the International Rubber Committee, rose to a new record in 1936. The trend of supplies, consumption, stocks and prices is shown below:—

WORLD RUBBER SUPPLIES, CONSUMPTION, STOCKS AND PRICES

	World Net Exports ('000 tons)	World Consumption ('000 tons)	Stocks outside "Regulation Areas" ('000 tons)	Average Price in London (pence per lb.)
1929	868	805	233	10½
1932	709	692	508	2½
1933	853½	825	499	3½
1934	1,032	944	559	6½
1935	829	943	500	6
1936	867	1,021	327	7½

Exports, which are regulated under an international restriction scheme, were 113,000 tons smaller than consumption. Consequently stocks declined sharply during the past year, while prices showed a marked rise towards the end of 1936. Although the actual volume of stocks at the end of last year was substantially bigger than seven years ago, the stocks outside the countries adhering to the restriction scheme at the end of last year represented only 4 months' consumption, compared with 3.5 months' and 8.8 months' consumption at the end of 1929 and 1932, respectively. Moreover, as the trend of demand is still strongly upwards, there appears now little need for restricting exports, especially as there is a danger that prices may rise to unreasonable levels.

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From Our Special Correspondents

France

Liberalism's Last Chance?

PARIS, February 25.—M. Blum's speech at the American club dinner was very different from the speech which he delivered before the same audience six months ago. In May, M. Blum emphasised the need for stabilisation of the exchanges and the revival of trade. This view was developed again on Monday last by Mr Bullitt, the American Ambassador at Paris, who said that autarky must lead to war. But M. Blum did not answer directly, and he pointed out that no commercial collaboration was possible without peace.

Was this an appeal from France for President Roosevelt to intervene in favour of peace? Does it signify that the financial difficulties may lead France to autarky—the only alternative to the liberal way of the Tripartite Agreement—unless collaboration becomes more effective through a closer and more active co-operation of the three powers? There is reason to believe that this alternative has been considered by the French Cabinet, since M. Blum has virtually failed to bring about the collaboration of capitalists in his economic experiment.

The "breathing space" announced by M. Blum was without effect on the market, since it did not entail the repudiation of his former policy, and was not accompanied by any change of personnel in the Cabinet and the Bank of France. These changes were contemplated by M. Blum, but were rendered impossible: (1) by the premature clamours of triumph in the Conservative press; and (2) by a perceptible uneasiness in the ranks of the Popular Front, caused by the rise in prices and by the refusal of the Government to increase the wages of workers and civil servants. What is this pause worth (it is said) if it does not cause an immediate repatriation of funds? Public opinion was, moreover, unfavourably impressed by the explanation of M. Blum that France was now virtually an autarky, and that the rise in prices was due to inadequate production. Are these remarks the prelude to a change in the former liberalism of the Prime Minister?

Finally, while the tone of M. Blum's speech was designed to conciliate capitalists, the speeches of the other officials who went with him to Nantes, and notably that of M. Jouhaux, the Trade Union Leader, who recommended the nationalisation of the banks and of the key industries, were very different. The rumours of an impending Sugar Office on the same lines as the Wheat Office have largely neutralised the favourable effect which might have been produced by the revival of business. Unemployment has fallen by 70,000; partial unemployment has almost entirely disappeared; and deposits in the public savings banks have risen since the beginning of the year.

Prices Rise More Slowly

Wholesale prices on February 20th showed a slight increase:—

	Jan. 16	Jan. 23	Jan. 30	Feb. 6	Feb. 13	Feb. 20
General index ...	511	512	513	515	514	516
National products	534	537	540	541	541	538
Foreign products	470	468	464	467	467	476
Foodstuffs	527	527	528	521	522	515
Industrial products	498	500	501	510	508	517

The following table gives the retail price of a number of foodstuffs:—

Francs per unit	Jan., 1936	Oct. 15, 1936	Nov. 15, 1936	Dec. 15, 1936	Jan., 1937
Bread	1.60	2.15	2.20	2.20	2.20
Wine 9° 5	1.40	2.05	2.20	2.25	2.30
Chocolat	11.20	12	12.60	12.60	12.60
Roasted coffee	16.80	17.60	17.60	18	18
Pastes	5.20	6	6	6.20	6.60
Tinned peas	4.60	5.60	5.60	5.40	5.40
Sardines	2	2.40	2.40	2.50	2.60
Oil	5.70	6.40	6.40	6.40	6.60
Lentils	4.80	5	5	5	5
Milk	1.30	1.30	1.40	1.50	1.60
Butter	21	15.60	19	20	20.50
Cheese	2.90	3.10	2.70	3	3.40
Pork	12	15	14	15	15.20
Ham	31.50	30	29.50	29.50	29.50
Roast beef	19	22	22	23	24.80
Steak	20	22	22	23	24.80
Veal	20.50	21.50	21.50	23	25
Mutton stew	8	9.50	9.50	10	9.50
Rabbit	10.50	9.60	11	10.40	11
Chicken	15	15.70	17.50	17.20	18.75
Fish	7.50	4.50	7.50	6.40	9
Potatoes	0.70	0.90	0.90	0.85	0.85

The production of electricity in 1936 by the sixty-eight most important French companies was 11,385,235,000 Kwh., against 11,076,807,000 Kwh. in 1935, an increase of 2.78 per cent. The number of new cars sold in 1936 was 190,168. If exported cars (21,401) and imported cars are taken into account, the French production in 1936 was 168,646, an increase of 27.434 compared with 1935, and 16.0 compared with 1934.

Germany

The Government Borrows Again

BERLIN, February 24.—The Reich Government has announced the issue of Rm. 500 millions of Treasury certificates at 98½; the interest will be 4½ per cent., and they will be repayable at par in six equal instalments in 1944-49. Some Rm. 100 millions have already been taken up by banks. Subscriptions with blocked marks are permitted; and payments will be made in instalments between April 5th and June 5th. The Reich's decision to borrow again was determined by favourable conditions in the capital and money markets. The 5 per cent. debentures of private companies for the financing of the Four-Year Plan have so far been well taken up. Despite considerable public borrowing, loans and bonds on the Bourse have been firm; and the official index for public loans and mortgage bonds rose in every month of last year, and it has risen in every week of this year. The abundance of money is shown in various ways. The Gold Discount Bank has been able to raise its promissory note circulation to over Rm. 1,000 millions, against a former highest total in April, 1936, of Rm. 860 millions. The last Reichsbank return, for February 15th, shows that 107.1 per cent. of January month-end credits were repaid, against 98.6 per cent. in the same period of last year. The five chief credit banks show an increase of deposits in December-January of Rm. 201 millions; Rm. 190 millions ("other creditors") represent actual business and private deposits. Deposits in other banks and in the savings accounts of the great banks also increased substantially.

The Reich's funded German debt at the end of 1936 is returned at Rm. 11,383 millions, against Rm. 10,960 millions at the end of the third quarter of the year; and foreign debts were Rm. 1,495 millions against Rm. 1,655 millions. The decline in foreign indebtedness is largely due to the recent devaluations; and the untransferred

amortisation instalments of the Young and Dawes Loans, which were paid into a Reichsbank special account in marks, are regarded as paid off. The floating debt is returned at Rm. 2,440 millions, against Rm. 2,881 millions on September 30, 1936. The circulation of tax credit certificates remained practically unchanged. Consolidation loans increased by Rm. 1,951 millions in 1936. The new issue will bring Reich borrowing since the beginning of 1935 (including the Railway Corporation's Rm. 500 millions) to about Rm. 4,700 millions. The loan will certainly be subscribed in full. One of the favoured Four-Year Plan loans issued at 99 was introduced to the Bourse at 102½; and it is believed that the market will be approached for capital for the "Buna" synthetic rubber process.

Autarky and the Fuel Problem

Pig-iron production in January was 1,292,100 tons, against 1,258,300 tons in December. The steel market continues active, and new rationing measures have been taken. The export of machinery last year was 335,560 tons, against 255,435 tons in 1935; and of vehicles of all kinds 103,364 tons, against 79,201 tons. Coal output in January was 14,860,000 tons, against 13,680,000 tons in January, 1936. The trade press is discussing the coming coal shortage; which is being brought about by the high output of iron and steel, the production of building materials (the cement output has risen 4½-fold since 1932), and the production of synthetic motor fuel.

In a speech last year Herr Hitler foreshadowed the consumption of 20 to 30 million tons of coal in motor-fuel production. A recent bank report estimates that after the construction of the more important (motor-fuel) works 10 per cent. of the present Ruhr coal output will be needed for hydrogenation. On January 30th Herr Hitler remarked that "the German ironfields are unlimited; for over a thousand years Germany imported no iron, yet was able to meet her demand." The official Plan journal says that owing to the rise in world iron prices and to technical progress and cheaper smelting in Germany, the disparity in cost between iron from domestic and foreign ores may be greatly reduced. Ore imports must be reduced as much as possible, so that it may not be necessary to export semi-finished products at a loss and thereby to help foreign manufacturers. The increase in coal production involved by this and other Four-Year Plan enterprises will not be possible without heavy investment in plant. About half a dozen colliery companies are already sinking new shafts. A semi-official journal says, however, that the real difficulty will lie in the supply of labour.

The Liquidation of Independent Craftsmen?

The number of unemployed increased in January from 1,479,000 to 1,853,000, largely because of cold weather. Under a new decree metal workers may not change their employment without official permission. An older decree forbade workers to move from one industrial district to another; the new decree extends the veto to changes within the same district. The new work books, which all employees must carry, are being increasingly used to hamper freedom of movement. The Leader of the Social Department of the German Handicraft organisation has suggested that 700,000 independent craftsmen should be liquidated and forced to take work as wage-earners. This would help to meet the shortage of skilled labour. "Bourgeois prejudices" must not stand in the way of their employment in the national interest. This is a surprising utterance in view of the emphatic and almost violent Nazi preference for the independent craftsman against the wage slave.

Tendentious Accounting

The Standstill Conference, as was expected, led to no material changes. Measures which include the confiscation of property against persons suspected of the unauthorised export of capital, have been made more stringent. The Ministry of Economy's Survey of Foreign Trade in 1936 discusses why the exchange position was not improved by the export surplus. The report gives no figures, but it admits that, so far as longer export than import credits were a cause, an increase in the

receipts of cash or clearing exchange must ultimately follow. The deficit (Rm. 102 millions) in the official balance of foreign payments for 1935 on the current (trade, shipping and debt service) account caused surprise in view of the export surplus and net takings of Rm. 451 millions from shipping and other services. It was produced, it now appears, by booking the whole of the untransferred debt interest on the passive side. Debt service transfers, therefore, appeared as Rm. 650 millions, although the actual transfer was only some Rm. 250 millions. This error was balanced by booking the difference (some Rm. 400 millions) in the capital movements account as a short-term loan from the foreign creditors. The effect was to create the wrong impression that the net receipts from trade and services were insufficient to cover the debt service transfers.

The Bourse has been occupied with conjectures about the excess dividends impounded in the Gold Discount Bank under the Loanstock Law of December 10, 1934. The question is whether the money will be paid out to shareholders or whether the law will be extended. The law, which impounded dividends exceeding 8 per cent., (in certain conditions 6 per cent.) was for three years; and it laid down that the whole of the sums withheld should be returned to the companies after the close of the first year to which the law did not apply.

Italy

State Trading and Devaluation

TURIN, February 9.—In a speech to the annual meeting of the Joint-Stock Companies Associations the Minister of Finance described something of the background of the devaluation, or alignment, of the lira. Autarky, he said, unavoidably produces an increase in the price of those imports which it is no longer desired to buy from foreign countries. Duties were raised in past years against many foreign goods; for not a few of them trade was practically monopolised by the State. Wheat, for instance, was made liable to a duty of 750 lire per ton; and wheat growers were obliged to sell all their products to a public agency at a fixed price of 1,180 lire per ton. Devaluation took place when the gold price of primary products was rising; consequently the price of foreign wheat at Genoa was enhanced by two factors: world prices were rising and an increased number of lire had to be paid against dollars or pounds. It rose to 900 lire per ton. If the old duty of 750 lire were to be paid, the wheat agency could only import foreign wheat at a total cost of 1,650 lire per ton. The Exchequer could compensate the loss sustained by the agency in selling the foreign wheat at 1,180 to millers; but it was simpler to reduce the duty from 750, first to 470, and then to 180 lire per ton. Thus the duty on wheat is to-day lower than it has ever been during the last half-century.

The Attempt to Control Prices

The Government has tried since devaluation to prevent any rise in prices in paper lire. Undoubtedly the policy has been so far very successful. The policy was easy enough to enforce in certain cases: for instance, house and agricultural land rents were pegged for two years.

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The price of public utilities, such as water, gas, electricity and transports, cannot be raised for the same period; an increase can, however, be authorised in consequence, for instance, of rising foreign coal prices. The cost of board and lodging in hotels and boarding houses was similarly fixed.

It was much more difficult to regulate the price of other goods. The general principle was to peg prices at the level of September, 1936; but as this was in most cases clearly impracticable, central and provincial committees were created to supervise prices. The Central Committee was presided over by the Secretary of the Fascist Party and included representatives of several public Departments and of Employers' and Employees' Confederations; the Provincial Committees were presided over by the provincial Fascist Party Secretary and included representatives of the interested Syndicates. Supervision was eventually concentrated on the price of those goods which enter into the cost of living of the working classes. The system is flexible; and prices are readily adjusted to the state of supply, as recently in the cases of cheese and olive oil.

These price regulations have an important bearing on the interpretation of the price statistics and indices which are being published again (from January, 1937) by the Central Statistical Office. Before the suspension of publication in October, 1935, price statistics registered average market quotations in a number of places. Now they register the prices fixed by the Central and Provincial Committees for all regulated goods, and the market prices of unregulated goods.

The Growing Duties of the Corporations

Perhaps the most important recent piece of economic legislation was a Decree approved on January 9th by the Cabinet, which transferred from a special Departmental Committee to the Corporations' Council the duty of authorising new industrial undertakings or the enlargement of old factories. Hitherto authorisations have been given by a body in which civil servants predominated; now they will be given by a body which mainly consists of representatives of the employers and employees of the already existing factories. It will be interesting to follow the results of this change. The old Committee had perhaps a bias in favour of old factories; and the number of requests for starting new factories which were refused in the first six months of 1936 was relatively higher than the number of requests for extensions which were turned down. The bias against newcomers may change with the transfer of decisions to the Corporations' Council.

Senator Boccardo, who is the head of a great semi-public armament firm, has drawn the attention of his colleagues to one result of the obstacles to imports and the limitation of new industrial plants; there is a tendency for the few domestic producers to form cartels or trusts (*consorzi*) to fix prices on a monopolistic basis. To prevent this he asked that key industries for war purposes should be made compulsorily totalitarian; that the distribution of work between members of such "*consortiums*" should be made according to their respective productive capacity; and that maximum prices should be fixed by Corporations for the products of trustified industries. Maximum prices should be fixed on the basis of the cost of production in new and up-to-date plants.

This is truly an ingenious way of solving the thorny problem of armament firms without making armament production an exclusively State affair. The duties of the Corporations are, however, already becoming more and more exacting. It is true that the Government has the last word, through its delegates, in all Corporation decisions; but the Corporations are mainly professional and sectional bodies. If and when the Corporations' Council is transformed into the new Corporative and Fascist Chamber, some means will have to be devised to ensure that general will prevail over sectional interests. While sectional interests are rigid, the general interest is flexible. Flexibility has hitherto been the main virtue of Fascist economic policy, and has provided the best safeguard against the dangers of over-regulation in the economic field.

U.S.S.R.

Politics and Industry

Moscow, February 8.—It has often been noted that wrecking trials in Soviet Russia are accompanied or followed by revelations of serious maladjustments in State industries; and it is difficult to determine how far industrial maladjustments influence the trials, or the trials accentuate industrial disorders. Politics and industry are so closely interwoven in Russia that the agitation resulting from such trials, and from the events which lead to them, naturally disturbs the minds of men who are at the same time politicians and industrial executives.

The series of conspiracy trials which began last August has been particularly disturbing, because they have involved so many men who held key positions in Soviet economic organisations. When such men are discredited, it is presumed the men they appointed may also be tainted with political heresy, and they often follow their chieftains into exile or obscurity. State industry falters while new organisations are being created. It is not easy to find capable executives in a society where trained men are still exceptional.

Now that veteran Bolsheviks have confessed to deliberate sabotage in several major industries, the Government permits its people to learn of distressing conditions hitherto kept from them. Sabotage explains everything; revelation of gross inefficiency need not cast discredit upon central planning, which, without some such explanation, might come into disrepute.

Official Revelations of Inefficiency

Official newspapers now reveal that conditions are most unsatisfactory on the railways, and in the non-ferrous metal and chemical industries. Plants were designed hastily without an adequate knowledge of raw material resources. Capital was invested in the "least advantageous fields and those which presented the greatest difficulties for exploitation." For example, where lead and zinc ores were found together, only one or the other was utilised. Plans for new factories were altered locally, which resulted, according to one official newspaper, "in complete irresponsibility and confusion."

In the chemical industry, "plants frequently were designed with too large or too small capacities, in unsuitable places, for the production of an unnecessary assortment of goods, etc. Often plants were built at places where there was little ore." Funds were withheld from plants under construction, which often resulted in the suspension of building operations. Designs were altered after much of the construction work had been completed, which necessitated the demolition of finished buildings and their reconstruction. At the Krasno-Uralsk Combinat, the metallurgical section was built with no provision for the use of by-products.

All this, and much more, is now recorded in the official newspapers, and charged to Trotskyism. Whatever the cause may be, it is obvious that there has been terrific waste of capital funds and effort, and that thorough reorganisation of whole industries will be necessary. The official view is that reorganisation will be easy now that the wreckers in high places have been removed.

Defendants in the January trial included a number of important railway executives. The confusion resulting from their removal, together with that of men whom they had appointed, is apparent in car-loadings, which dropped from a peak of 95,000 daily last summer to 65,000 in February. There is evidence of similar disorder in the steel, rolled metal and coal industries, which are fulfilling from 70 to 80 per cent. of their plan.

The majority of the people apparently accept official explanations of industrial disorders. Because they do so, their hatred of the wreckers is intense; they blame them for the fact that the Government has been unable to raise the standard of living more rapidly, and for the numerous shortages in consumer as well as capital goods. The wreckers have thus absorbed emotions which might otherwise have aroused dangerous doubts about the success of planned economy.

Poland

The Jewish Scapegoat

WARSAW, February 13.—The ordinary Budget session of Parliament, which began in December, has been noteworthy for the frequency of debates on Jewish questions. The Jews form about 10 per cent. of the population, but they bulk very much larger than that in the work of a Parliament which is disposed to attribute most of Poland's misfortunes to an excess of three million Jews. The Prime Minister, who is also Minister of the Interior, reported on the more effective methods which the police have evolved for dealing with Communist and anti-Jewish riots; a large part of the Foreign Minister's speech was devoted to colonial interests and the mass emigration of Jews; the Minister of Education deplored the tragedy of anti-Semitic blindness which is increasingly finding expression in student disturbances; and the Minister of Industry and Commerce touched on Jews in relation to industry.

The fundamental problem is that for a hundred years the principal export from Poland's present territory was human beings (roughly, seven million Poles and four million Jews); and it is apparently an impossible task to adjust the home market to the export stagnation caused by post-war restrictions on immigration. The Jewish population now increases by about 50,000 a year; Polish and other nationalities by about 450,000. If the 3,500,000 Jews now in Poland could be evacuated overnight, the relief would hardly be more than temporary.

National Defence and Public Works

Parliament has passed two Bills, prepared by M. Kwiatkowski, the Minister of Finance, in collaboration with the War Minister; one to create a National Defence Fund of 1,000 million zloty, to be implemented and spent at the rate of 250 million zloty a year; and the other to authorise the Government to spend 264 million zloty on public works, in the fiscal year which begins April 1st. In addition to this amount of 514 million zloty, the Minister of Finance will use 136 million zloty of the recent French loan; 85 millions from the liquidation of frozen balances owing to Polish exporters by Germany and other countries; and 65 millions from various sources. Thus he will have available this year for his so-called Investment Programme 800 million zloty. The ordinary Budget of the War Department, which for 1937-38 amounts to 768 million zloty, and the military equipment to be received from France on long-term credit under the recent agreement, are separate from the Investment Programme. The Programme is a development of the four-year plan to spend 1,800 million zloty on public works, which M. Kwiatkowski introduced last June, and on which 340 millions have already been spent.

The Burden of the Next War

A large part of the 800 million zloty to be spent this year will go towards the creation of a new industrial zone in the "strategic triangle," which is roughly the territory between Lublin, Cracow and Lwow (Lemberg) in the southern half of Poland. This region is adequately provided with water-power, petroleum and natural gas, and has the advantage of not being within artillery range of any of Poland's seven neighbours. But it will take many times 800 million zloty to transform it into an industrial region on which the Polish Army could function efficiently in time of war. M. Kwiatkowski was the creator of the port of Gdynia on the Baltic, and his engineering abilities are not doubted; but from the financial side his programme is meeting with much criticism. It means that the capital market will increasingly be dominated by State borrowing, and that the money will be spent with military aims primarily in view. It also means that any hope of substantially improving the very low standard of living of thirty million workers and peasants must be deferred for several years at least, and it is hard to foretell what the political consequences of this

may be. Her leaders have never yet shown adequate appreciation of the fact that Poland is a very poor country. Moreover, in the final analysis national defence must rest on the masses having something worth defending.

Imports were valued at 1,003 million zloty in 1936 (861 millions in 1935), and exports at 1,026 millions (925 millions in 1935).

	Imports into Poland		Exports from Poland	
	1935	1936	1935	1936
	(Millions of Zloty)			
United Kingdom	116.6	141.6	181.4	221.6
Germany	123.9	142.9	139.9	142.1
United States	123.1	119.3	43.3	67.6
Belgium	25.9	43.3	57.1	84.3
Sweden	19.8	29.0	49.5	59.6
Czechoslovakia	35.2	35.6	52.9	49.1
France	41.8	43.5	32.6	43.6
Italy	25.9	16.9	29.8	22.0
Soviet Russia	14.9	16.2	11.1	9.0

The maintenance of an export surplus in 1937 will depend to a great extent on the crop situation, and on the continued export of pork products in the present volume to the United States.

Jugoslavia

Political and Diplomatic Hopes

BELGRADE, February 9.—The New Year was happily ushered in for Yugoslavia by the conclusion of the pact of friendship with Bulgaria. Since this treaty is approved by Roumania and Greece, it may mark not only the settlement of an age-long hostility, but the opening of a new era of pacification in the Balkans, in contrast to the unrest of Central and Western Europe. Of similar importance internally was the meeting of the Premier, Dr Stojadinović, with Dr Maček. This suggests that there



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may be a greater willingness on both sides to discuss their differences, but there have been no tangible results yet. The Croats still demand a Constitutional Assembly, with a free hand to remodel the Constitution. The Government does not appear to be willing to do more than concede vote by ballot and provincial autonomy. A freely elected Parliament could, in any case, revise the Constitution, if it had a three-fifths majority. It is difficult, in fact, to see how the Regency can grant a Constitutional Assembly without overstepping the strict limits of its powers. Thus the deadlock still persists.

Booming Business

There was a marked expansion in foreign trade towards the end of the year, and the December figures were the highest for the last five years. Especially noteworthy is the fact that the trend of prices, which has hitherto gone against the agricultural producer, shows signs of reversing. Export prices have risen more than import prices, and the lost purchasing power of the peasant has been somewhat restored. The final harvest figures were the best since the war. The wheat yield was 29.2 million quintals, compared with 19.9 in 1935; and the production per hectare was 4 quintals more than the average. Maize showed an increase in yield per hectare of as much as 7.4 quintals. The total corn harvest was 15 per cent. above average. This, and the settlement of the peasant debt, have eased the position of the peasant considerably.

Record Employment

Production increased in most industries, particularly in timber, milling, brewing and textiles. Mining output increased by 25-30 per cent. and prices were better. During last year 355.7 million dinars of new capital were invested. Mining, which attracts most capital, absorbed 71 millions. Because of this improvement the number of employed workers rose from 600,000 in November, 1935, to 657,000 in November, 1936. The Zenica iron foundries and the Bor copper mines and smelting works have been further extended and will employ about 5,000 more men. Public works such as the building of two new railway lines, Rožarevac-Kučevo and Valjevo-Čačak, and the construction of the Belgrade river port and another bridge over the Sava, will absorb another 15,000-20,000 labourers. Wages have risen to a daily average of 22.04 dinars, 0.47 dinars more than in November, 1935. Workers have benefited from the establishment of a minimum wage of 2.50 dinars per hour, or 20 dinars per 8-hour day, which was largely the result of the strikes in 1936.

The internal debt on January 1st stood at 7,088.6 million dinars. Foreign debts were 11,182 millions. Negotiations are expected shortly with the French holders of Yugoslav State bonds, to decide on the franc basis for the payment of the coupons and redemption (gold franc, Poincaré or Blum?), and on the possible conversion of all present loans and matured obligations.

Brazil

German Gains in Import Trade

RIO DE JANEIRO, February 10.—Civil and political conditions have remained normal in Brazil since the military revolt was suppressed in November, 1935, although the Government has retained plenary powers as a guarantee of security. The amount of Government revenue collected has exceeded the estimates, but the Budget is still unbalanced. There has been a steady increase in expenditure, and the estimated expenditure for 1937 is some 639,000 contos more than in 1936. Under the Federal regime, it is not easy to refuse the regional demands for expenditure in a young and developing country. Some 10 per cent. will be applied to the service of the foreign debt, under the Aranha scheme, which is operative from April 1, 1934, to March 31, 1938.

Owing to the operation of the compensation agreement, Germany has ousted the United States from the first place in the list of countries supplying goods to Brazil. In fact, German competition is felt very strongly by all countries, including Great Britain. Brazilian imports from Germany in the first nine months of 1936 were worth £5,026,409 (gold), those from the United States £4,809,771 (gold), and those from Great Britain £2,400,450 (gold); in 1935 the figures were: United States, £4,799,768; Germany, £3,850,994; and Great Britain, £2,563,855. Great Britain, however, is still the chief market for Brazil's products, other than coffee.

Fall in Coffee Exports

Despite expensive valorisation schemes, Brazil is steadily yielding place to other producers in the world's coffee markets. Coffee, however, still remains the principal export, and the decline in shipments has been made up by those of other products, principally cotton, fruit and meat. The value of cotton shipments is now approximately one-half of that of coffee, the chief purchaser of cotton being Great Britain. Japan is also a substantial buyer. Coffee prices have improved, following the Agreement in October, 1936, between the American coffee-producing countries, to maintain prices. Taking the long view, however, there can be no return to permanent prosperity in the coffee industry until the average annual production is brought into line with annual consumption.

Australia

The Powers of the Federal Government

MELBOURNE, February 5.—The various political parties are preparing for the Referendum on the enlarging of the powers of the Commonwealth to include marketing arrangements; until the recent Privy Council decision these were supposed to be already within its constitutional powers. There is a feeling in some quarters that the Commonwealth Government ought not to be granted any further powers. Although the Privy Council decision upset several existing marketing schemes, it was strictly in accordance with the provision of the Constitution that trade between the States should be absolutely free.

The quarterly average returns (to December 31, 1936) of the ten trading banks in Australia show deposits of £291,328,415, an increase of £1,725,182 compared with a year ago; advances of £267,628,675, an increase of £6,793,927; and Government and municipal securities (including Treasury bills) to the value of £41,432,341, a decrease of £6,544,081. If the December quarter is compared with the September quarter, deposits rose by £7,048,979, because of the sale of wool and other exports. This movement tends to increase London funds, and to place the banks in a relatively easy position. But the position later in the year in view of the present scale of imports is anticipated with some doubt.

State Policy and Public Debts

Several State Governments are of the opinion that their present borrowing arrangements are inadequate for the expenditure which they wish to make on public works and unemployment relief. They blame the Commonwealth Bank, which is, however, guided by actual circumstances when it considers the size of loans which it can underwrite. The Governments consider that it is the duty of the Bank to create credit to meet their needs. The question of fresh borrowing in Australia or in London is to be considered by the Loan Council early this month, when the various Governments are expected to press their claims. Attention continues to be drawn, however, to the growth of the debts; the total for the Commonwealth and the States has risen from £1,104,028,062 on June 30, 1929, to £1,256,606,355 on September 30, 1936, an increase of £152½ millions in 7½ years. An argument against large public borrowing is that it means competition against private borrowers for the available supplies of money.

Letters to the Editor

A. Road and Rail Controversy

TO THE EDITOR OF THE ECONOMIST

SIR,—The writer of your railway article shows a quite remarkable faculty for starting up his own hares and proceeding to chase them. Unfortunately, this may have the effect of obscuring the thesis I put forward, which is, in brief, that the railways have been complaining for years that road transport "skimmed the cream off their traffic," i.e. deprived them of highly-rated merchandise traffic, but took very little of the coal and minerals. I agree that the railways have lost traffic, and that the loss has been largely in the highly-rated category, but no evidence has ever been produced that the traffic lost by the railways has been their "cream."

I have shown that, taking the "wagon load forwarded" as the relevant unit from the operating point of view, there is no substantial difference in the railway receipts per wagon-mile (loaded and empty) for merchandise, minerals and coal. I have not produced figures of expenses per wagon-mile, because none are published. It is clearly up to the railways, in the face of the equality on the side of receipts, to furnish proof that their expenses are higher per wagon-mile (loaded and empty) for coal and minerals than for merchandise. It seems *prima facie* unlikely that this should be the case, because, against the greater length of the average haul for merchandise, must be set the smaller size of the consignments, in general the smaller number of wagons per train, more complicated marshalling and handling, higher terminal charges, greater amount of clerical work, and higher expenses in connection with collection and delivery, which are not entirely recovered from the shippers. I have a shrewd suspicion that, taking all these factors into consideration, the "cream" of the railway traffic is their coal traffic.

The writer of your railway article complains that my figures were partly taken from the official returns, but "arbitrarily altered," and naively remarks, with regard to "average receipts per loaded wagon forwarded," that "these figures are not shown in the published railway returns." I do not mind admitting him into a secret. To obtain the "average receipts per loaded wagon forwarded," it is necessary to divide the total receipts by the number of loaded wagons forwarded. He will have no difficulty in obtaining the figures for each of these. My other figures he will find in the appropriate Returns, except for the allocation of empty wagon mileage between the different classes of traffic, which is not published. I have, however, taken for this figures which were recently given by an eminent railwayman under cross-examination, and which are the only authoritative source of information on the point.

Yours, etc.,
THE WRITER OF THE ROAD ARTICLE.

A Ministerial Symposium

TO THE EDITOR OF THE ECONOMIST

SIR,—Whatever criticisms may be brought against the current policy of the British Government, its skill in making the best of all possible worlds can hardly be gainsaid. I freely offer the following ministerial symposium for the use of Parliamentary and other speakers:—

Citizens of the United Kingdom: We are required to assume a heavy burden which, however, will cost us nothing because of the great economic benefits which will ensue. The sacrifice is worth making, and the time for sacrifice is now, because with the enormous elasticity in the finances of this country we shall not feel it. The huge programme of re-armament will strain the resources of the country to the utmost and lead the nation away from pursuits which might bring prosperity and contentment to all, but capital, labour and material will not be diverted from productive to unproductive purposes. Hitherto the Government has not borrowed because of the absence of economically sound projects, but here is a new opportunity to tackle the problem of the Special Areas. We cannot view the growing accumulation of burdens without a feeling of shame and disgust

that our civilisation is breaking its back, but the country is now in a position to finance re-armament without affecting the social services or the standard of life. The cost is patently gigantic and every town and county will rejoice in the prospect of receiving orders in connection with the Government's programme. The sacrifice will last a generation and have the effect of enormously diminishing unemployment.

The Government must have power to call on all the resources of the country without interfering with normal industry. Foreign nations are impressed by the readiness and determination of this country to incur a staggering expenditure which will lift a great many firms and businesses to the income tax level, and the bulk of which will go in wages. There will be no inflation and with the rise in prices we shall benefit from the increased purchasing power of the countries which buy our manufactures. The psychological effect on trade and commerce of an increase in direct taxation would be disastrous and we have taken every precaution against profiteering.

The policy of borrowing now provides a powerful weapon against a future slump. Guns mean employment, tanks mean employment, battleships mean employment, aeroplanes mean employment. We have only to set our teeth for these ripe fruits to drop into our mouths. Let us steel our hearts, tighten our belts, and march forward with a high courage into the valley of the shadow of full prosperity.

I find no difficulty in making head or tail of our Government's policy. The trouble is that it makes both at once.

I am, etc.,
ECONOMICUS.

Hire Purchase Finance

TO THE EDITOR OF THE ECONOMIST

SIR,—My attention has been called to a statement appearing in your issue of the 20th instant, under the heading of Hire Purchase Finance, to the effect that the United Dominions Trust is the oldest and largest of the leading firms engaged in the hire-purchase business, having started in 1919. Your contributor is either under a misapprehension or has been misinformed.

The following is a list of the leading firms engaged in Hire Purchase Finance, together with the years in which they were incorporated, viz.:—

Lancashire Wagon Company, Ltd.....	1857
Bristol and South Wales Railway Wagon Company, Ltd.	1860
Scottish Wagon Company, Ltd.	1860
The North Central Wagon Company, Ltd.	1861
Yorkshire Railway Wagon Company, Ltd.	1863
The British Wagon Co., Ltd.....	1869
The Lincoln Wagon and Engine Company, Ltd.	1874
Wagon Finance Corporation, Ltd.	1906

THE ROUND TABLE

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It is clear, therefore, that the most recently formed Company in the foregoing list was engaged in the hire-purchase business many years before the formation of the United Dominions Trust, whereas the oldest of the firms referred to was established 62 years before the United Dominions Trust.

The company with which I have the honour to be associated held its seventy-sixth annual general meeting in September, 1936, having been established, as stated, as far back as 1861.

The total capital funds of these companies exceed £6,000,000—my own company's proportion being in excess of £2,000,000 and that of our associated company "The Lincoln" approximating £1,000,000.

It should perhaps be mentioned that of the companies named in the foregoing table three have become merged in this company and its associated undertaking The Lincoln Wagon and Engine Company, Ltd.

In the light of the foregoing I venture to think you will agree this correction should be given the same publicity as the article referred to which, in all other respects, is wholly admirable. Perhaps, therefore, you will kindly allow this letter to appear in your next issue.

Faithfully yours,

for the Company,

D. W. REES,

Managing Director.

The North Central Wagon Company, Ltd.,
Rotherham.

[Our statement, as the context of the article showed, referred to the general hire-purchase companies. It was not intended to reflect in any way on the old-established wagon finance companies, which, in their own sphere, have long performed a useful function.—*Ed. Econ.*]

Books and Publications

The World Slump

THIS comprehensive study* deals with the changes in national income caused by the "Great Depression" in Europe, America and Japan, and in its distribution among various social groups. The first part of the book states the decline in production during the depression years and analyses the effects of that decline upon national income. It is estimated that the slump cost the world in reduced production of goods and services a sum which would have met the entire cost of the Great War. In the main, the contraction was confined to industrial production and the services of trade and transport. In agriculture, the reduction in output was negligible. The contraction was therefore unevenly shared by different countries. Countries for the most part agricultural were least affected; those predominantly or extensively industrial bore the brunt of the decline.

The distribution among different countries of the total world loss of income was, however, not apportioned on similar lines. Here the chief sufferers were the agricultural countries. Because of the difference between industrial and agricultural prices, Great Britain, France and Germany were able to pass on to other countries an appreciable proportion of the loss arising from reduced industrial and trade activity. Professor Woytinsky calculates that Great Britain's national income was reduced by only from £450-£500 millions during the four years of the slump, although there was a decline of £1,300 millions in industrial production and trade services.

His examination of the redistribution of income among various social groups shows clearly that the chief sufferers in the depression were working-class people. Unemployment and short time implied a reduction of income that even the comparatively generous insurance system of Britain could not make up. Those remaining in work in this country suffered no loss in real wages, because declining wage rates were largely offset by the falling cost of living. But, as the depression deepened, a spreadover of earnings to assist unemployed members of families meant, in effect, a spreadover of poverty. Capitalists suffered, but here the losses were for the most part covered by reserve funds which had been built up in earlier periods of prosperity. Professor Woytinsky's figures of savings and of variations in reserve funds during the depression years give special point to this argument. Middle-class business men and farmers experienced heavy losses; although it is noted that the position of farmers was materially improved by Government assistance and by their own initiative in developing subsistence farming.

Those faring best were the rentier and professional classes. The fall in prices during the depression years was much more severe than in any previous slump;

bondholders and those in receipt of fixed salaries had their capital and income considerably increased in consequence. This windfall was offset to some extent by loan conversions; but the author contends that Governments everywhere showed a more tender regard for their bondholders than for any other section of the community. Not many of the conclusions reached in this section are essentially new; but a large part of the statistical and other data upon which the conclusions are based is original; and this serves at least to give a new significance to opinions hitherto but half or less than half substantiated.

The task Professor Woytinsky has attempted is stupendous; and much of it yet remains to be done. There are many social consequences of the depression to which he is able to make only general and passing reference. The book contains, however, a very large quantity of statistical material, set out with unusual cogency and clearness; and where gaps occur in the available data, this is clearly indicated. It contains, moreover, many useful theoretical considerations of the interdependent action of different phases and factors in depression; those concerning the relationship between industry and agriculture and between those sections of industry producing capital goods and consumption goods are particularly valuable. Students will find in Professor Woytinsky's work much that throws immediate light upon the problem of trade depression. It is salutary to ponder these figures when the shadow of yet another slump is being thrown, however faintly, over the fair picture of present prosperity.

Shorter Notices

"Leadership in a Free Society." By T. N. Whitehead. Oxford University Press. 266 pages. 10s. 6d.

This book, written with optimism and impartiality, is an objective study of certain difficulties of social life in a modern industrial system. The author is concerned with the loss of happiness and of efficiency from which men working in modern factories and offices suffer. "For the industrial worker life is maintained in two relatively watertight compartments, one of which is all purpose and not socially satisfying; whilst the other is deficient in achievement and is apt to be overweighted by purposeless pseudo-social occasions"—so writes the social scientist, adding, "An important feature of any industrial society is the emphasis placed on purposeless activity out of working hours." Professor Whitehead thus furnishes a valuable analysis of the unsatisfied social needs of working men (of all classes). The material for this analysis is drawn from enquiries made by certain large American firms with the consent and co-operation of their employees, into the mental attitude of the worker towards his daily work and its surroundings. Some of the results described by Professor Whitehead, and not yet fully appreciated in this country, are interesting and perhaps surprising, such as—to mention one example—the faith in the fairmindedness of "The Company" of men who can find no good word for any of the Company's actual executives, especially those immediately dealing with them.

Professor Whitehead's tentative comment on this is an appeal to the American business man to exercise leadership (the trade unions he regards as "not adequately led" while "the executive ranks of business contain many of the best brains of the country.") Professor Whitehead's optimistic hope of "friendly co-operation" with the workgr proceeding unprompted from the business man of present-day society is perhaps Utopian; and his fair-minded presentation of the facts enables him to see that the social value of trade unions, though they may cause friction, justifies their acceptance by business men in the present situation.

Professor Whitehead's diagnosis is perhaps more profound than his remedy. For whatever may be the industrial society to which we are moving, the problem which he states will have to be solved; the social stresses must be resolved if a "free" society is to survive.

"The People's Year Book." Manchester: The Co-operative Wholesale Society. 351 pages. 3s.

Issued by the C.W.S., this annual volume emphasises the extent to which the consumer is neglected by the subsidies, quotas, tariffs and agricultural marketing schemes, which have been imposed by the Government in its policy of raising the level of prices by restricting available supplies. Our present dependence on imports of food and drink is made clear by details of the imports of £350,000,000 in 1935; but the costs have been raised by artificial means. Sir W. Citrine writes hopefully of the return of trade union membership to the "peak" of 1920, a 6½ million membership, to which the increasing number of co-operative employees will contribute. The latter have more than doubled since the War and reached 301,717 in 1935, the wages bill being £38,656,296. Hence the optimism with which the Ten Years' Plan for increased membership and trade is being developed; so that the centenary of the Co-operative Movement in 1944 may mark the fulfilment of the intentions of the Rochdale Pioneers.

The total retail trade of the Societies was £220,429,517 in 1935. Included in this was the turnover of the two Wholesale Societies, amounting to £117,000,000. It is claimed that only 10 per cent. of the retail trade passes through agencies that are unco-operative; but it should not be forgotten that two-thirds of the supplies of the wholesale Societies are drawn from outside concerns. Dr C. R. Fay records something of the same tendency in his review of the co-operative tea estates in India and Ceylon, which supply only 5 millions out of the 110 million lbs. of tea handled by the societies in a year. The Year Book has a warning to co-operative optimists who regard continuously advancing trade returns as inevitable; for Dr Enid Charles reveals the effect that declining population may have on a movement which has shown yearly increases. Her suggested discarding of the "economic assumptions of capitalism" does not, however, provide any means of evolving "the type of society in which people will think it worth while to reproduce." That is a problem for a future Year Book.

"Income and Outcome: A Study of Personal Finance." By Nigel Balchin. Hamish Hamilton. 312 pages. 6s.

This book, dedicated "to my Bank Manager, to whom, in truth, I owe more than I can ever hope to repay," is an attempt to investigate the domestic economy of the British middle-class family. Mr. Balchin performs his task with a great deal of good humour and not a little worldly wisdom. He has also collected forty-two "family budgets" for families with incomes ranging from £65 to £2,500. It is no detraction from the quality of the book to say that it is of more personal interest than economic value. Everybody enjoys observing how foolishly other people spend their money. But both Mr. Balchin's text and also his collection of budgets show how completely impossible it is to generalise about personal expenditure once the region of luxuries is entered and that of necessities is left behind. Suggestions are made from time to time for the calculation of an index of the cost of middle-class living. Mr. Balchin's book should serve as an effective antidote.

"Raw Materials or War Materials?" By Alfred Plummer. Gollancz. 144 pages. 3s. 6d.

Dr Plummer's book contains a number of excellent arguments, backed by much factual material, against ceding colonial territories to the "have-not" Powers. Briefly, his conclusions are that the Fascist Powers are mainly responsible for their own difficulties in that they deliberately pursue a policy of autarky which prevents

their obtaining raw materials at world prices; that this policy of autarky is designed to prepare their economies for war; and that, since to make colonial concessions would be to increase their appetites and to refuse them may mean war, the League Powers should strengthen the system of collective security in order to defend themselves against aggression. They should, in addition, free their colonial territories from such restrictions as at present hamper the expansion of trade between the "haves" and the "have-nots," and should prepare a scheme for the international administration of all colonial areas.

There can be little doubt that Dr Plummer's policy is the only one which can preserve peace in the immediate future. But if we wish to frame a long-term policy it is necessary to attempt an analysis of the dynamics of imperialism. Dr Plummer seems to imply that the revisionist policies of Germany and Italy spring from their ideologies, that is, are the epiphenomena of diseased thinking and not the expression of economic needs. Now, an ideology has its roots; and some roots of an imperialistic ideology in both democratic and Fascist countries can be found in the special needs of those interested social groups who are prepared to strangle democracy and to wage war in order to preserve an old empire or create a new one.

Mr Hawtrey's argument in *Economic Aspects of Sovereignty* stands: the character of a foreign policy may be misconceived if it is assumed that its object is welfare. And the critic who points out that it is incompatible with welfare deludes himself, if he believes that it is only necessary to show the authors of such a policy that they are in an intellectual muddle to persuade them to abandon it.

Books Received

- Prices in Recession and Recovery.* By F. C. Mills. National Bureau of Economic Research (New York). 581 pages. 16s.
- Business Cycles and Forecasting.* By E. C. Bratt. Business Publications (Chicago). 501 pages. 17s. 6d.
- L'Activité Economique en France.* By A. Viallat. Marcel Rivière (Paris). 486 pages. 60 frs.
- Stabilised Accounting.* By H. W. Sweeney. Harper. 219 pages. 3s.
- The Paris Commune of 1871.* By Frank Jellinek. Gollancz. 448 pages. 8s. 6d.
- Contemporary Russia and her Relations with her Neighbours.* Edited by Lancelot Lawton. Vol. I. No. 2. January, 1937. 1s.
- Central and Local Finance in Germany and England.* By M. Newcomer. Columbia University Press. 368 pages. 17s. 6d.
- Kapitalbildung.* By J. Marschak and W. Lederer. William Hodge. 315 pages. 10s. 6d.
- The Blessings of Liberty.* By F. P. Miller. University of North Carolina Press. (Oxford University Press.) 105 pages. 4s. 6d.
- Schacht in der Karikatur.* (Berlin) Gedruckt in der Druckerei der Reichsbank. 105 pages. No price stated.
- Principi di Scienza Economica.* Vol. I. By Riccardo Bachi. (Turin) Giulio Einaudi-Editore. 522 pages. L. 50.

Official Publications

- The following may be obtained from H.M. Stationery Office, Adastral House, Kingsway, W.C.2.
- Physical Training and Recreation: Memorandum explaining the Government's proposals.* Cmd. 5364. 2d. net.
- Report of the Chief Registrar of Friendly Societies for the year 1935. Part 3. Industrial and Provident Societies.* 2s. 6d. net.
- Treaty Series No. 6 (1937): Treaty of Alliance between United Kingdom and King of Egypt, August 26, 1936.* Cmd. 5360. 1s. 3d. net.
- Public Departments: Statement showing Gross and Net total Cost of the Civil and Revenue Departments and the Navy, Army and Air Services for the year ended March 31, 1936.* 3d. net.
- Twenty-sixth Report of the Development Commissioners for the year ended March 31, 1936.* 3s. net.

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* "The Social Consequences of the Economic Depression." By Wladimir Woytinsky. International Labour Office. P. S. King. 364 pages. 7s. 6d.

MONEY AND BANKING

Insurance Accounts Without Tears

THE British insurance offices are now pouring out their reports for 1936. Ordinarily, the issue of a limited company's report is of concern only to its shareholders. But for insurance companies the law has made special provision to ensure that the creditors—usually called the policy-holders—may have complete information regarding the accounts. But how many policy-holders will exercise their right, under Section 8 of the Assurance Companies Act of 1909, to demand a copy of the accounts which set out their cover against the hazards of life and death?

That this precaution is rarely taken is itself testimony to the strength of British insurance institutions. Investors and policy-holders alike have become habituated to a steady record of progress. But it may also be due, in part, to special features in insurance accounts which are devised for the layman's protection but, in fact, add to his general difficulty in dissecting a set of figures. It is, therefore, the purpose of this article to discuss, in a simple fashion, the fundamental principles governing insurance accounts.

From the first, the law has concerned itself with insurance accountancy methods. An office which transacts more than one class of business (and most, in fact, do) must keep a separate account of the receipts of each branch, and these must be carried to separate assurance funds "with appropriate names." The funds thus set up rank absolutely as the security of policy-holders of that class, and they cannot be applied to any other purposes. In law, therefore, each fund is completely segregated as though it belonged to a separate company. So, although the 1934 total premium incomes of British insurance offices for all classes of business amounted to £220 millions (equivalent to about 30 per cent. of the Budget revenue of the British Government and nearly 30 per cent. more than the total receipts of the four large British railways for that year), the actual accounts of the offices distributed this sum over numerous headings—such as life, fire, accident and employers' liability.

If an insured is covered for life, therefore, he will be interested solely in the state of the life assurance fund. It will matter but little to him if his insurer is quite unable to make motor business pay, or if the accident branch has experienced a heavy loss ratio. To ascertain his specific security, he need merely turn to the account of the fund which provides his cover. But here a further complication arises. Some risks, like fire or accident, are underwritten for a fixed period, at the end of which any excess of premiums over the payments made for claims constitutes the insurers' underwriting profit. In practice, the actual accounts are complicated by such matters as unexpired risks and unpaid claims, but, in principle, such insurances present no accounting difficulty; the surplus on each fund, subject to the creation of suitable additional reserves, can be taken directly into profit and loss account.

But the profit from life business is very different. Although the insurer can calculate his expected liability on any particular life risk within much closer limits than he can assess the chance of a particular accident, the liability which the life fund must cover is contingent until the death of the assured or the maturity of the policy; it does not expire from year to year. If an office accepts life business on the calculation that the proposers have an average expectation of life of thirty years, it would be involved in heavy loss if the insured survived for no longer than twenty-five years. Conversely, if the average expectation of life is extended during the period of insurance, the company enjoys a

longer period of premium payments, and thus obtains a higher return than it originally anticipated.

It is impossible, therefore, to assess the true liability of a life fund without an actuarial valuation, and the law compels such valuations to be taken at least once every five years. Its object is to assess, at the date of the valuation, the "present value" of the company's liability, as represented by the life assurance policies then outstanding, having regard to rates of mortality, future premiums and expenses, and the expected rate of interest to be earned by the fund. The total amount of this liability is then set against the assets in the life fund, and the difference between the two represents the surplus available in the life fund at the date of the valuation.

To see how this surplus is dealt with it is necessary to revert to the running experience of the company. Let us assume that a valuation is taken every five years. During each of these years the life fund will be receiving premiums and interest on its investments, while it will be paying out claims and also having to bear the cost of commissions and its proper share of the general management expenses. Any surplus between these receipts and payments, however, must not be regarded as a profit. It must be left to accumulate in the fund (i.e. added to the fund's assets) until the end of the valuation period. Thus at the end of the period the fund's assets consist of its original assets at the beginning of the period *plus* the surplus of receipts over payments accrued during the whole of the period.

The actuary then comes in and makes his valuation of the fund's liabilities, as described above, and the surplus of assets over liabilities is then determined. Three claimants now appear for this surplus. First, there are the holders of the "with profits" policies. The directors of the company will no doubt decide to declare a reversionary bonus. This is not distributed to the policy-holders in the form of cash, but is applied so as to augment the value of their policies. Therefore, from the accounting point of view, all that happens is that the assets of the life fund remain intact, but the liabilities are increased. This, of course, reduces the surplus.

Next, the directors may decide to allocate part of the surplus as an inner reserve in the life fund. This, again, causes an increase in the liabilities of the fund, while leaving the assets intact. Finally, part of the surplus will be transferred to general profit and loss, where it will be available, together with underwriting profits from other branches of the company's business, for strengthening the general reserves of the company or for distribution as dividends. Incidentally, the shareholder has in some cases a special claim on the profits of particular classes of the business, including the life business.

Again, assuming a five-year valuation period, the transfer to profit and loss is made indirectly. Immediately after each valuation, the part of the surplus allocated to profit and loss is transferred to a suspense account. At the end of each of the succeeding five years, one-fifth of this amount is brought into the profit and loss account of the year in question, and is shown as such in the company's accounts. By the end of the new valuation period, these annual debits will have exhausted the amount transferred at the end of the previous period, and so the suspense account will be empty in readiness for the new transfer based on the results of the new valuation. The profits distributed during, say, the years 1931-35 are those derived from the valuation made at the end of 1930—that is, from the augmentation of the life

fund's assets which took place during the five years 1926-30. These profits for the years 1931-35 bear no relation to the actual incomings and outgoings of the life fund during those same five years, for the surplus for those years will only be finally determined when the new valuation is made at the end of 1935. There is thus a time-lag equal to the length of the valuation period, and this time-lag only disappears if the company is one that makes its actuarial valuation at the end of every year.

Insurance company balance sheets are, finally, formidable documents. They analyse the liabilities and assets of each of the separate funds. They then add the shareholders' balance sheet (which in law, as we have seen, is wholly separate) and usually total each category of asset and liability in one final column. For members of companies like the Prudential Assurance, whose 1935 balance sheet total exceeded £300 millions, simple statements of accountancy procedure can have only limited relevance. In fact, however, the general balance sheet is an extended description of each of the individual funds, augmented by such items as investment reserve and the balance of profit and loss. The third schedule of the Assurance Companies Act requires that the assets of each fund shall be set out in elaborate detail, so that the policy-holder may readily assess the quality of his cover. And although there is, inevitably, considerable stability in the investment policy of a mature life fund, changes in investment distribution are not without their interest for the general investor.

Such, in its simplest terms, is the general nature of an insurance company's report. If the lay reader recognises the principle of segregation before attempting his analysis, his task will be the easier. He may still feel that the mastering of the average report can best be attempted by those with expert knowledge. But at least a knowledge of the broad lines on which insurance company accounts are drawn up will help him to appreciate the force of the comments made by writers like *The Economist's* insurance correspondent, in the notes on individual offices which, at this season, are a regular feature in our pages.

Financial Notes

The New Standstill Agreements.—The renewal for another year of the old Standstill Agreements with only slight alterations is undoubtedly a disappointment to the British creditors, whose position, as we pointed out during the negotiations, is such as to justify special treatment. It was understood that the two British delegates were pressing for a certain measure of capital repayment, but their return to England for a further conference with other creditors was an indication that German opposition to this suggestion was very strong. The only substantial changes are an extension of the grounds for the cancellation of unavailed credit lines. Credits which have remained unavailed for three years may now be cancelled, and it is henceforth permissible to cancel part of a credit line against the release of Gold-discountbank guarantees to the extent of twice the amount of the guarantee released. A small measure of capital repayment will be secured by the imposition of a licence fee of ros. for every 100 registered marks purchased, the proceeds of which will be used for the reduction of credit lines. It is estimated, however, that this will not realise much more than £1,000,000 in the year, and, in any case, it will tend to increase the discount on registered marks, and hence the losses of those creditors who choose to liquidate their commitments in this way. Thus the repayment of one set of creditors is made possible only by a heavier charge on the others. Moreover, it is expected that the rate for registered marks will have to depreciate to maintain the inducement to tourists to make use of them. Altogether, the new agreements cannot be regarded as a success.

Foreign Exchange Brokerage.—The protracted negotiations that have been carried on with a view to removing the handicaps of excessive brokerages and unduly wide spreads between buying and selling rates in the London foreign exchange markets have at last been successfully terminated. By agreement between the Foreign Exchange Committee and the Foreign Exchange Brokers Association the brokerages on the principal currencies have been considerably reduced. In francs brokerage payable by each side has been reduced from 1s. 6d. to 1s. per Frs. 100,000, and in dollars from 30s. to 20s. per \$100,000. Rates for Argentine pesos, Canadian dollars, free Reichsmarks and guilders have been similarly reduced, but in other exchanges they remain unchanged, except in the case of the Scandinavian, Finnish and Czechoslovakian currencies where it is a matter of negotiation. The reduction of the spread is of even greater importance. Artificial margins are no longer being maintained, and on Tuesday, the first day following the agreement, the quotations were considerably narrower. In the case of the franc it was initially one centime, and later two centimes against three centimes previously, and for the dollar .01 cent and later .03 cent against $\frac{1}{2}$ cent previously. It is hoped that the combination of these two measures will restore the supremacy of the London market, and it is presumed that brokers are relying on an increased turnover to counteract their reduced charges. Nevertheless, in view of the prevalence of direct dealing between the banks, it will probably result merely in the reduction of brokers' earnings, and may even make business impossible for some of the smaller firms. It will be interesting to see how the new arrangement works out in practice.

The Money Market.—Money has been slightly easier during the last week, although there has been a certain amount of calling every day. The discount on three months' bank bills is unchanged at $\frac{9}{16}$ per cent., but the tendency is weak.

	Feb. 4 1937	Feb. 11 1937	Feb. 18 1937	Feb. 25 1937
Bank rate	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$
Clearing banks' deposit rate	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$
Short loan rate:—				
Clearing banks	$\frac{1}{2}$ - $\frac{1}{2}$ *	$\frac{1}{2}$ - $\frac{1}{2}$ *	$\frac{1}{2}$ - $\frac{1}{2}$ *	$\frac{1}{2}$ - $\frac{1}{2}$ *
Others	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$
Discount rates:—				
Treasury bills	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$
Three months' bank bills	$\frac{9}{16}$ - $\frac{1}{2}$	$\frac{9}{16}$ - $\frac{1}{2}$	$\frac{9}{16}$ - $\frac{1}{2}$	$\frac{9}{16}$ - $\frac{1}{2}$

* Loans against Treasury bills and other approved bills and British Government securities within six months of maturity; 1 per cent. Treasury Bonds and other gilt-edged stocks within six months of maturity; and other collateral respectively.

The clearing banks have been moderate buyers of April and early May maturities at their usual minimum rate of $\frac{1}{2}$ per cent. The payment of the £8 millions instalment of the French loan on Friday of last week made no noticeable difference in monetary conditions.

The Bank Return.—Following last week's disequilibrium between Treasury bill payments and maturities, bankers' and public deposits have now returned to normal, with the former once again above the £100 millions level.

	Feb. 26, 1936	Feb. 3, 1937	Feb. 10, 1937	Feb. 17, 1937	Feb. 24, 1937
	£ mill.	£ mill.	£ mill.	£ mill.	£ mill.
Issue Department:—					
Gold	200.6	313.7	313.7	313.7	313.7
Note circulation	399.9	457.3	455.0	453.3	455.1
Banking Department:—					
Reserve	61.5	56.8	59.1	60.8	59.3
Public deposits	8.8	12.2	11.7	24.4	13.0
Bankers' deposits	106.2	96.1	99.2	90.6	100.4
Other deposits	35.5	38.3	37.3	36.7	37.9
Government securities	82.1	80.4	81.2	83.1	85.0
Discounts and advances	11.0	8.5	6.5	5.5	4.9
Other securities	14.1	18.9	19.5	20.4	20.3
Proportion	40.8%	38.7%	39.8%	40.1%	39.1%

The note circulation has risen by £1.8 millions, which is a normal increase for the end of the month. The only other change is a slight rise in Government securities.

The Foreign Exchanges.—The only interesting features in an otherwise quiet week have been the reduction of brokerage charges and spreads, and the imposition of a licence fee on registered marks both of which are discussed elsewhere. As far as registered marks are concerned, it is expected that not only will the demand for them fall off with the lower effective rate but the supply will also fall, as creditors may well refrain from cutting their losses by accepting registered marks, and will hold out for capital repayment, for which this licence fee is devised. At present, however, the demand for registered marks is strong, and any changes will come after the new regulations come into force. The franc has been comparatively steady during the week, the spot rate being pegged at Frs. 105½. The three months' forward discount, after coming in to Frs. 2½ on Monday, widened on Thursday to Frs. 2½. The Swiss forward rate for three months was offered on one occasion and went to ½ centime premium, but returned later to 2 centimes premium. Dollars have been strong at \$4.88-90, and have been consistently bid.

* * *

Canadian Statistics.—The Bank of Canada has issued the first number of an admirable statistical summary, which in form has much in common with the monthly publication of the Bank of England. Information obtained from a number of different sources is collated, simplified and clearly set out in well-constructed tables, the majority of which are illustrated by graphs. The statistics cover a wide range, including the position of the Bank of Canada and the chartered banks, security prices, public finance, exchange rates, trade figures, and price and productive indices, and the whole forms a comprehensive survey of the Canadian economy. It is always the complaint of the economist that statistical information is inadequate, and where available, requires complicated adjustment to make the figures comparable. Consequently, any new statistical service of this breadth and authority is doubly welcome.

Insurance Notes

Provident Mutual Life Assurance.—This Association transacts a large proportion of its business among wage-earners belonging to certain occupational groups, for example, railway and transport workers. By the facilities which it has secured in regard to mass collection of premiums and otherwise it is able to give to these members the full advantages of life assurance at the same level of premium rates as are charged by other offices for ordinary life assurance. Last year the number of policies was 23,900, the sums assured aggregating £2,662,000, against 21,300 and £2,272,000 in 1935. Considerations for annuities increased very substantially from £29,000 to £101,000, and on this occasion a reference is made to the granting of deferred annuities, presumably under staff pension schemes, amounting to £146,000. Of special interest is the increase in the net rate of interest earned on the life assurance fund from £4 9s. 2d. per cent. to £4 9s. 6d. per cent. Surrender values paid in showing still further reduction from £114,000 to £103,000 no doubt reflect the more prosperous industrial conditions. Total assets increased from £11,103,000 to £11,915,000, but there was no particular movement in the various investment groups. Loans at £984,000 and British Government securities at £2,283,000 were practically unchanged, while debenture stocks amounted to £1,941,000, compared with £1,811,000, and preference stocks to £2,367,000, against £2,005,000. Ordinary stocks were £49,000 greater at £1,945,000. There is an investment reserve fund of £1,000,000, apart from inner reserves due to the method of valuing Stock Exchange securities "at or below" middle market prices on December 31st last. For 1937 it has been decided to maintain interim bonuses at the rates declared at the quinquennial valuation in 1933.

Pearl Assurance Company.—New sums assured in the ordinary branch increased further from £8,598,000 to £8,802,000. In the industrial branch new sums assured at £21,250,000 showed an increase of £347,000, but in this branch of insurance special importance attaches to the maintenance of premium income. In this respect the published figures are very encouraging, since they show an increase from £8,077,000 to £8,424,000. The net rate of interest on the mean fund in the ordinary branch was £4 6s. 6d. per cent., against £4 6s. 5d. per cent., but in the industrial branch was 3s. 7d. per cent., smaller at £4 9s. 9d. per cent. This fall was due entirely to the greatly increased assessment for income tax, which rose sharply from 1s. 2½d. in the £ calculated on the gross interest in 1935 to the unusually high rate of 2s. in the £ in 1936. The usual annual valuation was made, and the trading results of the last two years are given below:—

	1935	1936
Ordinary Branch		
Surplus earned during year	1,060,951	1,098,206
Brought forward from previous year	362,458	249,126
	£1,423,409	£1,347,332
To Policyholders' Bonus.....	829,315	844,884
„ Shareholders' Account	204,725	209,000
„ Investment Reserve Fund	100,000	...
„ Staff Pension Fund	40,243	40,318
„ Carry forward to next year	249,126	253,130
	£1,423,409	£1,347,332
Industrial Branch		
Surplus earned during year	1,545,628	1,370,855
Brought forward from previous year	651,278	639,080
	£2,196,906	£2,009,935
To Policyholders' Bonus.....	638,069	758,904
„ Shareholders' Account	410,000	480,000
„ Investment Reserve Fund	100,000	...
„ Common Contingency Fund.....	300,000	...
„ Staff Pension Fund	109,757	109,682
„ Carry forward to next year	639,080	661,349
	£2,196,906	£2,009,935

There was some strengthening in the valuation basis in the industrial branch.

* * *

The rate of reversionary bonus declared in the ordinary branch is again £2 per cent. on each £100 assured. In the industrial branch the rates of bonus are increased in the whole life class from 14s. to 16s., and in the endowment assurance class from 11s. to 12s. for each weekly premium of 1s. Profit-sharing in this branch was inaugurated in 1929 in respect of policies issued prior to 1923; the policies participating in respect of 1936 are those effected prior to 1930. In each of the miscellaneous branches, of which the fire department is much the largest, premium income increased, but due to much higher claims—and commission, which amounted to 29 per cent. of premium income, against 21 per cent. in 1935—in that department a moderate net profit was converted to a substantial loss. The results of the various departments are given below:—

Department	Premium Income	Underwriting Profit	Percentage
Fire	£1,138,265	£152,250	13.4
Employers' Liability	31,930	6,159	19.3
Accident	84,868	20,949	24.7
General	169,668	18,437	10.9
Motor	212,455	4,956	2.3
	£1,637,186	£111,610	

Total assets, which are separated from the ordinary and industrial branches, and for the miscellaneous departments, increased from £91,240,000 to £96,522,000. Loans were somewhat larger, but British Government securities decreased slightly from £32,496,000 to £32,167,000, while foreign and Colonial Government securities fell by £753,000 to £13,160,000. On the other hand, British municipal securities increased by 19 per cent. to

£6,175,000, and large increases were registered in debenture, preference and ordinary stocks. Thus debenture stocks were £2,047,000 greater at £12,965,000; preference stocks £1,395,000 greater at £6,894,000; while ordinary stocks at £9,439,000 showed an increase of 34 per cent. The rate of the shareholders' dividend has been increased from 50 per cent., free of tax, to 51½ per cent., free of tax.

* * *

National Provident Institution.—The 1936 report is of more than usual interest, as it gives the results of another triennial valuation of the liabilities. The same rate of interest as before has been used, namely 3 per cent., but for assurance contracts the OM table is replaced by A¹⁹²⁴⁻²⁹; this change brings out higher reserves than by the old basis. The results of the two latest triennial valuations are given below:—

	1931-1933	1934-1936
Trading profits earned during valuation period	898,146	947,958
Brought forward	409,695	358,690
	1,307,841	1,306,648
To Bonuses to policyholders.....	929,151	897,270
„ Staff Superannuation Fund.....	20,000	20,000
„ Carried forward	358,690	389,378
	1,307,841	1,306,648

The basic rate of bonus allotted to whole-life policies remains at 3 per cent. per annum calculated on the sum assured. Varying substantial addition to this minimum rate is made where the life assured has survived his expectation of life; this addition is slightly smaller in all cases than in 1933. The basic endowment assurance bonus varies with maturity, age and duration; an additional bonus is given payable only on survival of the endowment term.

* * *

Examples of the basic rates of bonus, which are identical with those allotted in 1933, are given below. The additional survival bonus, however, is reduced from 8s. per cent. per annum to 5s. per cent. per annum, calculated on the sum assured:—

ENDOWMENT ASSURANCE—ANNUAL REVERSIONARY BONUS CALCULATED ON THE SUM ASSURED		
Age at Maturity	Duration :	
	18 years or less	21 years or over
50	39/—	49/—
55	43/—	53/—
60	48/—	58/—
65	53/—	63/—

New sums assured at £1,882,000 marked a fresh record, but the net rate of interest fell by 3s. 7d. per cent. to £4 5s. 3d. per cent. This fall seems somewhat large, as other company accounts, issued to date, have generally reported either trifling decreases or increases. After the abnormally small death claims in 1935, namely £254,000, an increase last year to £340,000 is not surprising. Over the past four years the mortality experience has been 88 per cent. of the amount expected by the A¹⁹²⁴⁻³⁹ valuation table. Total assets increased from £12,035,000 to £12,547,000. Loans fell by the substantial sum of £329,000 to £3,088,000, but British Government securities show little change. Debenture stocks at £3,078,000 compare with £2,717,000. Preference stocks increased from £487,000 to £787,000, and ordinary stocks were 70 per cent. greater at £667,000. No special investment reserve is held, but it is stated that no Stock Exchange security stands above market selling price as at December 31st last, and that "there is in the case of the majority a large margin."

* * *

Scottish Provident Institution.—New sums assured at £3,166,000 were slightly smaller than the previous year's record figure of £3,207,000, but annuity considera-

tion amounted to £249,000 compared with £174,000 in 1935 and £129,000 in 1934. The net rate of interest calculated on the total funds, including the investment reserve fund of £600,000, increased from £3 15s. 8d. per cent. to £3 16s. 9d. per cent.; calculated on the assurance fund alone, the rate was 1/5 per cent. greater at £3 18s. 11d. per cent. Premium income was £1,223,000 against £1,207,000. Death claims showed an increase of £78,000 to £1,022,000, and surrender values at £136,000 were slightly smaller. A sum of £130,000, being the amount reserved in the assurance and annuity fund for members of the staff presently on the retired list, has been transferred from that fund to staff pension fund trustees. Further contributions, it is stated, will be made from time to time, presumably with the end in view of maintaining a legally separate pension fund for both the serving and retiring staff. Credit is taken in the Revenue Account for income tax at 4s. 9d. in the £ on the £130,000 transferred, namely £30,875, but this item has not been allowed for in arriving at the net rates of interest shown above. Total assets increased from £24,665,000 to £25,117,000. Policy loans showed considerable further reductions at £1,391,000 against £1,539,000; three years ago the total was £1,725,000, and the fall is a little surprising, as at this period the Institution took the unusual step of reducing its policy loan rate of interest, which is now well below the average of the offices. Little change occurred during the year in total loans other than policy loans. Slight increase took place in British Government securities, but British Municipal securities rose from £196,000 to £410,000, while Foreign and Colonial Government securities increased by £123,000 to £1,472,000. Railway debentures, preference and ordinary stocks, which are shown separately in the balance sheet, fell by an aggregate amount of £61,000, but other types of debenture, preference and ordinary stocks increased from £2,579,000 to £2,674,000; £2,210,000 to £2,481,000; and £2,720,000 to £3,107,000 respectively.

* * *

Scottish Widows' Fund.—For many years there has been an almost uninterrupted succession of records in new sums assured of this Society, and last year's total of £4,849,000 contrasted with £4,465,000 in 1935 and £2,445,000 in 1926. In spite of its one hundred and twenty-three years, there is no indication that the Scottish Widows is approaching any static condition; on the contrary, annual premium income has increased in the last decade from £1,634,000 to £1,970,000 and total assets by nearly £7,000,000 to over £34,000,000. Last year both claims and maturities showed some increase, but surrenders fell by 16 per cent.; although the gross interest increased by 10d. per cent. the net rate fell by some 5d. per cent. to £4 6s. 1d. per cent. On the assets side there was a further movement—less accentuated, however, than in 1935—towards higher yielding securities. Loans increased by £568,000 to £4,669,000, but British Government securities were £777,000 smaller at £7,192,000. Debenture and preference stocks each showed a moderate increase, while ordinary stocks, which now form 13 per cent. of the assets against less than one-third of 1 per cent. in 1926, increased substantially from £3,619,000 to £4,531,000.

* * *

Scottish Temperance and General.—New business increased from £1,446,000 to £1,524,000 and premium income from £588,000 to £600,000. Death claims at £233,000 were greater by £65,000, but mortality is stated to have been favourable. Surrender values fell from £80,000 to £51,000. The rate of interest on the life fund fell by 11d. per cent. to £4 2s. 4d. per cent., and total assets increased from £7,904,000 to £8,236,000. Loans were £150,000 smaller at £2,026,000, but British Government securities and Foreign and Colonial Government securities also showed little change. Debenture stocks, however, increased by nearly £100,000, preference stocks by £222,000 and ordinary stocks by £113,000.

THE STOCK EXCHANGE

Retreat from Gilt-Edged

THE Luddites had a proverb: "Enoch makes 'em and Enoch breaks 'em"—Enoch being the big hammer which was equally invaluable for engineering construction or destruction. An identical rôle has now fallen to Mr Chamberlain, who made a gilt-edged market boom by a debt-conversion speech on June 30, 1932, and finally broke it by a debt-augmentation announcement on February 11, 1937. It is true that gilt-edged prices had been rising before the first pronouncement and falling before the second, but the psychological effect was decisive in both cases, for it substituted a general trend for a mere anticipatory tendency.

Gilt-edged prices reached their highest prices for the present interest-cycle in January, 1935, when $2\frac{1}{2}$ per cent. Consols touched 94 $\frac{3}{4}$. This has generally been recognised, however, as a false peak, due to extravagant hopes of a par quotation for Consols, as a prelude to a Local Loans conversion. For the greater part of 1936, the price seemed relatively stabilised around a level of 85. On Tuesday this week the stock fell at one time to 74 and at the moment of going to press its price is 76. Three and a half per cent. War Loan has declined this year from 110 $\frac{1}{2}$ to 102. This, the largest stock in the market, is repayable after December, 1952, at the Government's option only. At 110 it was classed as a redeemable stock; to-day it has become irredeemable from the market's viewpoint.

The extent of the decline in the prices of long-term Government stocks may be seen from the table of quotations in the next column:—

EXTENT OF FALL IN LONG-TERM GOVERNMENT STOCKS

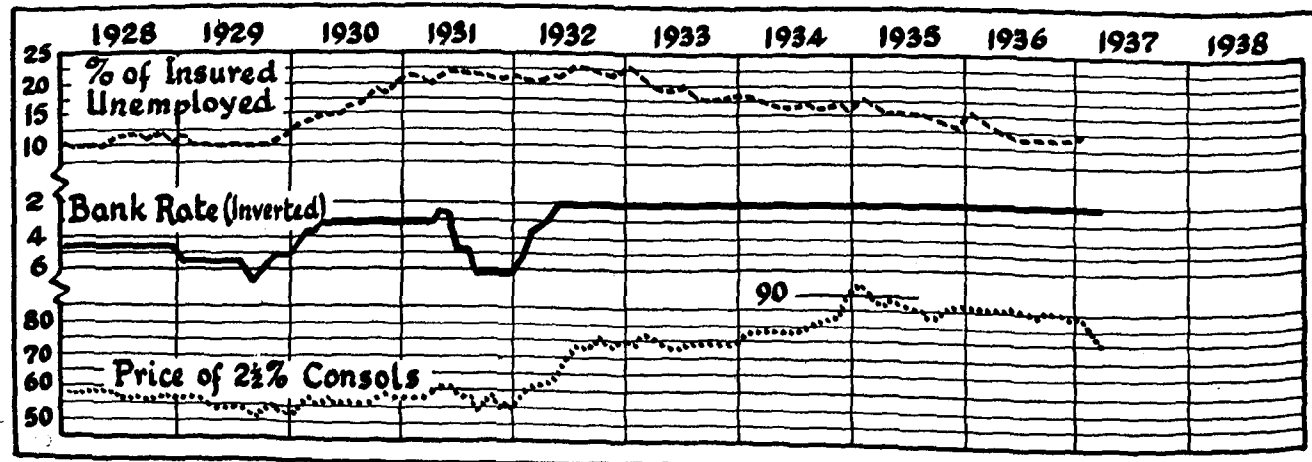
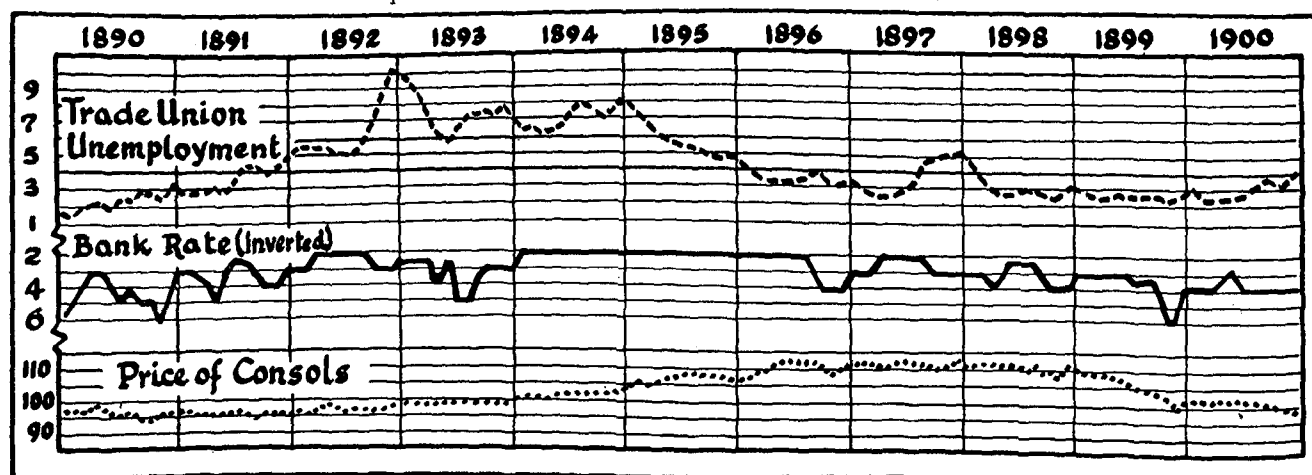
Stock	Highest Price, 1935	Price, beginning of Jan., 1937	Price, Feb. 24, 1937	Fall from Highest	Fall this Year	Present Yield (%)
2 $\frac{1}{2}$ % Consols	94 $\frac{3}{4}$	84 $\frac{3}{4}$	76	18 $\frac{1}{2}$	8 $\frac{1}{2}$	3 6 3
3 $\frac{1}{2}$ % War Loan (after Dec. '52)	110 $\frac{1}{2}$	105 $\frac{1}{2}$	102	8 $\frac{1}{2}$	3 $\frac{1}{2}$	3 9 3
4% Consols (after Feb. '57)	118 $\frac{1}{2}$	112 $\frac{1}{2}$	108 $\frac{1}{2}$	10 $\frac{1}{2}$	4 $\frac{1}{2}$	3 8 6
3 $\frac{1}{2}$ % Conversion (after Apr. '61)	112 $\frac{1}{2}$	106 $\frac{1}{2}$	100 $\frac{1}{2}$	12	4 $\frac{1}{2}$	3 9 8
3% Local Loans	98 $\frac{1}{2}$	96 $\frac{1}{2}$	88 $\frac{1}{2}$	9 $\frac{1}{2}$	8 $\frac{1}{2}$	3 8 2

Broadly, the ruling rate of interest on long-term Government stocks has risen from 3 per cent. to 3 $\frac{1}{2}$ per cent. in a couple of months. The movement has been disconcertingly fast, and its area has broadened with every increase in its velocity. Its main impetus has come from a large number of small and medium-sized holders. That the process, once it had attained large dimensions, would spread to other fixed-interest stocks, including industrial and railway debentures and preference shares, and even to high-grade ordinary shares, was inevitable, for there is a varying but appreciable "interest element" in the make-up of every security quotation.

The consequences of a prolonged fall in gilt-edged prices are so far-reaching that the market may rightly ask whether the authorities have made, or propose to make, any disposition to meet it. From the market's point of view, the Government's stage management,

THE "NINETIES" AND THE "THIRTIES"

Note.—In the 'nineties "Consols" bore interest at 2 $\frac{1}{2}$ %. They were reduced to this level, from 3%, under the Goschen plan, which provided for a further reduction to 2 $\frac{1}{4}$ % as from 1903.)



this year, has not been of the best. It is impossible to please everybody, but the market feels that the announcement, for example, of the figure of £1,500 millions for defence, having duly impressed the nations of the world, might well have been followed by the consolatory explanation—for the benefit of investors and taxpayers—that, after all, this was only an addition of £110 millions a year, income and capital, to expenditure on the Services for the next five years. The Chancellor might also have added that he had no intention of offering £400 millions of new stock in a single operation and was unlikely to make any issue whatever in the immediate future. For the present slump is largely psychological. Fear breeds fear, and a serious decline brings forced selling, as collateral loans are uncovered.

The authorities, presumably, have not lost sight of the fact that present conditions have at least a superficial resemblance to those under which the famous gilt-edged boom of the 'nineties came to an end. On the accompanying chart we have plotted the course of unemployment, Bank rate and Consols' prices from 1890 to 1900, and from 1928 onwards. It will be seen that Bank rate (together with short money rates generally) has remained low, and the fall in unemployment (i.e. the rise in industrial activity) has continued for a longer period in the 'thirties than the 'nineties. It was at approximately the present stage in the earlier cycle that Consols began their historic fall. And, at the turn of the century, the national debt was swollen by the costs of a war.

To-day, in contradistinction to conditions forty years ago, we have, ostensibly, a "managed" currency and a number of official "controls" in the capital market. Let us examine the present constitution of the market, and the nature of those controls, and endeavour to discover their bearing on official policy. In the first place, movements in gilt-edged prices are governed, not by the policy of holders of the entire £8,000 millions (approximately) of the National Debt, but of those holding probably not much more than a quarter of the total amount. In an analysis made in *The Economist* of February 9, 1935, page 318, we estimated that of a then total debt of £7,936 millions some £1,695 millions was in "non-marketable" holdings (including Britain's External Debt, the Exchange Equalisation Account, etc.) and a further £3,617 millions in "inert" holdings, including Savings Certificates, and the holdings of Savings Banks, insurance companies, friendly societies, the charity commissioners, and inactive private settlements and trusts. Finally, of the remaining £2,624 millions of potentially "marketable" holdings, we estimated that as much as £1,175 millions might be in the hands of British and overseas banks and a further £1,000 millions in the more active private holdings, settlements and trusts. Clearly, a certain rigidity—over a short period at least—must be postulated here also, for trustees will be reluctant to make extensive changes at the beginning of a falling market, while the idea that the banking system will hurriedly liquidate a large share of a total holding of well over £1,000 millions of Government stocks is quite unthinkable. It would seem, therefore, that dealings in gilt-edged are much more a one-way market than is generally realised, since actual buying in a rise and selling in a slump is carried on by a relatively small minority of total holders.

A second important feature is the extent to which market conditions for the last five years have been artificial (as their critics would say) or officially regulated (in the phrase of their defenders). The basis of the entire British credit system has been broadened and the banks, with increased deposits and a decreased demand for discounts and advances, have largely increased their gilt-edged holdings. At the same time, the market has been protected by the ban on foreign issues and the strict regimentation of borrowing by home corporations. More recently, there have been successive offerings of Government funding loans at prices somewhat above current market levels. These have been largely subscribed by Government departments, presumably in the expectation that a further fall in interest levels would enable them to unload in due course. At no time has it been possible to say what the level of gilt-edged prices would have

been had the Government allowed all new borrowers to take their fill of cheap money.

The market, indeed, has—rightly or wrongly—come to regard the authorities in the light of a self-appointed director, controller and oracle; "the unseen guest at every meal, the silent listener to every conversation." Indeed, the degree to which the market has come to look to the Treasury for guidance makes it particularly important that some indication of the official view should be given at this moment. Of course, if there is a real shortage of savings for the needs of the gilt-edged market, manipulation by the Treasury will not avail to reverse the upward trend of interest rates. But is it not far too premature to assume that this is so? The sum of £80,000,000 per annum is by no means large compared with the volume of the national savings. And British investment may well vary by this amount between one year and another. It may be that the recent fall in prices has been due not to any calculation of the exact effects of a Defence Loan but to a purely psychological feeling that the tide has turned, and that, for the moment, there is no criterion by which to judge how far the fall may go. If so, it lies well within the powers of the Treasury to check it. And every consideration of policy dictates that those powers should be used. Indeed, recovery from Monday's gilt-edged levels is already evident, but investors who wish to insure against the possibility of a resumed fall and are temperamentally or legally debarred from investment in speculative industrial or commodity shares, have a limited range for protective "switching." The following table contains a select list of stocks with unimpeachable security, which are repayable, at par, at varying dates during the next three decades:—

REDEEMABLE LONG-TERM STOCKS

	No. of yrs. to latest red.	Prices			Yield to latest red.
		Highest since 1932	Begin. of 1937 Jan. 4	Feb. 24 1937	
<i>Government Stocks</i>					
2½% Conversion 1944-9.....	12	103½	101½	96½x	2 16 9
3% Conversion, 1948-53.....	16	107½	103½	99½	3 2 0
2½% Funding, 1952-57.....	20	98½	98½	93½	3 6 0
2½% Funding, 1956-61.....	24	95½	92½	87½	3 4 9
3% Funding, 1959-69.....	32	106	101½	96½	
<i>Government Guaranteed Stocks</i>					
Railway Finance Corp., 2½% 1951-52.....	15	98½	95½	92½	3 2 9
London Elec. Transport 2½% Gtd. Deb. Stk., 1950-55.....	18	92½	92½	90½	3 4 3
<i>Not Government Guaranteed</i>					
*Railway C. House, Rly. Freights Rebates Loan, 2½%, 1937-52.....	15	97½	22½†	96½	2 16 3

* Not a trustee stock. † £20 paid.

Investment in these stocks involves an inescapable loss of income. But beneficial holders are at least assured of the eventual return of their capital, whatever the intervening vicissitudes of general interest rates.



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Investment Notes

Mr Keynes on Interest Rates.—Mr Keynes's annual tonic talk on interest prospects, at the meeting of the National Mutual Life Assurance Society, came opportunely this week for holders of gilt-edged securities who (as we suggest in a leading article on page 476) have been sorely distressed by a fall in market quotations which, within six weeks, has raised the yield on long-term Government securities from under 3 per cent. to nearly $3\frac{1}{2}$ per cent. Mr Keynes has no doubt that the sums which the Chancellor of the Exchequer proposes to borrow for re-armament are well within the national capacity, particularly if they bring the unused resources of the Special Areas into employment. He agrees with the view we have recently expressed in our columns, that the Government must have a concerted policy for retarding other postponable capital expenditure, if congestion is to be avoided. But he takes exception to the suggestion that the Chancellor will be unable to obtain his money without producing conditions of inflation. Mr Keynes apparently believes that an appreciable share of the resources which annually accrue by way of public board and local authority sinking funds, repayments by building society mortgagors, growing savings bank deposits and increased company reserve allocations, can, and should, be made available for defence loan subscriptions. Nor does Mr Keynes believe that the Chancellor, in deciding on the terms at which he will borrow, should feel himself encompassed by a sense of financial sin, still less of predestination. The Treasury, guided by its past experience, should afford encouragement to the supporters of the gilt-edged market, in proportion to its own need and theirs.

The form which this support can best take seems to be, in Mr Keynes's view, the issue of relatively short- and medium-dated securities. For the British debt, Mr

Keynes suggests, is, on balance, unduly "long." Apart from Treasury Bills, some £5,000 millions out of a total of £6,000 millions have no fixed repayment date within the next twenty-five years, whereas in America practically all Government debt is repayable within that period, and there are notes or bonds falling due in almost every year. Undoubtedly, British trustees and gilt-edged holders generally would welcome a new borrowing technique which, in fact, assured them of the return of their capital intact, within the space of a single generation. Mr Keynes's contention, however, that this course would be equally profitable to the Treasury—since it is expensive for the Treasury to keep the long-dated market in relative over-supply—depends on the assumption that, over a long period, average interest rates will be lower, and not higher, than they are to-day. On this point, Mr Keynes appeals to the verdict of past history. Between 1837 and 1914, when our average capital wealth was lower, and we were simultaneously providing for an increasing population and investing abroad, there was not a single five-year period when the average yield on long-term gilt-edged securities was as high as $3\frac{1}{2}$ per cent. Possibly the gilt-edged market, which is admittedly taking a shorter view at present than Mr Keynes, is in fact taking too short a view. And perhaps the distinction between what is and what should be, which Mr Keynes quite properly made as the Chairman of a responsible insurance office when drawing up his society's accounts, explains the attitude of the gilt-edged market to-day, pending more definite assurance that the Treasury has taken Mr Keynes's advice to heart.

Recovery in Industrials.—The recession in high-grade equities which continued over last week-end, produced further heavy declines in quotations on Monday. These were falls, for example, of 3s. in Associated Portland Cement, 3s. 6d. in Distillers, and 2s. in Turner and Newall. Even the armament group was affected. It was obvious, however, that the market had allowed its nerves to better its judgment—particularly in accepting comparable falls in leading industrials, whether they were recovery counters or stable industrials. Buyers were, therefore, early abroad on Tuesday, looking for cheap stock, and prices were quickly adjusted. Some typical movements in the industrial market are set out below:—

	Range, 1936	Dec. 31, 1936	Highest 1937	Feb. 19, 1937	Feb. 22, 1937	Feb. 25, 1937	Change this Week
"Stable" Industrials							
Gas Light & Coke	28/6-25/10½	26/9	27/-	25/-	25/-	24/9	- 3d
Midland Bank...	98/9-91/-	94/6	94/6	87/6	86/9	85/-	- 2/6
United Dairies	67/-59/6	60/-	60/4½	57/6	55/-	56/3	- 1/3
"Tax Vulnerable" Equities							
Distillers	126/3-95/6	124/3	124/9	109/-	104/3	110/3	+1/3
Guinness	160/-140/6	142/-	143/-	130/-x	122/6x	129/6x	- 6d.
Imperial Tobacco	9½-7½	9½	9½	7½	7½	7½	+ *
Arms Equities							
Bristol Aero. ...	71/9-61/10½	64/6	64/6	62/6	61/6	60/-	- 2/6
Hadfields	31/4½-18/-	33/3	41/1½	41/6	42/-	41/-	- 6d
Vickers	39/6-20/-	34/4½	37/7½	38/3	37/10½	37/6	- 9d
Recovery Equities							
Assed. Portland Cement	110/9-65/-	108/9	110/3	105/-	100/7½	102/9	- 2/3
British Oxygen	135/-86/10½	120/-	138/9	126/3	121/3	123/9	- 2/6
Turner & Newall	112/7½-70/3	111/6	112/6	103/9	103/-	106/-	+ 2/3

This week's movements are clearly more selective than those of last week. It is evident that industrial movements in 1937 will be the resultant of a tug-of-war between rising interest rates, rising costs, and further recovery. Shares in which the latter factor now predominates against the depressing effects of falling gilt-edged and rising prices are now few. But the market's partial correction of the falls in such shares as Associated Portland Cement, Turner and Newall, Courtaulds, and British Oxygen, suggested its recognition of this fundamental necessity for discrimination.

"Hot Money" and Treasury Control.—No concrete proposals have yet emerged from the President's conference to find means of controlling the influx of foreign money into the United States. Three different reasons seem to be responsible. A number of influential persons hold the reasonable view that the problem is not so potentially dangerous as it is currently painted. In the second place, those who wish to control foreign investment in America are finding it difficult to invent effective means. And thirdly, it has been suggested that American action is being made unnecessary because the British Treasury has itself tightened up its control of British operations in American and Canadian securities. It is difficult to judge the force of this last argument. The control exercised by the Treasury is not bound by rigid limits. The Foreign Transactions Advisory Committee was intended, according to the Treasury's own explanation, to give advice on borderline cases. It has been suggested recently that the border has been shifted so as to exclude investment in American securities by investment trusts and insurance companies. There does not seem to be any substance in this rumour, and the memorandum sent early this week by the Committee to the Association of Investment Trusts and Insurance Companies is reported to be merely a re-statement of existing discriminations. These cover new issues and private placings on the initiative of foreign bodies, but do not disallow reasonable purchases of foreign securities by British buyers on their own initiative. Such action as the Treasury appears to have taken can hardly satisfy those Americans who wish to limit private foreign participation in American security markets.

Company Notes

Bristol Shares.—Bristol (whose historical development is described on page 453) lays claim to no specialised group of shares—such, for instance, as Birmingham's knowledge of motors and Manchester's expertise in cotton shares. In fact, the city's economic development has remained closely associated with the colonial trade which she pioneered. Tobacco and cocoa remain the focus of Bristol's economic interests, and no other large-scale industry is likely to supplant them. Yet neither industry has a purely Bristolian representation in the Stock Exchange List. The firm of *Wills* has merged its identity in the *Imperial Tobacco* organisation; the house of *J. S. Fry*, although known to the local investor until recently through a wide range of preference shares, has undergone a financial reorganisation. But, against this background, the general prosperity of Bristol as a large trading and consuming centre is

Company and Share Denomination	Earned for Ordinary		Ordinary Dividend		Ord. Share Price	Yield (%)
	Previous Year	Latest Year	Previous Year	Latest Year		
Bristol Aeroplane (10s.)	45.6	...	22½	...	s. d. 60 0	£ s. d. 3 15 0
Bristol Brewery Georges	24.1†	23.3†	18†	18†	100 0	† 3 12 0
Bristol Industries (5s.)	13.1	12.9	10	10	8 0	6 5 0
Bristol Tramways (£1)	8.3	9.3	6	8	50 0xd	3 4 0
Bristol United Breweries (£1)	24.2	25.4	15	15	77 6	3 17 6
Hollychrome Brick (5s.)	20.8	20.9	5½	15	6 9	11 2 0
Metal Agencies (5s.)	34.3	36.4	20	22½	23 1½	4 17 6

† Tax free. ‡ 1934 prospectus profit, £217,102; 1935 net profit, £302,627.

evident. Bristol's thirst is assuaged by *Bristol Brewery Georges*, by *Bristol United Breweries* and by *Bristol Industries*. The important "bulk breaking" trade of the port is reflected in the enviable profit record of *E. S. and A. Robinson*. In *Bristol Gas* and *Bristol Tramways* the city has two progressive public service undertakings. Recent constructional expansion is suggested by the record of such building suppliers' concerns as *Hollychrome Brick*, *Metal Agencies* and *Bath and Portland Stone*. And, finally, Bristol's strategic position is called

to mind by *Bristol Aeroplane* and *Parnall Aircraft*—the lineal descendants of the West Country engineering tradition. Dependence upon the relatively stable consumption trades of the area suggests that Bristol's typical equities have considerably less elasticity of profits than, say, a collection of Glasgow shares. Their attractions may thus be diminished during recovery, but they carry considerable resistance to depression.

L.N.E.R. Report.—The full report of the London and North-Eastern Railway confirms the impression given by last Friday's preliminary statement, announcing that a $\frac{1}{2}$ per cent. dividend is to be paid on the second preference shares—the first since 1931. After allowing for a credit of £755,000 in respect of reduced rates, the railway net receipts actually fell by £15,765. A total increase of £1,737,836 in railway receipts, therefore, was more than absorbed by an increase of £1,753,601 in operating expenses, exclusive of the rating saving. With the inclusion of the rating credit, net revenue is £770,022 higher, and the payment of the full first and redeemable preference dividends leaves an amount of £306,952 available for the $\frac{1}{2}$ per cent. second preference dividend, which has thus been short-earned to the extent of 0.037 per cent. The following table analyses the results of the past three years:—

	1934	1935	1936
Receipts:—			
Railway	44,913,974	45,145,649	46,883,485
Total	51,376,257	51,818,934	53,943,907
Expenses:—			
Railway	36,932,444	37,156,391	38,154,992
Total	43,521,169	43,945,267	45,146,124
Net receipts:—			
Railway	7,981,530	7,989,258	8,728,493
Total	7,855,088	7,873,667	8,797,783
Net revenue	8,348,147	8,371,373	9,141,395
Debt interest	4,253,298	4,263,350	4,274,263
1st and 2nd guaranteed div.	2,428,137	2,430,552	2,430,553
1st 4 per cent. pref. div.	1,567,237	1,567,237	1,928,907
	(3¼%)	(3¼%)	(Full)
5 per cent. red. pref. div.	163,085	163,085	200,720
	(4½%)	(4½%)	(Full)
2nd pref. div.	Nil	Nil	330,711
			(½%)
Carried forward	43,034†	40,183†	66,425†

† After transferring £50,000 from general reserve each year.

Passenger receipts increased by 3.1 per cent. and goods traffic by 4.4 per cent., and for the first time since 1930 ancillaries have broken even. This, however, is but small compensation for the complete absorption of increased revenue in "normal" operating expenditure. The explanation is chiefly to be sought under maintenance of rolling stock, which owing to the absence of a "provision" system for renewals has increased by £728,096 (9½ per cent.), while maintenance of the permanent way has cost £260,000 more and locomotive expenses £303,000 more. The company, in fact, is faced with a considerable rolling-stock programme, but, unlike the L.M.S., it is compelled to build at a time of sharply rising costs. Under these conditions—and apart altogether from rising coal costs (which required £78,500 last year) and the full effect of last August's wage restoration—it is impossible to estimate what proportion of increased gross traffic may be retained net with any claim to accuracy. And since the L.N.E.R., alone among the group lines, shows a loss, of £24,000,



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for the first seven weeks of this year, 1937 has hardly opened auspiciously. The second preference stock at 23 is discounting fruits which are hardly within the company's grasp.

* * *

First Railway Meetings.—Coincident with the issue of the L.N.E.R. report, Sir Robert Horne, Sir Josiah Stamp and Mr Holland-Martin have addressed their stockholders in general meeting. These speeches stressed one factor common to all railways—the certainty that increased costs will accompany a further recovery in traffics. There is, as Sir Robert Horne emphasised at the Great Western meeting on Wednesday, a full year's wage restorations to be financed in 1937, compared with only 4½ months in 1936, apart from wage increases for other grades based on cost of living. Coal costs are now 1s. per ton higher (for the G.W.R. accounts last year were specially assisted by forward contracts at the old price), while the general rise in cost of stores may be illustrated by a 40 per cent. increase in the price of sleepers. Sir Robert did not disclose the estimated cost of these items in 1937, but it is clear that the company will have some difficulty in repeating the relatively favourable running experience of the line last year. Expectation of increased traffics is based on the Coronation (on which, in part, the chairman of the Southern Railway based a confident hope of progress in 1937) and upon some degree of recovery in South Wales, where Sir Robert strongly advocates Government assistance to the coal industry. The chairman, however, would not commit himself to a "confident forecast"; he was merely "hopeful" that net earnings would not fall below those of 1936. Altogether, there is little in Sir Robert Horne's speech which justifies the assumption that Great Western ordinary stock, at 58, carries any considerable recovery equity in the immediate future. For the time being it is a 3 per cent. maximum equity, and on this basis it is not unreasonably valued. Southern stockholders, however, may well have been impressed by the programme of electrification drawn up for the next three years, which should afford a progressive long-term equity.

* * *

L.M.S. Outlook.—Sir Josiah Stamp's speech was of more eclectic character. Stockholders were taken behind the scenes to review such matters as staff education, and the latest developments in rolling stock and permanent way construction. Sir Josiah had no difficulty in proving that the application of scientific methods in each of these branches can make a significant contribution to net revenue. The same treatment of operating problems has enabled the L.M.S. to achieve, between 1929 and 1936, a 25 per cent. increase in engine miles per day for each locomotive in use. Stockholders, again, must welcome the news that on rolling stock the company is ahead of its normal requirements, and will have appreciably fewer renewals to meet for some years after 1937. A "respectable proportion" of renewable railway assets has been wholly renewed in late years. That the L.M.S. is ahead of its renewals programme—having re-equipped during a period of low prices—does not, however, relieve it from increased current operating costs. Sir Josiah put the total wage cost arising from the 1½ per cent. restoration of last August at £553,000 per annum, and some 7½ months extra will be paid in 1937 compared with 1936. On purchases of materials, the company is faced with an additional expenditure of £750,000 to cover price advances alone. There is, finally, the prospect of further wage negotiations shortly. It is

becoming increasingly difficult, indeed, for the line to recover the 1929 level on the same volume of traffic. That is a function, not merely of increased costs, but also of the persistent erosion of the upper ranges of railway rates through road competition. The recent proceedings before the Appeal Tribunal established under the Road Transport Act of 1933, were inaugurated by the railway companies to test the actual force of the legislation, but they regard the decisions obtained as reducing the application of the statute to a minimum of practical importance. But the chairman at least sees the prospect of a further rise in gross receipts and, indeed, an increase of £125,000 for the first seven weeks of this year is reasonably good augury for a year which must inevitably bring increasing cost conditions.

* * *

Gaumont-British Preference Payment.—Since the issue of the Gaumont-British consolidated balance sheet last December, preference shareholders have been doubtful if the half-year's dividend, due at the end of March, would be paid. The announcement that the payment would be made, issued at the end of last week, has been followed, however, by further disturbing disclosures regarding the group's position. According to a statement made by Mr John Maxwell to the *Financial News*, payment was voted by a five-to-four majority of the directors, and the dissenting directors included Messrs Maxwell, Boardman, Balfour and Kent (the last two being represented by alternates). The dividend, apparently, will be short-earned by the consolidated earnings of the group, for the Corporation is taking into account the profits of certain subsidiaries and leaving the losses of other subsidiaries out of its reckoning. This procedure is perfectly legal (as the law at present stands). But as the losses of the less fortunate subsidiaries amounted to £623,000 up to the end of December last, the decision invites special consideration of the present financial position of the Corporation.

* * *

A loss of this order, indeed, would absorb the special reserve of £200,000 which was set up in last year's accounts, and the greater part of the existing £500,000 reserve fund. The situation emphasises one of the most serious *lacunae* in the Companies Act of 1929. Until fully consolidated revenue accounts are required by law, it will always be open to boards of directors to pay out dividends in these circumstances. But Gaumont-British is not merely a holding company; it is also a layer in a pyramid, controlled by Metropolis and Bradford Trust. So long as preference dividends are paid, the controllers of the Trust have full sway. But after any cessation of dividends, holders of 3,250,000 preference shares obtain votes; and if a strong minority of the 5,100,000 ordinary shares voted with them they might obtain an absolute majority. Apart, however, from questions of strategy, this week's announcement that large-scale film production is to be discontinued suggests that the Corporation is not at present prepared to commit any more of the shareholders' money in one of the most speculative forms of enterprise of modern times. Gaumont-British shares still do not appear to be under-valued.

* * *

Midland Counties Electric.—Increased dividends from electric supply companies are rare in these days—successive increases are indeed remarkable. Midland Counties, however, has further increased its distribution to 8 per cent., and excellent earnings figures accompany it. The results, set out overleaf, also show the significance of our attempts to show electricity supply results on a comparable basis of depreciation. It is impossible completely to apply our standard basis in this case, for the company owns certain traction properties in addition to its supply undertakings. But our standard depreciation

basis would probably give earnings some £50,000 and perhaps even £75,000 greater than those shown, the equivalent of, say, 12 per cent. on the ordinary capital. The results are analysed in the following table:—

	1934	1935	1936
Trading profit of subsidiary co's...	550,228	628,101	664,703
Depreciation	211,544	281,647	306,955
Revenue paid to parent company...	338,544	347,641	353,660
Net earnings of parent company...	323,899	332,600	337,480
Debt and other interest	31,000	31,000	34,197
Preference dividends	93,000	93,000	91,500
Ordinary shares:—			
<i>Earned</i>	199,899	208,600	211,783
<i>Paid</i>	162,750	174,375	183,000
<i>Earned %</i>	8.6	9.0	9.2
<i>Paid %</i>	7	7½	8
Investment reserve	10,455	...	...
Reserve account	27,000	32,665	25,000
Added to carry-forward	—305	1,560	3,783

It is somewhat paradoxical that this company's shares should be on a somewhat higher yield basis than those of some supply concerns with more stable dividends and less generous depreciation policies. The £1 ordinary shares yield £4 2s. 3d. per cent. at 40s.

* * *

Northampton Electric Report.—This undertaking has again shown steady progress. A 14½ per cent. increase in sales is slightly below the average for the whole country, and is somewhat lower than the company's active development of the less densely populated area round Northampton might have suggested. A new 30,000 kw. generating set came into operation during the course of the year, and, though the actual date is not stated, an increase of some 10½ per cent. in coal costs compared with an increase of 17 per cent. in total sales suggests that the new set showed appreciable economy during a year of rising coal prices. For 1937 there should be a further improvement. The following table analyses the results of the past three years:—

	1934	1935	1936
Units sold (excluding sales to C.E.B.) (millions)	58.8	65.9	75.6
<i>Increase (excluding sales to C.E.B.) (%)</i>	11	12	14½
Revenue (excluding sales to C.E.B.)	262,584	283,050	320,645
Net profit	161,223	182,890	205,145
Depreciation	55,161	58,068	70,727
Debt and interest, etc.	20,276	18,319	19,831
Preference dividends	2,625	2,625	2,625
Ordinary shares:—			
<i>Earned</i>	83,161	103,878	111,962
<i>Paid</i>	72,500	72,500	87,000
<i>Earned (%)</i>	11.9	14.6	13.7
<i>Paid (%)</i>	10	10	10
Extra depreciation	...	10,000	10,500
General reserve	10,000	10,000	15,000
Carried forward	12,352	15,031	18,445

The provision made for depreciation (excluding "extra depreciation") accords closely with our standard basis. The excess of earnings over the 10 per cent. dividend suggests that a reduction in prices might be due shortly, which would doubtless accelerate the increase in sales. The £1 shares are quoted at 48s. 3d. xd., to yield £4 3s. 1d. per cent.

* * *

London Electric Supply Corporation.—This undertaking and City of London Electric alone remain independent among the companies operating under the London Electricity Acts of 1925, which are now largely absorbed into the County of London, Metropolitan, and London Associated groups. The position of the L.E.S. Corporation is, therefore, of particular interest; but it is impossible clearly to assess its position, since the greater part of its revenue is derived from the supply of power

for traction to the Southern Railway. It is clear, however, that the company's position is one of great strength. For 1936, in addition to an extra 1 per cent. dividend beyond the standard rate of 7 per cent., a sum approximately equivalent to a further 1 per cent. was available for dividend under the sliding scale. This, however, was carried to the appropriate special reserve account, which now totals £107,000, a sum equivalent to 12½ per cent. on the ordinary capital. The £1 ordinary shares stand at 38s. and yield £4 4s. per cent.

* * *

U.S. Debenture Corporation.—This company has always supplied its stockholders with more information than most investment trusts consider necessary. The accounts for the year to January 31st contain a set of tables giving analyses, for each year since 1929, of the geographical classification and the distribution of investments, market and book values, and the distribution of gross income under six heads. The comparison between market and book values of the portfolio shows the actual amount of any appreciation, while the income distribution table gives particulars of the average yield for each year. Stockholders, moreover, have reason to be satisfied not merely with the form of the accounts, but also with the improved position which they disclose. Gross revenue of £256,706 compares with £240,598, and the increased dividend of 9 per cent. is covered by earnings of 12.2 per cent. The amount retained by the company, £26,047, is the highest during the nine years covered by the comparative tables. The average yield of 5.4 per cent. compares with 5 per cent. for each of the two previous years, and while the chairman's speech (circulated with the report) contains an explicit warning against placing undue importance upon break-up values, an appreciation in the portfolio of 26 per cent. (against 8 per cent.) is distinctly satisfactory. Comparable appreciation is shown in the report of *Mercantile Investment*.

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whose ordinary dividend is increased from 10½ per cent. to 11 per cent. *British Assets*, which is high-g geared, even for an investment trust, pays 7½ per cent., against 3 per cent., net revenue having risen from £112,197 to £129,284. The *Merchants' Trust* dividend is unchanged at 8 per cent., but is now fully earned.

* * *

Oil Share Situation.—One of the first groups to recover from this week's "shake-out" was the market in oil shares. Two halfpenny advances having been made in the price of petrol, it is confidently expected that a further advance will be made before long. The rates for clean oil tankers from the Gulf to this country have risen from 13s. 6d. per ton in September last year to 20s. per ton in January and to 25s. per ton last week, the last 2s. 6d. having been added since the last halfpenny advance in petrol. Part of this remarkable rise in Gulf tanker freight rates was due to the oil strike in Venezuela last month, which diverted demand to the Gulf ports. But apart from the rise in tanker freights, the Gulf export markets in gasoline remain extremely firm, in spite of the seasonal overproduction of gasoline. Although gasoline stocks at the refineries have risen considerably, in terms of current demand they are at about the same level as a year ago, namely, 53 days' requirements. As the domestic demand for gasoline in December was 16.8 per cent. above that of December, 1935, it is reasonable to anticipate at least a 10 per cent. increase in America's consumption this summer, so that existing stocks of gasoline do not represent a real danger. Certainly it is significant that, in spite of the gasoline oversupply and the increase in crude oil production, there has been no sign of "distress" gasoline being offered in the market, as is usual at this time of the year.

* * *

The investor's attention has naturally been drawn to the oil companies which benefit directly from the increase in British petrol prices, namely Anglo-Iranian Oil and Trinidad Leaseholds. It is estimated that a penny increase in petrol in the year is equivalent to £1,000,000, or 7½ per cent., on the Anglo-Iranian ordinary capital. In 1935 Anglo-Iranian declared a disappointing dividend of 15 per cent., which was attributed in the market to political considerations. Now that Abyssinia is a *fait accompli* it is felt that the shareholders will receive some compensation this year in the shape of a capital bonus as well as an increased dividend. In our leading article of January 16th we estimated that a dividend of 20 per cent. was possible, but even this figure is below market estimates. Anglo-Iranian shares have risen sharply from 5½ to 6½ in the past six weeks. Trinidad Leaseholds, as producer and distributor, benefits in the same way as Anglo-Iranian, but with a much smaller capitalisation the effect on earnings is even more marked. The company's sales of Regent petrol are steadily expanding, and market estimates of 50 per cent. earnings for the year ending June do not appear fantastic. "Shell" Transport shares have been active up to 7½ in anticipation of their being marked ex the bonus of one in five next week, and Burmah Oil, as a large holder of Anglo-Iranian and "Shell" Transport, have risen in sympathy. On the whole, the strength of the oil shares is one of the most reassuring features of the stock markets.

* * *

A Mexican Scare.—Comment has been aroused by the extraordinary fluctuations which occurred in Mexican Eagle shares this week. On Monday a statement was published in the Press to the effect that an official law had been drafted, tending towards the gradual elimination of foreign oil companies in Mexico. In the absence of any denial by the company, a sensational fall occurred in the shares—from 29s. to 23s. At the lower level buyers came in and the shares recovered sharply, the present quotation being 27s. 7½d. On Wednesday an official statement was made by President Cardenas of Mexico that the new petroleum legislation would not affect the legitimately acquired interests of

foreign companies. The company then announced that its management was assured that the legislation was not directed against Mexican Eagle. Apparently the new oil law will liquidate the Government-owned petroleum company and will create a Government Oil Department to handle all the Government's oil business, including the collection of rentals and royalties. The Government Oil Department will be granted the lease of all new oil fields which hitherto might have been granted to foreigners. This may have the effect of cancelling the leases recently granted by the Government Oil Company to independent interests, but it will not disturb the leases of Mexican Eagle or other established foreign oil companies. The Mexican Government officials have explained that the new Oil Department is not designed to create an oil monopoly or to drive out foreign interests. Indeed, they are anxious to encourage a more intensive development of the national oil reserves. It is regrettable that ill-founded reports, of which Mexican Eagle appears to attract more than its fair share, should cause shareholders to sell their shares at heavy losses and provide speculators with handsome profits.

* * *

Metal Prices and Base Metal Shares.—In this week's boom and slump in the metal markets, copper has led the way. Copper shares have followed with some wild fluctuations, though movements in general have been less violent than in the metal itself. This has been speculators' week *par excellence* and "quick turn" operators have been most in evidence. In the end, quotations were slightly higher, without suggesting that the market views with any great confidence the current level of copper prices. In view of company earnings prospects for the current year, however, share quotations should be little disturbed. Unfortunately, since the removal of output restriction, it has become impossible to make close estimates of probable profits. On the reasonable assumption that outputs for the year ending next June will average about 100 per cent. of the quota under the former scheme, and that prices will average about £45 a ton, net earnings should approximate to 100 per cent. for Roan Antelope, 80 per cent. for Rhokana, 20 per cent. for "Rho Anglo" and about 22 per cent. for Rhodesian Selection Trust. At present share prices, prospective earnings yields range from over 6 per cent. for Roan to about 4 per cent. for R.S.T.—by no means excessive figures. With prices over £60 a ton and output probably approaching the equivalent of 120 per cent. of the standard quotas, however, the current rate of earnings amounts to more than double these 1936-37 estimates. In general, the shares may not prove excessively priced, though the further profit calculations are projected into the future, the more problematical is the maintenance of current metal price levels, or even current production costs.

* * *

Other base metals, including tin, lead and spelter, have closely followed the upward trend of copper, but have shown more resistance to speculative liquidation. Tin shares, comparatively quiet for some months with tin prices virtually stabilised around £230 a ton, have responded appreciatively to the £20 jump this week. Unless the Tin Committee is prepared to see another major spurt in prices, it appears unlikely that production quotas will be reduced for the second quarter of the year, as at one time appeared possible. Company outputs, therefore, will continue to be based on a 100 per cent. quota—equivalent to over 70 per cent. of standard assessments for the Malayan producers. Assuming that tin maintains an average price of £230, tin shares would appear to be rather more reasonably priced than, say, copper shares. Yields of over 10 per cent. on the current year's prospective earnings are not infrequent, and the risk of a big fall in tin is perhaps less formidable than for other base metals. Companies with the highest equity in price gains and a reasonably low cost of production, such as Petaling, Malayan Tin Dredging and Southern Malayan, would seem to be among the most attractive, despite the recent advance in share prices.

Lead-Zinc Shares.—This group has carried somewhat further the almost uninterrupted rise in prices which has taken place since last November. For these companies increased profits this year will result almost exclusively from better metal prices, as outputs show no appreciable gains. But for the year ending next June, average prices are likely to exceed those of the previous twelve months by about £8 a ton for lead and £5 a ton for spelter. In percentage profit terms, the significance of these advances varies considerably for the different companies. But in nearly all cases they involve almost a doubling of the profits earned for 1935-36. To-day, profits are running at a much higher level, but despite the possibility of a reaction in metal prices, the shares do not appear to discount future prospects unduly.

* * *

Company Results of the Week.—About 60 further reports are analysed on page 502. The results, which include those of nine investment trusts, and of a number of miscellaneous industrials—among them Borax Consolidated—are discussed on page 503 under the heading "Shorter Company Comments."

* * *

Company Meetings of the Week.—On later pages of this issue will be found the reports of the following company meetings:—Great Western Railway, Southern Railway, Pearl Assurance, Scottish Provident Institution, National Mutual Life Assurance Society, Sun Life Assurance Society, Manchester Ship Canal, Bovril, Illustrated Newspapers, Mid Southern Utility, English Electric, Peter Walker (Warrington) and Robert Cain and Sons, General Investors and Trustees, and San Francisco Mines of Mexico. Reviews of the railway outlook by Sir Robert Home and Mr Holland-Martin at the Great Western and Southern meetings are discussed on page 480. At the Sun Life Assurance Society's meeting,

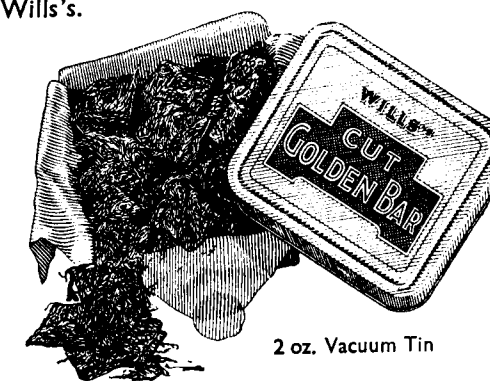
Sir William Goschen drew attention to the increase in four years of 35 per cent. in the sums assured and bonuses. Sir George Tilley informed Pearl Assurance shareholders that the expenses in the industrial branch had for the first time fallen below 30 per cent. of the premium income. The chairman reported to the members of the Scottish Provident Institution that the market value of their Stock Exchange securities so far exceeded book values that any further addition to investment reserve fund was unnecessary. Mr J. M. Keynes' views on interest rates disclosed to the National Mutual Life Assurance Society meeting are discussed on page 478. Sir Frederick West, at the Manchester Ship Canal meeting fully explained the reasons for maintaining the dividend; a known increase in expenditure must be met, and a policy of full provision against contingencies was desirable. Lord Luke described to Bovril shareholders the work done by the company as pastoralists in the Northern Territory of Australia. The chairman of Illustrated Newspapers outlined the plans for issuing Coronation publications. Addressing Mid-Southern Utility members, Mr B. W. Edwards reported a 3.4 per cent. increase in gas consumed, despite the smaller consumption of modern apparatus. The chairman of the English Electric Company informed the shareholders that assuming the payment of only 12 months' preference dividend, the balance of profit would have been £161,476, or 11.2 per cent., on the ordinary capital. At the beginning of 1937 the company had the largest order-book in its history. At the San Francisco Mines of Mexico meeting the Earl of Denbigh pointed out that, so far, rising metal prices had enabled them to meet the increased cost of wages. Lord Brocket, at the Peter Walker (Warrington) and Robt. Cain meeting, discussed the effects of the revival of trade in Lancashire upon the company. At the General Investors and Trustees meeting, Mr S. T. Moody remarked that, in the 30 years of the company's life, 264 per cent. had been paid to the ordinary stockholders.

GOLDEN MOMENTS

Hockey

A fast run, two backs cleverly beaten, and he drives the ball home for a brilliant goal—victory for his side and a Golden Moment for him.

But even he can't buy a better tobacco at a shilling an ounce than "Cut Golden Bar." But it must be Wills's.



WILLS'S CUT GOLDEN BAR

READY RUBBED
in 2 oz. Pocket Vacuum Tins
and 1 oz. Airtight Tins
FLAKE FORM
in 2 oz. Vacuum Tins
and 1 oz. Packets

1/- AN OUNCE

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THE WEEK IN THE MARKETS

THE STOCK EXCHANGE

SETTLING DAYS

TICKET: MARCH 2 ACCOUNT: MARCH 4

AFTER a day which rivalled the "Black Mondays" of tradition, the market struck out with fresh heart. Tuesday's gains were still of a tentative order, but on Wednesday and Thursday buyers had found new courage and the whole market went forward on a broad scale. Heavy buying of base metals continued throughout the week, although a partial reaction in copper shares was reported on Tuesday. Gilt-edged, after losing up to a point on Monday, recovered sharply on Tuesday after a poor start, and showed a more confident half point rise on Wednesday, and a jump of up to a point on Thursday. We examine the prospect for gilt-edged in a leading article on page 476. The better tone in gilt-edged was accompanied by a recovery in Dominion stocks which had fallen to attractive yield levels.

In the foreign bond market, Chilean bonds advanced on the recovery in copper, but Brazilian issues remained dull. Chinese issues were weaker, and Japanese loans were subjected to moderate selling. German bonds lost their recent firmness, "Dawes" loan falling to 61½ in mid-week on reports of a new internal loan.

Home rails weakened owing to lack of support, and later to a little selling pressure. The decline persisted in the prior stocks, but buyers were attracted to the ordinaries at the lower levels, and in mid-week responded to good traffics, particularly L.M.S. The L.N.E.R. preference dividend announcement had been well received at the end of the previous week; the full accounts are discussed in a note on page 479. London Transport "C" was weak on fears of a possible increase in petrol costs. The trend in South American rails was similar. Argentine prior charges, following the lead of the rest of the markets, continued to fall back. Ordinary stocks, led by B.A.G.S., also receded, but on Wednesday improved on the traffics.

The industrial market opened with an especially heavy break after the week-end. The fall in high-grade equities, bank shares, and the like has taken place as expected. But breweries, tobaccos, and motors fell, too, in fear of increased taxation. Electricals followed down and even armament, steel and aircraft shares have shown a curious weakness.

Substantial rises occurred in almost all insurance shares, in cement (with a jump in Associated Cement) in steel, especially Pressed Steel, in Turner and Newall, in Courtaulds, and in shipping shares. The extent of this week's improvement is shown on page 478. Outside buying, from the small investor and the provinces, however, brought welcome support from Tuesday onwards, and the more surprising falls were cancelled out. The market as a whole appeared to have lost much of its recent uncertainty by mid-week. As a result, the bargain-hunters discovered that prices which were not firm to sellers a week ago were surprisingly firm to would-be buyers. Electrical equipment issues shared in the advance, and motors—including Leyland, Austin and Morris—were quick to recover from the recent fall.

Outstanding in the oil shares market was the collapse in Eagle issues at the beginning of the week, on the reported intention of the Mexican Government to nationalise the oil industry, to which we refer on page 482. Subsequent reassurances by the Government that the legitimate interests of foreign investors would not be prejudiced led to a recovery movement, and in mid-week oil shares were fairly strong. The market was encouraged by talk of a further increase in price of petrol in England and by the rise in Pennsylvania crude. Phoenix were

higher on the decision to resume dividends. In the rubber market prices were firm, but the volume of business was small; the recovery in the commodity price was encouraging, but did not have any marked effect. Tea shares opened the week with a further rise in prices, but reacted in mid-week.

The Kafir market was overshadowed by spectacular developments in base metal issues (discussed on page 482) and were generally lower at the end of last week and the opening of this, although conditions improved later, and in mid-week prices improved considerably. Good support came from the Cape, and finance shares were prominent. West African issues were subdued. Rhodesian copper issues were the centre of the firework display produced by the rise in commodity prices, although conditions became more restrained toward the end of the account. The week-end rise in the price of tin was naturally reflected in an initial sharp improvement in tin shares.

"FINANCIAL NEWS" MARKET INDICATORS

	Feb. 18	Feb. 19	Feb. 22	Feb. 23	Feb. 24	Feb. 25
Approximate total of bar-gains recorded in S.E. List <i>Corres. day 1936</i>	11,410	11,775	14,910	12,835	11,780	11,715
	12,071	11,904	12,639	9,256	11,021	10,473
SECURITY MOVEMENTS						
Index of 30 Ordinary Shares (July 1, 1935=100).....	120.3	120.0	118.4	118.1	119.0	119.9
Index of 20 Fixed Interest Securities (1928=100).....	128.2	127.6	126.8	126.5	126.7	127.2

Highest 1936: Ordinary Shares 124.9 (Nov. 18); Fixed Interest 138.8 (Feb. 10).
Lowest 1936: Ordinary Shares 107.4 (Jan. 2); Fixed Interest 136.2 (Sept. 23).
Highest 1937: Ordinary Shares 124.8 (Jan. 4); Fixed Interest 136.6 (Jan. 4).
Lowest 1937: Ordinary Shares 118.1 (Feb. 23); Fixed Interest 126.5 (Feb. 23).

ACTUARIES' INVESTMENT INDEX

The Actuaries Index of 178 industrial ordinary shares stood on Tuesday last at 87.1, against 90.5 a month ago, and 84.6 a year ago. The corresponding yields are 3.95, 3.71 and 3.51 per cent. We give below the usual monthly table of fixed interest securities, with the addition of the two new indices introduced last month, and also a selection of the component series of the ordinary shares index:—

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)			Yield (%)		
	Year ago (Feb. 25, 1936)	Month ago (Jan. 26, 1937)	This Week (Feb. 23, 1937)	Year ago (Feb. 25, 1936)	Month ago (Jan. 26, 1937)	This Week (Feb. 23, 1937)
Fixed Interest:						
2½% Consols.....	151.4	147.3	133.4	2.94	3.03	3.34
4% Victory Bonds.....	119.8	119.8	115.2	...	...	...
3½% Conversion and 4% Consol. Loans.....	...	131.1	125.7	...	...	...
Misc. Indust. Debs. (20).....	125.5	124.8	122.4	3.93	3.98	4.05
Misc. Indust. Preference (47).....	121.3	120.4	115.6	4.24	4.31	4.50
Ordinary:						
Insurance Companies (24).....	133.9	132.0	121.8	3.16	3.24	3.51
Coal (7).....	104.0	116.4	127.5	4.03	3.21	3.14
Electric Light and Power (16).....	138.4	131.9	126.5	3.60	3.89	4.05
Electric Supplies (10).....	133.9	159.5	151.8	3.44	3.80	3.98
Breweries & Distilleries (21).....	144.9	149.7	138.2	3.93	4.22	4.62
Home Rails (4).....	64.4	84.3	75.1	1.64	1.26	2.99
Stores and Catering (17).....	85.9	86.6	83.0	3.51	3.54	3.70

NEW YORK STOCK EXCHANGE

LAST week ended on Wall Street with steel and copper issues strong and other issues generally irregular. Markets were closed on Monday of this week, and when business was renewed on Tuesday there was an outburst of profit-taking which put most shares lower, particularly in the steel and mining groups. The reasons offered for this reaction were the technical position of the market, the prospect of growing labour troubles, the renewed fears of trouble in Europe, and the rumoured action of the British Treasury to limit English participation in American markets. In mid-week there was a modest improvement, and copper issues were particularly firm. The bond market was weak, with Treasury issues lower through lack of support, pending disclosure of the Treasury's intended borrowing during March. The S.E.C. has implemented its recent report, and members of exchange firms and partners in exchange firms trading on their own account must find full margins.

ADVICE ON AMERICAN STOCKS

Recognizing the demand of both private investors and financial institutions in Europe for first-hand advice regarding American securities and the cyclical trend of the American Stock Market, Major L. L. B. Angus of 301 Park Avenue, New York City, who is now established as Investment Counsel in America, is prepared to accept enquiries regarding this service.

Accounts managed; portfolios supervised

PUBLICATIONS: Coming Rise in Wall Street (Apr. 1935). Coming American Boom (Aug. 1934). The American Boom Begins (May 1935). Investment for Appreciation, etc

CAPITAL ISSUES

MARKET fluctuations have not been allowed to stem this week's flow of new issues. The principal operation of the week is the *Rhodesia Railways* conversion on which we commented in detail last week. Six offers for sale and one direct issue have appeared this week. The largest concern is *Smith and Nephew Associated Companies*, whose 4s. shares are offered at 112½ per cent. premium. This is a surgical dressings concern whose profits show a rapid advance during 1936. Of the total issued capital of 2,500,000 4s. shares, the vendors of the constituent businesses retain 1,500,000 shares. The prospectus, very fairly, sets out the computed value of the "effective goodwill," based on the terms of the offer at £692,247—an innovation which might be adopted in other offers for sale. Although last year's increase in profits cannot be repeated indefinitely, and the goodwill element in the terms of the offer is considerable, the shares compare favourably with some recent issues on which comparable premiums have been demanded. Next in size is *Calthrops, Ltd.*, whose 5 per cent. preference shares are issued at par, while the 10s. ordinary shares are priced at 35 per cent. premium. This is a cattle food concern. The prospectus sets out the earnings cover on the basis of the average profits for the past 5½ years, but it was not until 1934 that high profits were made. The valuation of the shares on the latest six months' profits should be examined in the light of this fluctuating record, and due consideration should be given to the possible effects of higher prices on the company's business. *Bradlow's Stores* is a South African furniture retailing concern whose 6 per cent. £1 preference and 4s. ordinary shares are issued at par. Of the net assets of £180,160, some £123,549 net is outstanding on hire-purchase contracts, guaranteed by the chairman. *Peerless Kitchen Cabinets* 6 per cent. cumulative participating 10s. preference shares are offered at 6d. premium, and the 2s. ordinary shares at 200 per cent. premium. To some extent this company must depend upon the level of dwelling-house building activity, but it has made rapid progress since its selling organisation commenced in 1933, for profits have increased from £2,229 in 1934 to £31,082 in 1936. Since, however, the £130,000 capital is divided into £80,000 6 per cent. participating (maximum 7½ per cent.) preference capital, the ordinary capital is subject to decidedly high gearing. The offer of *Brilliant Signs* shares is of 6 per cent. 10s. preference shares at par and 4s. ordinary shares at 75 per cent. premium. In this case the total £120,000 capital is equally divided between preference and ordinary, although a straight ordinary capitalisation would have seemed reasonable. *Cowenry Machine Tool* 4s. shares are offered at 37½ per cent. premium. These terms are stated to show a 9 per cent. earnings yield, but the earnings employed are, in fact, calculated on broken periods for the two concerns acquired, of nine months and four months. The smallest issue of the week is of *Wm. Neill & Son (St. Helens)* 2s. shares at 50 per cent. premium. This industrial, chemical and structural engineering concern has a capital of £60,000. Its profits jumped from £3,869 in 1935 to £15,131 in 1936, and £27,747 of its net assets of £64,498 consists of stock. An earnings yield of 14 per cent. for an issue of this security and size is not tempting. Statements "for information only" have been published by *North-West Midlands Joint Electricity Authority*, *Puket Tin Dredging*, *Masson Scott & Co.*, *Geo. W. King*, and *William Duxford and Sons*. In this place in last week's *Economist*, the earnings yield on the recently issued ordinary shares of *George Wilson Gas Meters* was stated to be 9 per cent. This yield is shown on the average profits for the past three years; for the latest year the yield is calculated at 13 per cent. on the issue price.

TOTALS OF CAPITAL ISSUES DURING WEEK

Net Sales of National Savings Certificates, Week ended February 20, 1937, Dr. £50,000.

	Nominal Capital	Conversions	New Money
To the Public.....	903,200	...	1,308,400
To Shareholders only.....	430,156	...	1,029,129
By Stock Exchange Introduction.....	1,463,792	...	1,786,281
By Permission to Deal.....	373,637	...	388,362

Total Capital Raised— Including Excluding Conversions Conversions

	1937 (New Basis)	1936 (Old Basis)	1935 (New Basis)	1934 (Old Basis)	1933 (New Basis)	1932 (Old Basis)	1931 (New Basis)	1930 (Old Basis)	1929 (New Basis)	1928 (Old Basis)
1937 (New Basis).....	115,133,093	84,608,711	63,114,714	34,315,232	118,823,481	74,752,978	94,984,106	50,813,603	83,614,838	21,586,607
1936 (Old Basis).....	63,114,714	34,315,232	118,823,481	74,752,978	94,984,106	50,813,603	83,614,838	21,586,607	54,694,190	16,132,882
1935 (New Basis).....	118,823,481	74,752,978	94,984,106	50,813,603	83,614,838	21,586,607	54,694,190	16,132,882	...	153,838,410
1934 (Old Basis).....	94,984,106	50,813,603	83,614,838	21,586,607	54,694,190	16,132,882	...	153,838,410	...	...
1933 (New Basis).....	83,614,838	21,586,607	54,694,190	16,132,882	...	153,838,410	...	...	...	...
1932 (Old Basis).....	54,694,190	16,132,882	...	153,838,410	...	...	...	...	...	...
1931 (New Basis).....	...	153,838,410	...	...	...	...	...	...	...	...
1930 (Old Basis).....	...	...	...	...	...	...	...	...	...	...
1929 (New Basis).....	...	...	...	...	...	...	...	...	...	...
1928 (Old Basis).....	...	...	...	...	...	...	...	...	...	...

Destination of Capital (Excluding Conversions)

	United Kingdom	British Empire (excluding United Kingdom)	Foreign Countries	Total
January 1 to date—				
1937 (New Basis).....	62,813,367	20,642,204	1,153,140	84,608,711
1937 (Old Basis).....	31,776,066	2,598,166	Nil	34,315,232

(Continued on page 488)

	Feb. 17, 1937 (Close)	Feb. 24, 1937 (Close)	Feb. 25, 1937 (Latest)		Feb. 17, 1937 (Close)	Feb. 24, 1937 (Close)	Feb. 25, 1937 (Latest)
1. Rails & Transport				4. Manufacturing			
Atchison	75	74½	75	Briggs	57	54½	54½
Balt. and Ohio	26½	27½	27½	Chrysler	132½	125	126½
B.M.T.	46½	47½	47½	Electric Autolite	43	44½	43½
Can. Pacific	16½	16½	17½	General Motors	67½	65½	65½
Ches. and Ohio	64½	65	66	Hudson Motor Car	22½	21	21
Gen. Nthn. Ry. Pl.	47½	48	48½	Murray Corp.	19½	18½	18½
Illinois Central	28½	28½	29	Nash Kelvinator	23½	22½	23½
N.Y. Central	44½	44½	45½	Packard Motor Car	12	11½	11½
Nor. Pac.	31½	31½	31½	Bendix Aviation	28½	27½	28
Pennsylvania R.R.	43½	43½	43½	Boeing Airplane	42½	45½	47½
Southern Pac.	49½	52½	53½	Douglas Aircraft	68½	64½	65½
Southern Ry.	33½	32½	33½	United Aircraft	30½	30	30½
Union Pac.	135½	133	135	Air Reduction	76½	74½	74½
Greyhound Cp. New	14½	15½	15½	Allied Cheml. xd.	235	238	235
				Col. Carbon	117	116	116
				Comm. Solvents	18½	18½	18½
				Dupont	174	171	172
				Union Carbide	109½	107½	108
				Westinghouse	40	39½	39½
				U.S. Ind. Alcohol	74½	71½	72
				Allis Chalmers	60½	59½	59½
				General Electric	155	156	155
				American Can	108½	107½	108
				Addressograph	32½	33½	...
				Caterpillar	99	96	96
				Cont. Can	62	61½	61½
				Ingersoll Rand	133	132	131
				Intall. Harvester	104½	103	104
				Johns-Manville	146½	138½	138
				Kodak Radiator	74½	26½	26½
				Corn Products	68	66	66½
				J. I. Case and Co.	169	166	167
				Glidden	49½	47½	47½
				Gen-Am. Transp.	86½	81½	82
				Allied Mills	29	28½	29½
				Alfalfa Works	33	34	34½
				Celanese of America	38	37½	37½
				Ind. Rayon New	30	30½	30½
				Colgate Palmolive	173	170	170½
				Eastman Kodak	18½	18½	18½
				Lambert Co.	22½	22½	22½
				Loews	75½	74½	74½
				20th Century Fox	36	34	34½
				5. Retail Trade and Food			
				Montgomery Ward	63½	62	62½
				J. C. Penney Co.	100	97½	98½
				Sears Roebuck xd.	89½	88½	89½
				United Drug	14½	14½	14½
				Walgreen xd.	46½	47½	47½
				Woolworth	57½	55½	56½
				Borden	27½	26½	26½
				Gen. Foods	42½	43½	43
				Kroger Grocery	24	23	23
				Nat. Biscuit	24½	24	24
				Nat. Dairy	31½	31½	31½
				Standard Brands	15½	15½	15½
				Am. Tobacco B.	96	94½	95
				Liggett Myers B.	112	110½	110½
				Loillard	26½	26½	26½
				Reynolds Tob. B.	55½	55½	55½
				National Distillers	27½	29½	29½
				Schenley Distillers	43½	46	46½
				6. Finance			
				Commercial Credit	65		

LONDON ACTIVE SECURITY PRICES AND YIELDS

In calculating yields on fixed interest stocks quoted below allowance is made for interest accrued since the last date of payment, less income tax at the standard rate. Where stocks are definitely redeemable at a certain date the yield includes any profit or loss on redemption; where stocks are redeemable at or before a certain date the final date of repayment is taken when the stock stands at a discount and the earliest date when the quotation is above par. The return on ordinary shares is calculated by reference to the latest dividends, account being taken of any enhancement or reduction of interim dividends. Allowance is made for accrued dividends in calculating the yield on "cum. div." shares.

Prices, Year 1936		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 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1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 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1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937		Prices, Year 1937	
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(Continued from page 485)

Nature of Borrowing (Excluding Conversions)

	Debentures	Preference	Ordinary	Total
January 1 to date—				
1937 (New Basis)	22,693,587	8,072,130	53,842,994	84,608,711
1937 (Old Basis)	16,885,933	4,365,037	13,064,262	34,315,232
1936 (New Basis)	45,119,628	7,239,705	22,393,645	74,752,978
1936 (Old Basis)	41,574,306	3,316,622	5,922,675	50,813,503
Whole Year (Old Basis) :—				
1928	212,917,900	45,062,600	111,177,800	369,158,100
1929	222,064,300	12,733,700	9,982,500	244,780,500
1930	102,769,300	21,461,000	44,878,400	169,108,700
1931	167,185,509	31,696,741	37,265,387	236,147,637
1932	160,521,116	24,423,647	70,626,230	255,570,993
Whole Year (New Basis) :—				
1935	193,599,713	48,806,822	115,118,905	357,525,440
1936	184,255,833	41,580,731	268,303,201	494,139,765

PUBLIC OFFER

Bradlow's Stores, Ltd.—Issue of 90,000 6 per cent. cumulative £1 preference and 415,000 4s. ordinary shares at par. Incorporated in South Africa to acquire two retail furniture businesses and capital of a subsidiary. Combined profits, before interest, after depreciation and S.A. tax: 1934, £21,425; 1935, £24,451; 1936, £30,189. Combined net assets £180,160. Purchased for £193,500, payable by £101,500 cash, 10,000 preference, and 410,000 ordinary shares (goodwill £13,340). Preference issue over-subscribed. Underwriters left with 27 per cent. of the ordinary shares.

BY OFFER FOR SALE

Brilliant Signs, Ltd.—Offer for sale of 120,000 6 per cent. cumulative 10s. preference shares at par, and 150,000 4s. ordinary shares at 7s. Acquires sign business with four subsidiaries. Combined profits, after depreciation: 1934, £6,071; 1935, £14,134; 1936, £15,923. Net assets, £120,728; purchased for £120,000 (payable by £100 cash, 120,000 preference, and 299,500 ordinary shares). London Industrial Finance Trust take issue at 10s. 2d. per preference and 6s. 2d. per ordinary share, including expenses.

Calthrops, Ltd.—Offer for sale of 80,000 5 per cent. cumulative £1 preference shares at par, and 160,000 10s. ordinary shares at 13s. 6d. Manufacturers of cattle, pig and poultry foods. Profits before interest, after depreciation: 1933, £16,014; 1934, £46,128; 1935, £36,491; 1936 (six months), £22,240. Total net assets, £199,989. Purchased for £299,990 (£99,911 goodwill), payable by 100,000 preference and 399,800 ordinary shares. Cohen Laming and Hoare take issue at 19s. 6½d. per preference and 13s. 1½d. per ordinary share, including expenses. Chairman receives 10 per cent. of profits (after depreciation, expenses, etc., before interest), and two others 2½ per cent. each.

Coventry Machine Tool Works.—Offer for sale of 476,000 4s. shares at 5s. 6d. Acquires two businesses. Aggregate yearly profits after depreciation but before interest, management expenses, etc.: 1934, £4,502; 1935, £7,271; 1936, £14,445. Net assets, £63,761, purchased from respective vendors for £35,874 (£21,274 cash and 73,000 shares) and £26,554 cash (goodwill, £7,400). Agreement to pay £7,500, cost of new building. Leadenhall Investment and Finance take issue at 4s. 10½d., including expenses.

Smith and Nephew Associated Companies.—Offer for sale of 1,000,000 4s. ordinary shares at 8s. 6d. Acquires capitals of three companies (one with three subsidiaries), manufacturers of surgical dressings. Combined profits, after depreciation and amortisation: 1934, £59,680; 1935, £79,418; 1936, £117,001. Total net assets, £360,253. Purchases whole shares of vendors for £472,800 cash (goodwill, £129,747). Seton Trust acquire 1,000,000 shares at 7s. 6d. or 8s. 4½d. net. Lists closed 9.1 a.m., February 24th.

Wm. Neill and Son (St. Helens).—Offer for sale of 600,000 2s. ordinary shares at 3s. (70,000 underwritten firm) Industrial and chemical engineers. Profits after depreciation before interest: 1934, £2,048; 1935, £3,869; 1936, £15,131. Net assets £44,498. Purchased for 399,993 ordinary shares. Sterling Securities Investment Company take issue at 2s. 8½d., including expenses.

Peerless Kitchen Cabinets.—Offer for sale of 160,000 10s. 6 per cent. cumulative participating preference shares at 10s. 6d., and 450,000 2s. ordinary shares at 6s. Managing director, who receives 10 per cent. of profits over £30,000, applies for 200,000 ordinary shares firm. Manufacturers of built-in furniture. Profits before fees and interest, after depreciation: 1934, £2,229; 1935, £16,379; 1936, £31,082. Net assets, £50,023 (stock, £20,225). Standard Industrial Trust take issue at equivalent of 10s. 6d. per preference and 5s. 5½d. per ordinary share.

BY STOCK EXCHANGE INTRODUCTION

North West Midlands Joint Electricity Authority.—Particulars of issue of £250,000 3 per cent. stock, redeemable at par 1957. Maximum borrowing, £1,500,000; this and £886,000 5 per cent. stock charged on undertaking and revenues. Later borrowing will rank *pari passu*. Messrs. Sheppards and Company place issue privately at 95 less ½ per cent. commission.

ELECTRICAL ENERGY AT ECONOMIC RATES IN NORTH-EAST COAST AREA

NORTH-EASTERN ELECTRIC SUPPLY Co. Ltd.

Carlisle House, NEWCASTLE-UPON-TYNE

SITES FOR WORKS Apply to the above Address for details

Puket Tin Dredging, Ltd.—Issued capital 1,000,000 5s. shares. Mining leases in Siam acquired for 999,993 shares. Standard assessment 833 tons. Output: 1935, 410 tons; 1936, 413.5 tons tin ore. Profit for 1935, after depreciation, £15,511 (£553 forward. No dividends). Total assets, £256,853.

William Doxford and Sons, Ltd.—Issued capital 250,000 5 per cent. cumulative participating £1 preference and 500,000 £1 ordinary shares. Preference have right to further £2,500 annually after £25,000 to ordinary. Shipbuilders and marine engineers. Profits to June 30th, after depreciation but before interest on debentures to be repaid: 1934, Dr. £22,165; 1935, £20,872; 1936, £108,077; six months to December 31, 1936, £132,294. Total assets, £977,765 (goodwill, £50,000). Three subsidiaries not trading since 1935 are being maintained. Dividends on old preference shares down to June, 1936, waived.

Geo. W. King, Ltd.—Particulars of issue of 400,000 5s. ordinary shares. Incorporated to acquire Innes, Sons and King, Ltd., manufacturers of conveyors, farm machinery, and sliding doors. Net assets, £84,000 (stock, £31,007), purchased by 336,000 shares. Net profits, after depreciation: 1934, £6,455; 1935, £19,336; 1936, £19,563. Joint managing directors each receive 2½ per cent. of net profits over £2,000. Laing and Cruickshank take 136,000 ordinary shares at 8s., and 63,600 at 7s., and pay £1,200 expenses.

Masson Scott and Company, Ltd.—Issued capital, 625,000 4s. shares. Acquires Masco (Engineering), Ltd., general engineers and millwrights. Net assets, £90,410, acquired for £107,500 (goodwill £17,090) cash. Profits to March 31st, after depreciation: 1934, £12,206; 1935, £11,852; 1936, £12,974; nine months to December 31, £18,311. Whitehall Industrial Trust take issue at 4s. 1.92d., including expenses.

PRIVATE PLACINGS

Associated Gas and Water.—£193,600 3½ per cent. debenture stock 1951-61 has been placed privately. The finance is required for the expansion of the company's business.

Charles Roberts and Company.—£82,600 4 per cent. first debenture stock.

ISSUES TO SHAREHOLDERS ONLY

British Central Africa Company.—Issue of 367,000 2s. shares at par to holders on February 16th.

British Ropes.—Issue of 869,488 new 2s. 6d. ordinary shares at 10s. each to holders on February 9th in proportion of one new share for each three held.

Kaloorlie Electric Power.—Issue of 125,000 10s. ordinary shares at par to holders on February 18th in proportion of one new share for every two held.

Loloma (Fiji) Gold Mines.—Issue of 75,000 5s. shares, 1s. 6d. paid, in proportion of one new share for every ten held.

Mansfields, Ltd.—Issue to preferred shareholders of 25,000 6 per cent. cumulative participating £1 preferred shares at 21s. each, and 100,000 2s. ordinary shares at 4s. each in proportion of two for every three held.

Morgan's Brewery.—Issue of 43,270 £1 ordinary shares at £3 each, in proportion of one new share for every five held on February 16th.

Rover Company, Ltd.—Issue of 260,000 8s. shares at 20s. each, in proportion of one new share for every five shares held to holders on February 18th.

Yeadon Waterworks.—Issue of £4,000 3½ per cent. debenture stock at par.

Padang Senang Rubber.—Issue of 150,000 shares of 2s. at 2s. 6d. per share.

Surmah Valley Tea.—Issue of 61,500 ordinary 5s. shares at 10s. each to holders on February 16th.

LONDON NEW ISSUE PRICES

Stock or Share	Issue price	Paid	Feb. 17, 1937	Feb. 24, 1937
Associated British Properties 4½% Deb.	100	50	4½-3½ dis	5½-4½ dis
Beira Railway 5% First Deb.	100	20	4½-4½ pm	4½-5½ pm
Bignells Ord. 2½	2/6	2/6	2/0-2/3	2/3-2/6
Do. 6% Ptg. pref. 10/-	10/-	5/-	1/0-6d	1/0-6d dis
Booth's Distilleries 4½% Deb.	105	25	2-1 dis	2½-1½ dis
Butlin's Ord. 5/-	6/-	6/-	6/0-6/6	6/0-6/6
Do. 5½% Deb.	100	25	5/6-6/-	5/6-6/0
Cochran (Annan) 5/-	6/3	6/3	½ dis-½ pm	½ dis-½ pm
Gilbert (D. M.) 4/-	7/6	7/6	6/4½-6/7½	6/1½-6/4½
Hall (Ben) and Son 4/-	5/-	5/-	6/0-6/6	6/0-6/6
Higson's Brewery 5% Cum. Pref.	20/-	10/-	5/6-6/-	5/6-6/0
Do. 4% 1st Debs.	100	65	6d dis-par	9d-3d dis
Horlicks Ord. 5/-	22/6	22/6	½ dis-½ pm	½ dis
Jays and Campbells 5½% Pref. £1	21/-	11/-	24/6-25/0	23/6-24/0
Lacrinoid Products 2/-	2/6	2/6	1/3-9d dis	1/3-9d dis
London Electric Transport 2½% Deb.	92½	17½	1½-1½ dis	2/0-2/3
Mallandain (A. E.) Ord. 4/-	...	...	5/4½-5/10½	5/1½-5/4½
Masson Scott 4/-	...	...	...	4/9-5/0
Midhurst Whites 2/-	2/6	2/6	...	1/10½-2/1½
Premier Metal (S.A.) 2/-	3/-	3/-	...	2/1½-2/7½
Rheostat Ord. 4/-	...	...	9/9-10/3	8/9-9/3
Selmer (Heard) 2/-	...	...	3/6-3/6	3/4½-3/7½
Thomas (Richard) 4% 1st Debs.	99½	25	4-3½ dis	4½-3½ dis
Universal Asbestos Ord. 5/-	...	...	14/0-14/6	13/10½-14/4½
Do. 6% Pref. 20/-	...	...	20/1½-20/7½	20/1½-20/7½
West Rand Invest. Trust 10/-	...	...	1½-1½	1½-1½
Wilson (G.) Ord. 4/-	9/-	9/-	...	8/9-9/3
Do. 8½% Pref. 10/-	10/-	10/-	...	9/0-9/6
Wright Saddle 2/-	...	...	3/10½-4/1½	3/10½-4/1½

COMPANY MEETINGS

PEARL ASSURANCE COMPANY, LIMITED

RECORD POST-WAR INCREASE IN INDUSTRIAL BRANCH
REDUCTION OF EXPENSE RATIO
THE "MARRIED COUPLE'S" POLICY
SIR GEORGE TILLEY ON A YEAR OF GRATIFYING PROGRESS
STRONG FINANCIAL POSITION

The seventy-third annual general meeting of the Pearl Assurance Company, Limited, was held, on the 25th instant, at the registered offices, High Holborn, London.

Sir George Tilley, F.C.I.I., the chairman of the company, presided.

The secretary (Mr G. R. L. Tilley, M.A., F.C.I.S.) having read the auditors' certificate,

The Chairman said: Ladies and Gentlemen,—On the occasion of our last annual meeting I said that it was a matter for congratulation that, under the stress and strain of recent years, this country and the Empire had revealed a notable reserve of economic strength, together with the political wisdom to use that reserve of strength to advantage.

The experience of the past year has given us cause to deepen that note of congratulation. The anxious and unsettled state of a great part of Europe, accompanied by vast increases in national armaments, has compelled our own Government to embark on a great scheme of national defence, involving an expenditure which may reach, or even exceed, the enormous sum of £1,500 millions.

That this outlay, as to the broad necessity of which there can be no question, will impose a heavy burden on the resources of the country is obvious. It will call for sacrifices. It will demand intensive efforts in the maintenance of our normal industrial output. It will almost certainly necessitate some upward adjustment in price levels. But I believe that both industrially and financially the country will prove equal to the task that has been forced upon it.

TRADE IMPROVEMENT

There is fresh encouragement alike in the continued buoyancy of the home market and in the evidence of marked improvement in our export trade. The latter has been materially helped by the rise in commodity prices throughout the world, whereby the nation's customers are enabled to increase their purchases from us.

Another helpful factor is the Anglo-American-French currency agreement, as a result of which the leading European currencies have at last been brought broadly into line with sterling and the dollar. This is probably the most valuable single step that could have been taken towards the restoration of international trade.

I should like to add that from the standpoint of our own company, with its interests in so many countries throughout the world, a general revival of prosperity is likely to be of material advantage in its effect on both our foreign business and our investments abroad.

A notable feature of our national life during the past year has been the continued attention paid to the improvement of the health and well-being of the people. The Midwives' Act, which will shortly come into operation, should prove of material assistance in reducing maternal mortality.

The Factories Bill, now before Parliament, will do much to raise the standard of health, safety and general welfare among the millions of people employed in our factories and workshops. The national campaign for physical fitness which has been launched by the Government is a striking advance towards the ideal of an A1 nation.

Turning now to the affairs of our own company, I desire to say at the outset that we are once more able to congratulate ourselves on a most satisfactory year.

In the ordinary branch the total of the sums assured is now over £100,000,000.

In the industrial branch the increase in premium income is a record for a normal fifty-two-week year in the post-war period, and in other branches, such as fire and general and employers' liability, we are able to report steady progress.

The financial position of the company, with its ample reserves and its more than adequate allowance for contingencies and liabilities is one of exceptional strength and stability. With this

background of achievement we are able to face the future with confidence.

ORDINARY BRANCH

In the ordinary branch, as I have already mentioned, the sums assured, together with the accrued bonuses, exceed £100,000,000. The new policies, assuring a sum of over £8,800,000, show a definite increase over last year in both number and amount assured.

During recent years, the low rates of interest obtainable in gilt-edged securities have stimulated the public interest in annuities and single premium assurances. Once more the sum received in respect of the purchase of annuities reached a high figure, while the single premiums showed an increase of £60,000.

The expenses of the ordinary branch remain at the very low level of 11.1 per cent. of the premiums, while, despite the increase in income tax, the net interest yield on the branch funds has been maintained at the very satisfactory rate of £4 6s. 6d. per cent.

This continuation of low expenses and an excellent interest yield is reflected in the rate of the bonus.

We have again declared a simple reversionary bonus of £2 on each £100 assured in respect of Pearl ordinary branch policies entitled to participate in the full profits.

INDUSTRIAL BRANCH

The premium income in the industrial branch has risen by nearly £350,000, the highest annual increase in the post-war period, if we rule out the years where the total was swollen by the inclusion of a fifty-third week.

A gratifying feature is that this increase in the volume of business has been accompanied by an improvement of the position in respect of arrears of premiums outstanding. How greatly these arrears have fallen relatively will be appreciated when I say that the total this year is very little larger than the total when it first appeared as a separate item in 1925, when the premium income was millions of pounds lower.

The amounts paid in claims, including bonuses, established new records alike in payments made on the death of the assured and in payments falling due on the maturity of endowment. The term of endowment is never less than 10 years, and the fact that £1,115,000 was paid under matured endowments emphasises the change that has been taking place in the character of industrial assurance business.

"MARRIED COUPLE'S" POLICY

I announced last year that we had launched in the industrial branch our "Married Couple's" policy, a new plan of assurance enabling married people to augment the provision made under the State scheme of old age and widows' pensions and at the same time providing for the expenses in connection with the death of the husband should that occur during the lifetime of the husband and before the policy matures at the husband's pension age.

There is no need for me to stress the social advantages of greater financial protection for the family or the amelioration of private distress which such provision brings. It is with much satisfaction, therefore, that I am able to say that our "Married Couple's" policy has taken its place as a regular part of our business, and that the policies in force assure £3,250,000 payable on the death of the husband.

No feature of industrial assurance attracts more public attention than the expense ratio, and, may I add, no feature of the business causes more misunderstanding among those who lack the knowledge essential to its proper appraisal.

For the first time in the history of our company the expenses in the industrial branch represent less than 30 per cent. of the premium income.

It is customary to speak of the "expenses" of the industrial branch, but I feel it would be more appropriate—and more accurate—to talk of the cost of the services of the industrial branch.

Our representatives collect small sums at short intervals from the homes of our millions of policyholders in all parts of the country. They are always available to give advice and guidance and when death occurs they are there to ensure the prompt payment of the claims, again at the homes of the policyholders and without any avoidable formalities.

It is not appreciated, I feel, to what an extent the industrial assurance agent is guide, philosopher and friend in the homes he visits. He shares their interests and anxieties, and many a family problem is brought to him. The "insurance man," as he is generally called, has earned for himself the respect and regard and friendship of the people he serves.

INDUSTRIAL BONUS PLAN

In connection with the valuation at the end of 1929, we instituted a system of reversionary bonus distribution to industrial branch policies.

The higher rates of bonus now declared mean, broadly, that holders of policies effected before January 1, 1930, on which premiums are being paid on March 8, 1937, will receive additions to their sums assured of nearly one-third of the premiums paid during the year on whole life assurances, or nearly one-quarter on endowments or endowment assurances.

FIRE AND GENERAL BRANCHES

We are again able to report a considerable growth in the premium income, to which growth all departments have contributed. The total premium income for the year amounted to £1,637,185.

The fire department produced a loss ratio to earned premiums of 50.5 per cent., which is not excessive having regard to the increase in the premium income. The business in the United States has shown a rapid expansion during the past two years, and this has necessitated a considerable reconstruction and extension of our organisation in that country, with the opening of new branches in order to secure close control over the very wide territory in which we now operate.

PERSONAL ACCIDENT

The personal accident account produced an underwriting profit of £20,948, which, with interest earnings of £6,186, yielded a balance of £27,134, out of which £20,000 has been transferred to the profit and loss account.

EMPLOYERS' LIABILITY

The employers' liability account continues to show improved results, the loss ratio to earned premiums being only 42.7 per cent. This account closed with a profit including interest of £7,794, and we have transferred £5,000 to the profit and loss account.

GENERAL ACCOUNT

The general account again shows a satisfactory increase in premium income, and maintains a steady improvement in the underwriting results, with a surplus of 10.8 per cent., as compared with 4 per cent. in the previous year. The balance, including interest, amounts to £24,653, which is much the best result ever produced by this account.

MOTOR ACCOUNT

It is common knowledge in the insurance world that during the year the difficulties inherent in motor business have not diminished. We have succeeded in showing a profit, after crediting interest, but it would be unduly optimistic under present conditions to look for materially improved results. The high accident rate, the infrequency with which a motorist escapes liability when an accident happens, and the tendency to award large damages when cases come before the courts, all combine to make motor insurance an anxious problem. Motorists are necessarily aware of their insurance premiums as a material item in their expenses, and it cannot be too forcibly impressed on them that the amount of the premium depends in the main on the cost of accident claims, and therefore on their attention to safe driving. It would be well if it were thoroughly understood that motorists as a body pay for one another's accidents.

CAPITAL REDEMPTION BUSINESS

After its rapid expansion last year by reason of some large single premium assurances, this fund has settled down to more normal growth. The valuation of the fund discloses a small surplus which is being carried forward in the fund.

INVESTMENTS

The valuation of the company's securities as a whole at the end of the year revealed an excess of market values over the book values greater than that shown at any previous valuation.

In the circumstances, we have felt that further transfers to the investments reserve funds were not called for on this occasion.

SURPLUSES AND PROFIT AND LOSS ACCOUNT

The surpluses in the life funds, including £888,206 brought forward, amount to £3,357,267, and these have been appropriated as follows: To policyholders £1,603,788, to staff pension fund £150,000, and to profit and loss account £689,000, leaving £914,479 to be carried forward.

The balance of the profit and loss account at the end of the year was £216,099. After the addition of the amounts to be transferred from the life branches, there will be a balance of £905,099, out of which it is proposed to pay £315,000 as a final dividend to the ordinary shareholders.

The report was adopted, other ordinary business was transacted and the proceedings terminated with a vote of thanks to the chairman.

GENERAL INVESTORS AND TRUSTEES, LIMITED

DIVIDEND OF 11 PER CENT.

The thirtieth ordinary general meeting of General Investors, and Trustees, Limited, was held, on the 22nd instant, in London, Mr Gerald T. Moody (chairman) presiding.

The Chairman, in moving the adoption of the report and accounts, said: The profit and loss account shows that, after debiting interest charges and expenses, the sum available for distribution among members amounts to £57,068. Dividends were paid at the rate of 4½ per cent. per annum on the preference stock on July 1, 1936, and on January 1, 1937, and of 4 per cent. actual on the ordinary stock on October 1, 1936, absorbing together £25,665. It is now proposed to pay a final dividend of 7 per cent. actual on the ordinary stock, making 11 per cent. for the year, and to carry £10,000 to reserve account. This will allow the carry forward to be increased from £5,171 to £5,437. The board had some hesitation in advancing the rate of dividend on the ordinary stock from 10 per cent. to 11 per cent.; but a consideration of the strong position of the company both as to revenue and assets made it inequitable to deprive the stockholders of a dividend commensurate with its prosperity. To-day we are holding the thirtieth annual general meeting of the company, and it may interest you to know that the company has paid in all to the holders of ordinary stock 264 per cent., or an average annual dividend of £8 16s. per cent. In addition, it has accumulated a general reserve of £300,000, equal to 76 per cent. net on its ordinary stock, and has placed with trustees a staff superannuation fund which is ample to meet its liabilities.

Reviewing the position at the end of the thirty years, I venture to think we may be well satisfied with the outcome of our operations.

The investments are very widely spread and shareholders may rest confident that those who have the responsibility of safeguarding the funds entrusted to them are fully alive to the value of conservatism and will not base their policy on being too optimistic during periods of inflation or unduly pessimistic in times of adversity.

The report and accounts were unanimously adopted.

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GREAT WESTERN RAILWAY COMPANY INCREASED PASSENGER AND GOODS TRAFFIC SIR ROBERT HORNE ON THE OUTLOOK

The annual general meeting of the Great Western Railway Company was held, on the 24th instant, at Paddington Station, London, W.

The Right Hon. Sir Robert Horne, G.B.E., K.C., M.P. (the chairman), in the course of his speech, dealing with the principal features of the accounts for the past year, said: Gross receipts from railway working rose by £991,126, passenger train receipts for an increase of £352,578, whilst goods train and miscellaneous traffic receipts increased by £638,548. The general improvement which has taken place in our home trade is mainly responsible for these augmentations.

Gross expenditure on railway working during 1936 increased by £54,080, but for comparative purposes allowance must be made for the over-payments in respect of rates and rate relief in 1935, pending the re-assessment of the company's undertaking as the outcome of our claim before the Courts. The alteration of the basis of our liability for rates and rate relief resulted in a saving last year of £327,000. Leaving this out of account our expenditure would still have been only £381,000 in excess of the previous year. Irrespective of the saving in rate payments, therefore, our additional expenditure absorbed only 38.5 per cent. of the increased receipts. This is a highly satisfactory result, upon which our management and staff are to be congratulated.

NET REVENUE FIGURES

The gross receipts from our dock undertaking show a decline of £61,762, due to a further diminution in the coal exports from South Wales. The net revenue amounted to £119,701, but had it not been for a reduction of approximately £120,000 in our liability in respect of rates and rate relief, there would have been a decrease of £47,000 in the net revenue, as compared with the previous year.

The net revenue from all sources amounted to £6,314,830, an increase of £864,271. Adding the balance brought forward from the previous year of £44,373 and deducting interest on loans, debentures and pre-ordinary stocks, there remains a balance of £1,364,686 available for dividend on ordinary stock.

During the past five years we have experienced one of the worst periods of trade depression ever known in this country, and, although we have always been confident that trade would ultimately revive, the continued recourse to our free reserves in order to maintain dividends naturally caused us a great deal of anxiety. This year, for the first time since 1930, our earnings have been sufficient to cover the payment of a 3 per cent. dividend on the ordinary stock. For a continuous period of sixty-seven years Great Western ordinary stock has received a dividend which has never been less than 3 per cent., but there have been several occasions during this period—apart from the last five years—when the result has only been possible through the cautious policy of building up reserves when opportunity offered.

PASSENGER AND GOODS TRAFFIC

I will now deal with the operating side of our business. The passenger traffic figures are somewhat disappointing, the increase in the number of passengers carried (exclusive of season ticket holders) being only 328,000. The increase would have been considerably greater but for the depression in Monmouthshire and South Wales, as in these areas the number of passengers originating showed a decrease of over 1½ million over the previous year, whereas in all other districts there was an increase. Our receipts from passengers improved to the extent of £282,000, which is attributable to the development of long distance traffic and an increase in the number of first class passengers carried.

Receipts from parcels, mails and miscellaneous traffic increased by £70,000, which is satisfactory by comparison with 1935, as the lower charges which were in operation throughout 1936 only obtained for six months in the previous year.

The earning of the additional passenger revenue of £352,000 involved the running of 1,300,000 more train miles, but this was done at a smaller percentage increase of cost than the percentage increase in receipts. The average speed of our passenger trains was higher than in any previous year, and the standard of punctuality was fully maintained.

Turning now to our activities on the freight side, we conveyed during the year an additional 1,411,000 tons of general merchandise and mineral traffic, which created an increase in our receipts of £525,000. Although our coal carryings decreased by over a million tons our receipts from this class of traffic increased by £61,000. This is explained by the increase in the average

length of haul. The improvement in merchandise traffic followed the greater measure of prosperity experienced by our domestic trade. The decline in coal traffic was entirely due to a further falling off in the export trade, but on the other hand there was a considerable increase in the inland trade, due partly to the recovery in the iron and steel industry.

DOCKS TRAFFIC

The volume of traffic dealt with at our docks during the year showed a further decline owing to continued difficulties in the markets in which South Wales competes. The fall in coal exports from Monmouthshire and South Wales has been much greater than from any other exporting district in Great Britain. This is due to some extent to national policy and in a considerable degree to foreign subsidised competition from which South Wales is the chief sufferer. Unless some action is taken by the Government to enable the coal industry to meet this subsidised competition from foreign countries there would seem to be little hope of regaining some of the lost markets.

The net revenue of £119,000 from our dock undertaking last year was secured solely by reason of the long overdue reduction in our liability for rates and rate relief, and without it we should not have earned any profit whatever on the £21 millions invested in our docks. Everything possible has been done to effect diminutions in expenditure by reducing the number of appliances available for traffic and by the temporary closing of Penarth Dock. We have now reached the limit to which expenditure can readily be reduced without impairing the efficiency of this part of our undertaking, and can only anxiously await the result of the Government's plans for the resuscitation of the Special Areas in the hope that they will include measures which will revive the export coal trade.

THE OUTLOOK

You will probably expect me to say a few words about the prospects for the current year. There are certain known factors in regard to expenditure which must be borne in mind. The increased cost resulting from the further partial restoration of the cut in salaries and wages was only felt during the last four and a half months of the past year, while this additional expenditure will now operate over the full twelve months of 1937. There will also be increased payments to a considerable number of the staff in the lower grades, whose wages have been increased as from January 1st last on account of the rise in the cost of living. We have to face, too, additional expenditure in respect of coal, as all new contracts for locomotive coal are now being fixed on the basis of an extra 1s. per ton. There has also been an increase in the price of commodities generally, particularly railway sleepers, which are up by over 40 per cent.

On the revenue side, we may assume that our passenger traffic will benefit on account of the Coronation. As regards goods traffic there is every indication of a further improvement in trade, and we should derive benefit from the proposals of the Government to establish certain armament factories on the company's system, the construction of which had either not commenced or had made insufficient progress to yield us much traffic last year. During 1936 seventy-three new firms established themselves on the company's system, from whose traffic we may expect to reap advantage in the current year. We may also look forward hopefully to the results of the efforts now being made to establish new industries in South Wales, and to the various measures which it is understood the Government have in contemplation for relieving the severe distress in that area. It is known that important proposals have been laid before the Government for the establishment of a large works in South Wales for the extraction of oil from coal, which would bring in its train the manufacture of many by-products. Development along these lines must eventually take place if Britain is not to lag woefully behind.

With regard to our dock undertaking, it is hoped to recover a considerable proportion of the million and a-half tons in our shipments to Italy which we lost last year, and we also anticipate increased exports to France, to coaling depots abroad, and, in a minor degree, to the Argentine and Brazil.

In conclusion, I think you will all appreciate that, with so many varying factors, it is impossible to make any confident forecast as to the results of the coming year, but taking all circumstances into consideration, including the cost of working the additional traffic which we anticipate, I am hopeful that our net earnings will not fall below those of last year.

The directors' report and statement of accounts were approved and adopted, and the resolutions which were put to the meeting and to the special general meeting which followed were duly passed.

SOUTHERN RAILWAY COMPANY

INCREASED RECEIPTS

The annual general meeting of the Southern Railway Company was held, on the 25th instant, at Southern House, Cannon Street, London.

Mr Robert Holland-Martin, C.B., the chairman said that the railway gross receipts had increased by £608,000. The total number of passenger journeys, including those made by season ticket holders and workmen, amounted to 360,000,000 in 1936, as compared with 349,000,000 in 1935. This increase of 11,000,000 passenger journeys was reflected under all headings.

The number of passengers in the electrified area increased by over 8½ millions, with an increase in receipts of £245,000. As compared with 1932 the increase in the number of passenger journeys throughout their system was no less than 43,000,000, and of these the electrified area claimed 35,000,000. This represented a growth in the number carried in the electrified area of 15 per cent. and an increase in the passenger receipts in that area for 1936 of no less than £1,054,000, or nearly 17 per cent. Under the heading of goods train traffic receipts there was an improvement of £136,000; an increase of £132,000 and nearly 180,000 tons in the higher classes of traffic.

Turning to the expenditure side of railway operation, they found there was an increase of £381,000, £40,000 of which was attributable to the restoration of the percentage deduction in wages from 2½ per cent. to 1½ per cent., which took place last August. The net receipts from railway working were higher by £227,000.

Although there was a welcome recovery in their Continental traffic, the fact was not reflected in their steamboat revenue, for the reason that the bulk of the increased passengers travelled by the Ostend route, owing to the cheapness of fares via Belgium as compared with the fares via France. As shareholders were aware, the boats on the Ostend route belonged to the Belgian Government and not to the company. The traffic, however, had begun to revert to the French routes, and their steamboats were benefiting accordingly.

LARGE NET REVENUE

They found themselves with an increase of net revenue for the year of £153,863, and this enabled them to recommend a dividend on the deferred ordinary stock of one half of one per cent.—the first dividend on this stock since 1930. They had reopened the general reserve account with £500,000 of the moneys received in respect of rates and rates relief.

They had undertaken to expend during the next five years practically the whole of the amount of the loan from the Railway Finance Corporation in extending the system of electrification, and they proposed to bring the various extensions into use in accordance with the following programme:—

London to Portsmouth via Guildford, Woking to Alton via Aldershot and Staines to Weybridge in July, 1937; London to Portsmouth via Horsham, including the lines from Three Bridges to Horsham and from Worthing to Fratton and the branches to Bognor Regis and Littlehampton in July, 1938; Staines to Reading, Ascot to Aldershot and Aldershot to Guildford in January, 1939; Sevenoaks to Hastings via Orpington and Crowhurst to Bexhill in July, 1939, and Gravesend and Swanley to Chatham and Gillingham and Strood to Maidstone in 1940.

At Southampton he was able to report an activity unequalled in previous years. The number of ships in and out was 6,792, an increase of 570, or 9.2 per cent. The tonnage of shipping entering the docks was the highest ever recorded, as was also the number of passengers dealt with.

The account of their stewardship of their varied businesses for the past year was a record that the board and officers presented with pride, and he could not but think that the stockholders would be proud of it too. It would always be their aim to do everything that would tend to increase the popularity and prosperity of their line, and in working for that object they realised fully that the getting of increasing traffics did not lie with London alone. They were endeavouring to make it realised that the Southern Railway was not merely a London business that had somehow or other reached certain towns in the country but a real local partner of those towns, ready to co-operate in any way that would add to their popularity with the public.

In the coming season, with the festivities of the Coronation and the Naval Review, and the thousands of visitors from our Dominions, and, indeed, from the whole world, the prospect would seem good, and he would hope that next year he would be able to put before them an even better statement of progress.

The report was unanimously adopted.

MANCHESTER SHIP CANAL COMPANY

SATISFACTORY RESULTS

The annual meeting of this Company was held, on the 25th instant, at Milton Hall, Manchester, Sir Frederick J. West presiding.

The Chairman, in the course of his speech, said:—From the accounts you will have seen that last year's trading, shows an improvement upon that of 1935 and you will have realised that this improvement is even better than it appears on the surface, as certain provisions, are being made against commitments to which I shall refer in the course of my address.

I would introduce my review of the year's traffic by pointing out to you that the tonnage carried over the Waterway last year was the highest in the history of the company, save for the year 1929, which was an exceptionally good year, and for 1926, which was an altogether abnormal year, in which large quantities of coal were imported owing to the protracted coal strike.

Dealing with the actual figures, the result in the net revenue for the year for the whole Undertaking was £709,807. There remains an available balance of £310,951, compared with £310,588 in 1935, and it is recommended that the following dividends amounting to £242,795 be paid:—3½ per cent. on the Manchester Ship Canal Corporation 3½ per cent. preference stock, 3½ per cent. on the Preference Shares, 1½ per cent. on the Ordinary Shares, carrying forward £31,951 to next year's account.

I anticipate that many of our shareholders, in view of the improvement our monthly receipts have shown over those of 1935 and having regard also to the general improvement in trade, looked forward to an increased dividend and are now faced with disappointment. Your directors were naturally anxious, if it were possible, to recommend a higher dividend and regretted to find themselves unable to do so. This matter has received very careful consideration, and I want to give you, briefly, the main reasons governing the decision.

Looking ahead, and particularly in 1937, we are confronted with a known increase in expenditure. Not only are there specific increases, as for instance the repairs to Barton Road Swing Bridge, but in addition, as you are all aware, there is an upward trend in working costs which we cannot overlook. Such being the case, your directors unanimously decided that it would be a mistake even to contemplate an increase in dividend which we could not see a definite prospect of being able to maintain. The provisions made enable us to face the coming year with greater confidence.

You will have appreciated from your examination of the accounts that notwithstanding the fact that the balance available for dividends and reserve is much the same as last year, yet we have had a reasonably good year.

Our usual appropriation to the reserve for contingencies and repairs has this year been slightly increased in order to bring this main reserve of the company up to the round figure of £300,000.

I have on previous occasions made reference to the absolute necessity of adequate provision being made in our accounts for renewals and repairs to plant and machinery and for contingencies. I stress this point again because the provision we have made in this respect has been criticised at these annual meetings and in letters from shareholders. Your directors feel strongly that the best interests of the shareholders will be served by making wise provision against known and likely contingencies, and this policy has the strong support of your professional auditors.

You will appreciate that the extent of your dividends will be reflected by a prudent policy in this matter. The provision we have therefore made in this year's accounts and which it will be necessary to make in the future for such items as repairs to lock gates, new locomotives, cranes and tugs, is one which should commend itself to the shareholders.

There is an impression that a period of seven lean years has come to an end and that the relative prosperity which we are enjoying to-day will grow. Are we going to share in this? What is the position?

New industries have been attracted here; existing industries have extended, there has been a satisfactory movement, within the area, of labour into the expanding industries; employment has improved, and our bank clearings have increased and, as you already know, the traffic and receipts of our Undertaking have shown definite improvement.

We face the future with confidence, the improved trade of the country should be reflected in a greater demand for the imports and exports which the Port of Manchester can handle with such advantage to the immense industrial area surrounding us. And in these additional demands, which we venture to hope will be made upon the Port, you may rest assured your directors and officials will use every effort to further your interests to the greatest possible advantage.

The report and accounts were adopted.

THE SCOTTISH PROVIDENT INSTITUTION

MUTUAL LIFE ASSURANCE

SATISFACTORY RESULTS

RATE OF INTEREST AGAIN INCREASED

The ninety-ninth annual general meeting of the Scottish Provident Institution was held in Edinburgh on Tuesday, February 23, 1937, Mr Hugh F. B. Sharp in the chair.

The Chairman, in moving the adoption of the report, said,—You will see that the net new business completed was £3,165,899, which is little short of last year's record figure.

The annuity business has again increased, and we received £248,737 in single payments, some £75,000 more than we did last year.

The aggregate claims in the past year amounted to £1,403,629. This shows an increase of over £129,000 on the aggregate claims of the previous year. As the office grows older the claims must of naturally grow larger in amount and I am glad to be able to state that the increase presents no unfavourable feature, our mortality experience having indeed been most satisfactory.

STAFF PENSION FUND

You will note the step which the directors have taken in establishing a staff pension fund. I need hardly say that no member of the Institution's staff who has retired after having rendered us loyal and efficient service has been allowed to do so without the award of an adequate pension. But the board felt that it would be more satisfactory and in accordance with modern practice if a pension fund were created under which members of the staff could qualify by age and length of service for a pension to which they would be legally entitled. The necessary procedure was accordingly carried through and the sum of £130,000 was transferred from the life assurance and annuity funds. This amount, I may explain, was already reserved in these funds as the actuarial equivalent of the pensions payable to members of the staff on the retired list. An annual contribution sufficient to meet the pensions of the present staff, as the need arises, will be made in future. I have little doubt that the establishment of this fund, which has already been welcomed by the staff, will be approved by the whole body of members.

The total funds amount to £24,748,391, showing an increase of £291,472. This increase, while more than double that reported in 1934, is less than last year's figure, but you will bear in mind the £130,000 transferred to the staff pension fund and the increase of practically the same sum in the amount of our claims.

I am glad to say that the gross rate of interest realised, £4 10s. 3d. per cent., on all the funds has again increased and shows an improvement of 1s. 2d. over the previous year, while the net rate of interest is up to £3 16s. 9d. per cent. Remembering that the income tax was increased last April, this is a not unsatisfactory achievement.

THE INVESTMENTS

There are no material changes in the position of our assets in the balance sheet. The market value of our Stock Exchange securities is so much above their book value as to render it unnecessary in our opinion to add to the investment reserve fund, which stands, as before, at £600,000. Government securities stand at much the same figure as in 1935, and we have participated to some extent in the recent issues of Municipal and County securities in this country, having increased our holding from £196,000 to the present figure of practically £411,000. Our ordinary stocks and shares have increased by £400,000. This category represents under 15 per cent. of our marketable securities and is almost entirely located in this country. It may interest you to know that nearly 93 per cent. of our assets is invested in the British Empire.

DEMAND FOR ENDOWMENT ASSURANCE

Of the devising of new schemes with which to attract the potential assurer there seems to be no end. The insuring public calls for variety, and there are fashions in policies just as there are fashions in dress. Present-day conditions no doubt account for the popularity of a contract such as our adequate income policy, which provides for an annual sum being paid for a limited period to a policyholders' dependants in event of his premature death. But whatever may be the temporary needs of a generation I do not think that the fundamental and essential requirements of man-

kind—protection for dependants and provision for old age or, in other words, whole-life and endowment assurance—will ever change. It has always been the policy of this institution to advocate whole-life assurance, preferably by limited payments, as being best fitted to meet the real requirements of the majority; but there is a large and increasing section of the community who have to consider the necessity for providing some capital which they can use in their old age, and to these an endowment assurance makes the stronger appeal. There is, moreover, a considerable demand for endowment assurance to-day from men in the thirties and forties who are in possession of a good income. Looking ahead, they visualise their children starting life when they themselves have entered the sixties. For such men it is a pleasant thing to have an endowment assurance maturing. They can apportion the proceeds amongst their family as they wish and watch them enjoying it. To those who can afford to open an endowment assurance the Scottish Provident offers a very attractive policy in the form of a non-profit assurance. Our rates for such endowment assurances have recently been revised and reduced, and I would advise all those who are contemplating the opening of an endowment policy to consider our new tables, which can now be obtained from the branches and agents.

To all those who carry on the business of our branches and to our many loyal and interested agents who have helped us during the year I would offer the sincere thanks of the directors and the management.

The motion for the adoption of the report was seconded by Lord Blackburn and carried unanimously.

The directorate was thereafter constituted and Mr Francis More, C.A., was reappointed auditor.

ENGLISH ELECTRIC COMPANY, LIMITED

RECORD ORDER BOOK

The eighteenth ordinary general meeting of this company was held, on the 24th instant, in London, Mr J. H. Nelson (chairman and managing director) presiding.

The Chairman, in the course of his speech, said that the excess of liquid assets over current liabilities had increased from £1,390,938 at December 31, 1935, to £1,779,760 at December 31, 1936. The latter figure covered the debentures nearly one and a half times. The trading profit was £356,992, against £262,619 for 1935. After providing for prior charges and depreciation, the net profit for the year was £235,305. The preference dividends for 1934, 1935 and 1936 absorbed £221,490, and after bringing in the carry-forward for 1935 there was a credit balance on profit and loss account of £36,278, which the directors proposed to carry forward. Although it had not been possible at that time to recommend a dividend on the ordinary shares, if 1936 had been a normal year with only twelve months' preference dividend to pay, the remaining balance after paying that dividend would have been £161,476, which represented 11.2 per cent. of the ordinary capital.

The company entered 1937 with the largest order-book in its history. The rate of production for the last three months of 1936 was double that of the first three months, and further increases in production had been planned. The company's export trade, in spite of severe competition, had reached a figure of 32 per cent. of the total order-book. Among orders which had been received were those from the Admiralty, War and Air Departments and the B.B.C.; also Diesel electric propelling machinery equipment for a new vessel for Trinity House.

They continued to receive substantial orders from the Southern Railway. Orders had also been received from the New Zealand Government for complete motor coach trains and electric equipment for locomotives, from British-owned railways in the Argentine for over 100 complete Diesel rail coaches, and from the Ceylon Government Railways for Diesel electric trains.

There was every expectation that the results of the current year would show further progression.

The report and accounts were adopted.

Orders for the publication in these columns of the reports of Company Meetings should be addressed to the Reporting Manager of THE ECONOMIST, 8 Bouverie Street, Fleet Street, London, E.C.4.

NATIONAL MUTUAL LIFE ASSURANCE SOCIETY

RECORD NEW BUSINESS

The annual general meeting of the National Mutual Life Assurance Society was held on the 24th instant, in London.

Mr J. M. Keynes, C.B. (the chairman), in the course of his speech, said: Our new business during the past year, with gross and net totals of £1,327,200 and £1,011,200 respectively, constitutes a record in the society's history, while the life business proper—namely, £903,227 net—is only a little less than our previous best. With an old-established society such as ours, however, where the annual wastage from claims, etc., reaches a large figure, the progress of the yearly premium income is perhaps the best index of the extent to which new business is more than making good what we are losing by the efflux of time. It is, therefore, satisfactory to be able to report an increase in the yearly premium income of approximately 10 per cent. during the last two years—namely, from £363,514 in 1934 to £397,117 last year.

As a result of the annual valuation of the assets, we are again able to report a substantial appreciation, amounting to £365,793, on our Stock Exchange securities, or 6.2 per cent. of their mean value. The net result is to show a balance of capital profit on assets realised and revalued amounting to £310,758. During the past year the period of appreciation on gilt-edged and other fixed-interest securities has come to an end, and, in these circumstances, we consider so substantial a capital gain to be satisfactory.

The balance available, after making allocations, amounts to £661,693, out of which we are declaring bonuses of 52s. 6d. per cent. and 45s. per cent. compound per annum respectively for whole-life assurances and endowment assurances with full profits and 17s. 6d. per cent. per annum compound for low-premium policies with reduced profits. This distribution, which repeats the distribution made two years ago, in 1934, is the highest in our history, and is, we believe, higher than the distribution by any other mutual office in this country which calculates bonuses on terms which can be compared with ours. I emphasise this point in order to make it clear that our very large accumulation of surplus resources has been compatible with a liberal treatment of our policyholders.

GOVERNMENT FINANCE PROSPECTS

The end of 1936 may prove to have been a specially favourable date for the valuation of our assets, for, on the one hand, industrial securities had probably felt by then the major effects of industrial recovery apart from any temporary top-knots due to actual boom conditions; while, at the same time, gilt-edged securities were still retaining the major part of their large gains. The subsequent disclosure of the Government's rearmament programme certainly seems to postpone for some time the prospect of an industrial recession, but the effect on the gilt-edged market has been severe; and an assurance society is, of course, much more largely interested in fixed-interest securities than in equities. Are we entitled to take a cheerful view?

I feel no doubt that the sums which the Chancellor of the Exchequer proposes to borrow are well within our capacity; particularly if as much of the expenditure as possible is directed to bringing into employment the unused resources of the special areas. Over a period of five years there should be no difficulty in finding the resources required. The sinking funds of public boards and local authorities in respect of past expenditure, the huge repayments which the building societies are now collecting as the new houses of recent years are cleared of indebtedness by their owners, the steady growth of deposits in the Post Office and trustee savings banks in times of good employment, the large sums which industry will be able to put to reserves out of its profits—these alone should amount to something like £400,000,000, not in five years, but in one year.

Thus it lies within the power of the Chancellor to get his money without producing conditions of inflation, but what will he have to pay for it? This, to my mind, is entirely a matter of management and how the task is handled. The calls to be made on the gilt-edged market are a reason for encouraging the supporters of that market, and this, with their past experience to guide them, is what I should expect the Treasury to do.

It is a popular error to suppose that the rate of interest to-day is exceptionally low. During the half-century preceding the war the average yield on consols was approximately 3 per cent. Even with the Treasury's requirements I see no justification in the years to come for a long-term rate of interest higher than 3 per cent., and, indeed, it should be lower.

The report and accounts were unanimously adopted.

SUN LIFE ASSURANCE SOCIETY

RECORD NEW BUSINESS

The general meeting of members of Sun Life Assurance Society was held, on the 23rd instant, in London, the Hon. Sir William Henry Goschen, K.B.E. (the chairman), presiding.

The Chairman, in the course of his speech, said: Our life assurance new business for last year was represented in round figures by 31,000 policies for over £20,700,000 of sums assured, which compares with 25,000 policies for £17,400,000 of sums assured completed in 1935.

The society has for many years shown steadily mounting new business totals, but an increase in sums assured of well over £3,000,000 surpasses all records, and there is, therefore, every reason to be fully satisfied with our progress, more especially as this record in new business has been accompanied by an appreciable fall in our expense ratio.

At £4,250,000 our premium income for 1936 was £329,000 ahead of that for 1935. Deducting the single premiums, the renewable premium income showed an increase of £365,000, the largest increase ever achieved by the society in any one year.

The usual valuation of our Stock Exchange securities was made as at December 31st last and disclosed market values appreciably in excess of the values at which they appear in the balance sheet. This excess provides a substantial buffer against the contingency of a formidable depreciation in future market values.

The funds of the society have increased in the year by £2,367,996 and amounted to £40,728,088 at December 31st last.

That concludes my review of the year's operations, and I now have pleasure in directing your attention to the results of the valuation, which discloses the surplus available for distribution and gives you the best measure by which to judge the extent of our success during the past four years.

VALUATION

The society had on its books as at December 31st last, in round figures, 255,000 policies for £140 millions of sums assured and bonuses, compared with 205,000 policies for £103 millions in force at the end of 1932. An increase in four years of 35 per cent. in the sums assured and bonuses is eloquent testimony to the vitality of this society's business in the one hundred and twenty-seventh year of its existence.

The bonuses allotted to participating policy-holders for the five years ending last December are at similar rates to those declared since 1926, and in these days of cheap money should prove very satisfactory to our with-profit policy-holders.

After making provision for the liabilities in respect of the bonuses now to be allotted and for all the liabilities in respect of the life assurance, annuity, sinking fund and accident funds, there remains a surplus carried forward unappropriated of £1,633,560.

At the last valuation, at December 31, 1932, a surplus of £2,319,822 was carried forward unappropriated, and a word of explanation is necessary to account for the apparent reduction. Owing to the prolonged period of cheap money, the directors have considered it desirable on this occasion to increase the stringency of the valuation basis by valuing the without-profit business and the bonuses at a rate of interest one-half per cent. less than that previously adopted. As a consequence, approximately £400,000 has been withdrawn from the unappropriated surplus to strengthen the valuation reserves.

The next valuation is due to be made as at December 31, 1941, and the directors have adopted the recommendation mentioned on page 9 of the report that interim bonuses be allotted to such with-profit assurances as may become claims or be surrendered before that date.

On page 10 of the report the share of the divisible profits apportioned to the proprietors is set out, and, while it would be rash in these troublous days to guarantee the dividends of the future, the directors hope, in the absence of unforeseen circumstances, to be able to declare during the ensuing five years half-yearly dividends, free of income tax, each of 2s. per share.

And what of the future? The expansion of our new business is accompanied by a reduced expense ratio, our interest yield is satisfactory and our mortality experience is favourable and improving. All these factors which contributed to the splendid results of the past four years still subsist in 1937, and I have, therefore, every justification for my confidence that, if it should be my privilege to present to you the results of the valuation as at December 31, 1941, they will be no less favourable than those which I have had the pleasure of submitting to you in respect of the valuation period just concluded.

The report and accounts were unanimously adopted.

ILLUSTRATED NEWSPAPERS, LIMITED

SUBSTANTIAL PROGRESS

MR WILLIAM GRAHAM'S SPEECH

The eleventh annual general meeting of Illustrated Newspapers, Limited, was held, on the 24th instant, at Southern House, London.

Mr William Graham, the chairman of the company, presided, and in moving the adoption of the report and accounts said that the profit upon publications and dividends from investments amounted to £175,884, as compared with £129,870 last year—an increase of £46,013. It was satisfactory to report so considerable a progress to prosperity, and he hoped shareholders would agree that it reflected credit on all the trading departments of the company. With the amount brought forward from last year of £67,192, there was left an available balance of £193,742, as compared with £164,842. The board had already paid out of those profits a full year's preference dividend, less tax, amounting to £96,862, and proposed to carry forward the balance of £96,879 to next year.

The accounts of the Illustrated London News and Sketch, Limited, for the period to November 30, 1936, showed profits on publications, dividends and investments, less interest payable, working and general charges, of £76,029, as against £73,836. That was an increase of £2,192, notwithstanding the fact that trading for the year 1935 was such as had caused the board considerable pride and gratification, reaping as it had the profits of the two wedding numbers recording the marriage of the Duke and Duchess of Kent and the marriage of the Duke and Duchess of Gloucester, and also the extensive revenue derived from the numbers recording the Jubilee of the late King George. During the year 1936, however, they had reaped considerable advantage from portraying the funeral of King George V.

CORONATION PUBLICATIONS

He was happy to say that during the short period of the current year the company showed a satisfactory increase over the same period of last year. This year should be an exceptionally favourable one for the company in view of the forthcoming Coronation and festivities connected therewith. Mr Bruce Ingram, the editor of the *Illustrated London News*, had produced a magnificent Coronation record number. Many thousands of copies had already been despatched to America, Canada and the other Dominions to satisfy orders already received, and the paper would be on sale to the public within a very few days. Their shipment to America and Canada was the biggest single shipment of newspapers ever recorded, and he was sure that when shareholders bought the paper, as all of them should, they would agree that it was one of the finest, if not the finest, production that had ever been produced from a newspaper office. It should result in a substantial profit.

They would also publish special double numbers on May 8th and May 15th for the *Illustrated London News* and *The Sphere*, and on May 19th *The Tatler*, *The Sketch* and *The Bystander*. The prospect for the preference shareholders this year was most favourable; the accounts showed a carry-forward of £96,879, and, in addition, they had in immediate sight the dividends from investments in the Illustrated London News and Sketch, Limited, amounting to £45,659, so that the preference dividend for the year was already considerably more than covered without any profits accruing from the general business of the company during this year.

The report and accounts having been unanimously adopted, The chairman gave a brief outline of the proposals in reference to an offer of 7s. per share likely to be made to the ordinary shareholders. Very shortly special meetings of this company would be called to consider proposals for alterations in the rights of the preference and ordinary shareholders, the passing of which was a condition precedent to the agreement for the sale of ordinary shares. Briefly, the preference shareholders would receive approximately one year's arrears of preference dividend in cash, but not out of this company's assets. They would be asked to agree to the amount of the cumulative preference dividend being reduced from 7 per cent. to 5½ per cent., against which they would be given a participation of an extra ½ per cent. upon distribution amongst the ordinary shareholders of 1 per cent., and a further ½ per cent. upon the distribution of another 1 per cent. to the ordinary shareholders. It was also proposed to distribute to the preference shareholders by cession from the ordinary shareholders two 5s. shares—into which the ordinary shares were to be converted for every five £1 preference shares held by them.

The proceedings terminated with a hearty vote of thanks to the chairman, directors and staff.

BOVRIL, LIMITED

A SATISFACTORY YEAR

Presiding at the fortieth annual general meeting of Bovril, Limited, held, on the 25th instant, in London, the Lord Luke, K.B.E. (chairman), said it was with pleasure that they met again and were able to present the shareholders with such a satisfactory report and set of accounts.

If they would turn to the "Profit and Loss Account," they would see that the "Gross Profit on Trading, less Advertising Expenses" was £361,948, an improvement on the previous year; whilst the "Dividends Commission Interest, etc.," at £41,391, was practically the same as in 1935.

The net profit for the year stood at £250,194, against £214,187 for 1935.

To this profit of £250,194 fell to be added the amount brought forward of £76,705, giving an available balance of £326,899.

PROBLEMS OF PASTORAL PIONEERS

Bovril had been doing pioneer work as pastoralists in Northern Australia for about 29 years, and in very unpromising country had gradually built up a large stock of cattle; in fact, their heavy mortality losses in the drought of 1936 suggest that they had overstocked their areas, though they happened to be much larger than the Principality of Wales.

After this spell of drought it was indeed pleasant to hear that it started raining on Victoria Downs Station on Christmas Eve, and since then over 38 inches of rain had fallen.

He read in *The Times* recently that £17 millions had been spent on Northern Territory without achieving any success whatever. He could assure them that none of that money seemed to have reached the "drudges of North Australia," that is to say, the hard-working pastoralists who had been endeavouring since the beginning of the century to make useful these vast areas by raising cattle. That, he feared, was the only possible way of utilising them, unless, some day, mining brought together a well-off population which could bring prosperity to that empty land and also incidentally provide local consumers for beef.

SIR JAMES CRICHTON-BROWNE ON NATIONAL FITNESS

Sir James Crichton-Browne, seconding the adoption of the report which had been submitted to the shareholders, said that he felt that he need add nothing to what Lord Luke had said in recommending it to their approval.

He would say, however, that he thought the annual meeting ought to afford them a double satisfaction. They had reason to feel satisfied with the financial situation which Lord Luke had explained with his usual lucidity, and they had reason to feel satisfied with the part which Bovril had played in the epidemic of influenza which had recently visited this country and which, indeed, was still continuing. It had been said that the disease was of a mild type, but those who had had a dose of it didn't think so, and whether mild or not it left a trail of debility behind it.

FIGHTING INFLUENZA

There was no cure for influenza, and the only effectual way of dealing with it was to resist its invasion, to be able to say to it when it reached the nostrils and lips, "Thus far but no further," and it was by fortifying the system against attack that Bovril was so valuable when influenza was prowling about.

It seemed highly probable that the essential cause of influenza had been detected, in a virus or poison so infinitely minute that it could pass through a porcelain filter, but even should this identification be confirmed mankind would be no nearer the direct control of a disease so subtle and so widely diffused. The best policy would still be to keep it at bay, by the vital antagonism of a well-nourished body and of a calm and defiant mind.

It was by its power of augmenting this vital antagonism that Bovril was so helpful not only against influenza but against other maladies. It contributed to that national fitness of which so much had been heard of late. Bovril was a body builder, for not only was it itself a food, but it promoted the assimilation of other foods, and he might say that recent researches had proved incontestably by experiments, not on white rats, but on human beings, that Bovril had an altogether singular power of increasing the gastric secretions and so of stimulating digestion, assimilation and nutrition generally.

The report and accounts were carried.

SAN FRANCISCO MINES OF MEXICO, LIMITED

INCREASED PROFIT—DIFFICULT LABOUR CONDITIONS

The twenty-fourth ordinary general meeting of this Company was held, on the 24th instant, in London, the Rt. Hon. the Earl of Denbigh, G.C.V.O. (chairman of the company), presiding.

The Chairman, in the course of his remarks, said:—Operations were suspended for one month by the strike of the workmen to which I referred last year. In the remaining 11 months a record tonnage of 519,310 tons was treated.

The total revenue of the company increased by £176,804, part of this being due to the higher metal prices and part to the larger tonnage. On the other hand, wage rates were higher and the cost of production rose accordingly. On balance the net operating profit per ton showed a satisfactory increase. The end result is an operating profit for the 11 working months of £224,322. The strike cost £19,756, and the operating profit for the year was thus reduced to £204,566. A profit of £85,026 remains to be carried to the balance sheet. Your directors recommend a dividend of 9d. per share which, together with the directors' additional remuneration in respect thereof, will absorb £77,049.

Our active development programme continues. Development at our original property continues to be encouraging, and we do not yet know what tonnage of ore it will finally yield—although we believe it to be large.

In accordance with our usual practice the ore reserves were recalculated at the end of the year. After replacing 519,310 tons milled, there is a net increase of 51,940 tons. The fully blocked and partly blocked ore reserves are now nearly 2,750,000 tons, or about five years' milling at our present rate.

BURDEN OF INCREASED WAGES

During the year under review we conceded two further increases in wages and other benefits to the workmen at the mine. At the present moment a fresh collective contract is in negotiation, which will certainly involve the payment of still higher wages. Luckily the sharp upward movement in the price of metals has so far enabled us to shoulder these burdens. But if one day prices fall, then the increased cost of wages will naturally mean that operations will become unremunerative at an earlier date and will cease sooner than they otherwise would have done.

Labour conditions are being changed too frequently. No sooner is one collective contract signed, sealed and delivered than another comes into view. It is, in any case, a complicated and delicate business to manage the affairs of a company which has to find, develop, mine and treat a complex ore and sell its products in the world markets; but it adds tremendously to the difficulties of those in charge if they never know what the wages scales will be from one day to the next.

We are not only willing but anxious to pay reasonable and proper wages. But we do now ask for a period of peace, which will enable us to adapt ourselves to the already drastically changed conditions, and which will give us some encouragement for the investment or reinvestment of the further sums which may be required from time to time. Wages scales are now likely to be more than 80 per cent. above the level of 1934. We hope, therefore, that the Mexican Government and the Mexican Labour Unions will allow the collective contract which is now being negotiated to work out its period undisturbed.

THE OUTLOOK

I expect you would like me to say something about the prospects. The operating profit for the first quarter was \$384,000, as compared with \$269,000 for the preceding quarter. Owing to the increase in metal prices, current operating profits are at an even higher level. There is some prospect that world production of zinc and possibly of lead will increase substantially in a couple of years or so, but it is hoped that consumption will keep pace. Meanwhile the immediate statistical position of both metals is excellent. This has led to heavy speculation, which no doubt accounts for some of the recent rapid advance in prices, especially in zinc. Under these conditions it is hard to say what the next move will be; but it is fairly certain that the average prices which will be obtained by your company for the current financial year will be substantially higher than the figures for the last financial year which I gave at the beginning of my speech. In short, if there is no major setback in metal prices, and if conditions continue as at present in Mexico, the outlook for the current year is good.

The report and accounts were unanimously adopted and a dividend of 9d. per share was approved.

MID-SOUTHERN UTILITY COMPANY

SUBSTANTIAL PROGRESS

The annual meeting of the proprietors of the Mid-Southern Utility Company was held on the 25th instant, at Farnborough.

Mr R. W. Edwards, who presided, said: The Electricity department continued satisfactorily to extend its sales and, as anticipated, the low tariffs for purposes other than lighting led to an increased use in the various apparatus, offered on attractive terms. The nett increase in sales, compared with 1935 (excluding consumptions on our various works and subsidiary undertakings) represented 39.5 per cent. Appliances added during the year increased the load by 19,819 kw., compared with 7,079 the previous year.

The sale of gas for the year showed an increase (excluding consumptions on our works and for public lighting) of 3.4 per cent. It should be pointed out that a large number of cookers have been replaced by modern apparatus, thereby substantially reducing the consumption. The climatic conditions prevailing in 1936 were, on the average, of a similar order to 1935, the nett average night temperature being 42.3 degrees, compared with 42.9. The following apparatus were added during the year: Cookers, 2,735; fires, 671; water heaters, 848. The amount recovered from residuals was better than in 1935, and represented 59.5 per cent. of the cost of coal, compared with 46.6.

The Water department has been satisfactory, and the various plants, reservoirs, and underground works have been well maintained. The reconstruction of No. 1 Pumping Station was completed during the year, and the station is now in commission. The total rainfall recorded by us for the year was 31.26 inches, compared with 34.3 in 1935.

For the three undertakings the amount of authorised capital is £1,926,367 14s. 2d. Of this there has been received £1,740,753 os. 2d. The nett expenditure is £1,568,696 12s. Over the past year, deducting depreciation of £31,942 14s., the capital expended was £118,834 13s. 1d. During the year we added in all departments (including subsidiary undertakings) 10,448 consumers—making a net increase of 47,848 in thirteen years.

The report and accounts were adopted.

PETER WALKER (WARRINGTON) AND ROBERT CAIN AND SONS, LIMITED

A YEAR OF FURTHER PROGRESS

At the fifteenth ordinary annual general meeting of Peter Walker (Warrington) and Robert Cain & Sons, Limited, held, on the 25th instant, in London, the Chairman, the Rt. Hon. Lord Brocket, reported a year of steady progress in the business, which had been helped by the effects of the revival in trade in Lancashire and district. Better prices and higher wages were improving the staple industry—cotton. Re-armament and the "Scrap and Build" policy had revitalised engineering and shipbuilding, but there was still very considerable unemployment in Liverpool.

During the year output had been increased, and it was again necessary to extend the bottling plant.

A reminder was given of the disastrous effects of the 1931 Budget, when the policy of over-taxation defeated its own object by reducing the consumption to such an extent that even now, after several years of recovery, the standard barrelage of the whole country was 12½ per cent. less than in 1930.

The policy of rebuilding and modernising houses had been continued, and licensing magistrates were realising the advantages of allowing progressive brewery companies to improve and rebuild their houses to the mutual good of all concerned.

The principal change in the balance sheet was the increase in liquid assets by some £124,000, against the increase in creditors by £18,000. During the year £10,500 nominal of 4½ per cent. debenture stock had been redeemed by operation of the sinking fund.

The combined profit of the company and its subsidiary was approximately £50,000 more than in the previous year. After making provision for debenture interest, preference dividend and debenture stock sinking fund (£10,927; in previous year, nil); the available balance was £229,299, out of which a dividend of 6 per cent. was declared, absorbing £136,200, £60,000 was allocated to general reserve, £21,000 to improvements reserve, £10,000 to staff superannuation fund, and the carry-forward was increased by £2,099 to £84,538.

The report and accounts were adopted.

The subsequent extraordinary general meeting approved the conversion of the issued share capital into stock units of £1 each.

GOVERNMENT RETURNS, &c.

NATIONAL ACCOUNTS

The total ordinary revenue for the week ended February 20, 1937, amounted to £31,147,000, against ordinary expenditure of £16,472,000. After allowing for a decrease in Exchequer Balances of £327,057, the operations for the week, as shown below, decreased the gross National Debt by £15,003,000, to approximately £7,933 millions.†

(000's omitted)	
Public Department Advances...	£ 3,270
2½% Funding Loan	39
Treasury Bills	17,549
National Savings Certificates...	50
Treasury Bonds	340
Other debt (War Loan Acts)...	200
British Shipping (Assistance)...	173
	+ 3,499
	18,312

† Including £375 millions on Account of Exchange Equalisation Fund and Borrowing for Statutory Sinking Fund.

A complete analysis of the approximate position of the National Debt at December 31, 1936, appeared in *The Economist* for January 2, 1937.

REVENUE	Estimate for the year 1936-37	Total Receipts into the Exchequer from			
		April 1, 1935, to Feb. 22, 1936	April 1, 1936, to Feb. 20, 1937	Week ended Feb. 22, 1936	Week ended Feb. 20, 1937
ORDINARY REVENUE					
Inland Revenue—					
Income Tax	259,000,000	193,321,000	202,973,000	13,147,000	17,256,000
Sur-tax	56,500,000	35,810,000	36,550,000	2,550,000	2,570,000
Estate, etc., Duties	89,000,000	77,700,000	76,350,000	2,050,000	1,570,000
Stamps	27,000,000	18,850,000	22,230,000	300,000	210,000
Excess Profits Duty and Corporation Profits Tax	750,000	500,000	500,000	500,000	500,000
Land Tax and Mineral Rights Duty	750,000	580,000	510,000	70,000	80,000
Total Inland Revenue	433,000,000	326,761,000	339,113,000	18,617,000	22,186,000
Customs and Excise—					
Customs	207,525,000	175,787,000	186,313,000	3,580,000	3,310,000
Excise	110,000,000	98,700,000	100,800,000	4,800,000	5,300,000
Total Customs and Excise	317,525,000	274,487,000	287,113,000	8,380,000	8,610,000
Motor Vehicle Duties (Exchequer Share)	5,000,000	4,830,000	5,412,000	Dr. 150,000	...
Post Office (Net Receipts) ...	11,256,000	15,400,000	14,700,000	50,000	350,000
Crown Lands	1,350,000	1,230,000	1,240,000	...	...
Receipts from Sundry Loans	5,000,000	4,845,521	4,480,768	...	...
Miscellaneous Receipts	25,250,000	17,111,763	16,631,960	10,432	688
Total Ordinary Revenue ...	798,381,000	644,665,284	668,690,728	28,907,432	31,146,688
SELF-BALANCING REVENUE					
Post Office	69,344,000	56,500,000	61,100,000	1,600,000	1,400,000
Motor Vehicle Duties apportioned to Road Fund	26,500,000	25,129,000	26,706,000	150,000	...
Total Self-balancing Revenue	95,844,000	81,629,000	87,806,000	1,750,000	1,400,000
Total	...	726,294,284	756,496,728	28,657,432	32,546,688

EXPENDITURE	Estimate for the year 1936-37	Total Issues out of the Exchequer to meet Payments from			
		April 1, 1935, to Feb. 22, 1936	April 1, 1936, to Feb. 20, 1937	Week ended Feb. 22, 1936	Week ended Feb. 20, 1937
ORDINARY EXPENDITURE					
Interest and Management of National Debt	224,000,000	199,483,717	199,780,981	198,781	494,663
Payments to Northern Ireland	7,500,000	4,915,047	5,827,924	...	...
Exchequer	3,200,000	2,950,857	2,820,907	53,783	276,883
Other Consolidated Fund Services	600,000	1,126,817	420,529	...	...
Post Office Fund	...	...	...	...	...
Total	235,300,000	208,476,438	208,850,341	252,564	771,546
Total Supply Services (excluding Post Office)...	576,263,000	444,903,400	484,366,929	15,460,001	15,700,000
Total Ordinary Expenditure†	811,563,000	653,379,838	693,217,270	15,712,565	16,471,546
New Sinking Fund (1928) (Finance Acts, 1928 and 1936)	...	7,336,935	7,371,236	215,000	...
Total (excluding Self-Balancing Expenditure)	811,563,000	660,716,773	700,588,506	15,927,565	16,471,546
SELF-BALANCING EXPENDITURE					
Post Office	69,344,000	56,500,000	61,100,000	1,600,000	1,400,000
Road Fund	26,500,000	25,129,000	26,706,000	150,000	...
Total Self-balancing Expenditure	95,844,000	81,629,000	87,806,000	1,750,000	1,400,000
Total	...	742,345,773	788,394,506	17,677,565	17,871,546

† Estimated Expenditure as per Financial Statement (H.C. 77)... 797,897,000
Add:—
Supplementary Estimates

39,286,000
Less:—Provision made in the Budget

25,600,000
13,668,000
811,563,000

The aggregate revenue from April 1, 1936, to February 20, 1937, is shown below:—

(000's omitted)	
Expenditure	693,217
Revenue	668,691
Decrease in balances	95
Gross borrowing	£31,802
Less: New Sinking Fund* ...	7,371
Net borrowing	24,431
	693,217
	693,217

* Authority will be sought in the Finance Bill to meet the Statutory Sinking Funds in 1936 by borrowing.

POSITION OF THE FLOATING DEBT

Ways and Means Advances Outstanding: £	Movement			
	Feb. 22, '36	Mar. 31, '36	Feb. 20, '37	Feb. 20, '37
Advances by Bank of England	£	£	£	£
Advances by Public Department	27,915,000	19,055,000	35,790,000	+ 3,270,000
Treasury Bills outstanding	783,105,000	763,115,000	688,925,000*	—17,550,000
Total Floating Debt	811,020,000	782,170,000	724,715,000	—14,280,000

* Includes £2,000, the proceeds of which were not carried to the Exchequer within the period of the Account.

TREASURY BILLS BY PUBLIC TENDER

Tenders for £40,000,000 Treasury bills were opened on February 19, 1937. The amount applied for was £73,690,000. Tenders were accepted for Treasury bills at three months dated Monday at £99 17s. 2d., about 20 per cent. and above in full; Tuesday at £99 17s. 3d., and above in full; Wednesday to Saturday at £99 17s. 2d., about 20 per cent. and above in full. The average rate per cent. was 11s. 3.65d. The amount allotted was £40,000,000.

Date	Amount Offered	Total Applications	Amount Allotted	Average Rate %
January 4, 1935	30,000,000	49,550,000	27,500,000	£ s. d. 0 6 1.64
July 5, 1935	40,000,000	80,905,000	40,000,000	0 12 4.82
January 3, 1936	35,000,000	68,075,000	35,000,000	0 10 10.72
January 3, 1936	50,000,000	72,750,000	50,000,000	0 12 1.27
July 3, 1936	40,000,000	75,450,000	40,000,000	0 12 5.68
January 1, 1937	35,000,000	69,070,000	35,000,000	0 10 4.70
February 12, 1937	40,000,000	73,690,000	40,000,000	0 11 3.65

NATIONAL SAVINGS CERTIFICATES

Total Sales of Savings Certificates	No. of Certificates	Value
Week ended January 30, 1937	705,995	£ 599,497
Week ended February 6, 1937	808,227	606,170
February, 1936, to February 6, 1937	1,284,449,540	1,009,774,943

At the end of December, 1936, the amount remaining to the credit of investors in Savings Certificates, excluding interest, was £390,101,507.

THE BANKERS' GAZETTE

BANK OF ENGLAND RETURN FOR WEEK ENDED WEDNESDAY, FEBRUARY 24, 1937 ISSUE DEPARTMENT

£		£	
Notes Issued:—		Government Debt	11,015,100
In Circulation	455,067,116	Other Government Securities	186,579,039
In Banking Department	58,593,545	Other Securities	2,383,129
		Silver Coin	12,732
		Amount of Fiduciary Issue	200,000,000
		Gold Coin and Bullion	313,660,661
			513,660,661

INSURANCE ?

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BANKING DEPARTMENT

Proprietors' Capital	£ 14,553,000	Government Securities	£ 85,043,044
Rest	3,678,616	Other Securities	—
Public Deposits	12,970,954	Discounts and Advances	£ 4,914,419
Other Deposits	—	Securities	£ 20,273,404
Bankers'	£ 100,419,121	Notes	25,187,823
Other Accounts	£ 37,875,880	Gold and Silver Coin	673,159
	138,295,001		169,497,571

* Including Exchequer, Savings Banks, Commissioners of National Debt, and Dividend Accounts.

Both Departments	Amount, Feb. 24, 1937	Inc. or Dec. on Last Week	Inc. or Dec. on Last Year
Note circulation	455,067,116	+ 1,729,861	+ 55,185,617
Public deposits	12,970,954	+ 11,422,703	+ 4,147,620
Bankers' deposits	100,419,121	+ 9,867,930	+ 5,770,300
Other deposits	37,875,880	+ 1,218,547	+ 2,418,685
Total outside liabilities	606,333,071	+ 1,393,435	+ 55,981,622
Capital and rest	18,231,616	+ 20,900	+ 5,460
Government debt and securities	282,637,183	+ 1,619,279	+ 56,237,025
Discounts and advances	4,914,419	+ 552,954	+ 6,084,128
Other securities	22,666,533	+ 184,120	+ 6,391,382
Silver coin in issue department	12,732	+ 3,231	+ 1,071,214
Coin and bullion (bank's reserves)	314,333,820	+ 160,659	+ 112,977,147
Reserves of notes and coin in banking department	59,266,704	+ 1,569,002	+ 2,208,470
Proportion of reserve to outside liabilities—			
(a) Banking Department only ("proportion")	39.2%	+ 1.0%	+ 1.6%
(b) Gold stocks to deposits and notes ("reserve ratio")	51.8%	+ 0.1%	+ 15.2%

(000's omitted)

Date	Issue Department		Banking Department			Gold In or out of Bank	Bank Rate
	Notes Issued	Circulation	Public Deposits	Bankers' Deposits	Other Deposits		
1937	£	£	£	£	£	£	%
Feb. 8	513,661	457,311	12,214	96,106	38,274	Nil	2 1/2
" 10	513,661	454,994	11,696	99,157	37,345	Nil	2 1/2
" 17	513,661	453,337	24,394	90,551	36,657	Nil	2 1/2
" 24	513,661	455,067	12,971	100,419	37,876	Nil	2 1/2

(000's omitted)

Date	Govt. Debt and Securities	Other Securities	Gold Coin and Bullion and Reserve Ratio	Govt. Securities	Discounts & Advances	Other Securities	Reserve and the "Proportion"
1937							
Feb. 3	198,895	1,091	314,167	52 1/2	80,449	8,521	18,928
" 10	198,895	1,039	314,112	52 1/2	81,230	8,509	19,517
" 17	197,890	2,101	314,173	51 1/2	83,128	5,467	20,382
" 24	197,594	2,393	314,334	51 1/2	85,043	4,914	20,273

BANKERS' CLEARING RETURNS

LONDON

(000's omitted)

	Town	Metropolitan	Country	Total
1937				
January 1 to February 10 ...	4,498,950	272,370	474,001	5,245,321
Week ended February 17 ...	694,143	39,128	68,306	801,577
Week ended February 24 ...	824,346	39,593	64,726	928,125
Total to date, 1937	6,017,439	350,551	607,033	6,975,023
Total to date, 1936	5,047,090	322,474	547,025	5,916,589
Increase or decrease in 1937	+ 970,349	+ 28,077	+ 60,008	+ 1,058,434
Increase or decrease in 1936	+ 19.2%	+ 8.7%	+ 11.0%	+ 17.9%
Total for year 1936	35,039,356	2,039,620	3,537,598	40,616,574
Total for year 1935	32,443,575	1,887,112	3,229,064	37,559,751
Increase or decrease in 1936	+ 2,595,781	+ 152,508	+ 308,534	+ 3,056,823
Increase or decrease in 1935	+ 8.0%	+ 8.1%	+ 9.6%	+ 8.2%

PROVINCIAL

(000's omitted)

	Week ended February 20		Month of January			Aggregate Totals January 1 to February 20	
	1936	1937	1936	1937	Inc. or Dec.	1936	1937
No. of working days :			27	28	%	£	£
BIRMINGHAM	2,289	2,565	12,884	13,977	+ 8.4	21,677	23,908
BRADFORD	905	818	4,537	5,208	+ 14.7	7,701	8,432
BRISTOL	1,343	1,310	5,827	5,481	- 5.9	10,188	9,738
DUBLIN	6,075	6,001	—	—	—	45,477	46,165
HULL	816	1,071	3,932	4,333	+ 10.1	6,306	7,482
LEEDS	951	940	4,967	5,395	+ 8.6	7,992	8,692
LEICESTER	669	672	3,758	3,556	- 5.3	6,191	6,089
LIVERPOOL	6,629	7,253	27,746	32,803	+ 18.2	55,745	63,548
MANCHESTER	9,016	10,422	46,659	48,406	+ 3.7	80,274	84,422
NEWCASTLE	1,231	1,342	5,619	6,161	+ 9.8	9,954	10,779
NOTTINGHAM	640	439	2,510	2,502	- 0.3	4,532	4,263
SHEFFIELD	969	1,182	4,548	4,834	+ 6.2	8,054	8,795
	31,533	34,015	122,977	132,656	+ 7.8	257,512	273,910

OVERSEAS BANK RETURNS

NOTE.—The latest return of the Bank of Spain appeared in *The Economist* for August 15. Argentina in January 23. Denmark, Egypt, Portugal in February 6. International Settlements in February 13. Canada, Java, New Zealand, Norway, Reichsbank, Sweden and Switzerland, in February 20.

U.S. FEDERAL RESERVE BANKS.—In \$'s (000's omitted)

U.S.F.R. BANKS	Feb. 27, 1936	Feb. 4, 1937	Feb. 11, 1937	Feb. 18, 1937	Feb. 25, 1937
Gold Certificates on hand and due from the Treasury	7,670,230	8,848,390	8,848,380	8,847,880	8,847,380
Total reserves	8,032,890	9,150,180	9,138,210	9,144,250	9,129,480
Total cash reserves	348,260	289,040	277,080	284,440	270,620
Total bills discounted	6,930	2,800	2,580	3,040	4,110
Bills bought in open market	1,670	3,080	3,080	3,070	3,080
Total bills on hand	11,600	5,880	5,660	6,110	7,190
Total U.S. Govt. securities	31,770	23,650	23,580	23,230	23,350
Industrial advances	2,430,240	2,430,230	2,430,230	2,430,230	2,430,230
Total bills and securities	2,473,890	2,459,760	2,459,760	2,459,760	2,460,770
Total resources	11,159,590	12,305,890	12,270,680	12,463,940	12,385,100
LIABILITIES					
Federal Reserve notes in actual circulation	3,677,080	4,158,070	4,165,840	4,160,200	4,167,930
Aggregate of excess member bank reserves over requirements	3,060,000	2,150,000	2,180,000	2,190,000	2,100,000
Deposits—Member bank—reserve account	5,838,710	6,757,710	6,770,850	6,767,740	6,705,290
Government deposits	433,120	175,740	172,150	162,360	179,880
Total deposits	6,271,830	7,219,240	7,213,130	7,230,180	7,187,180
Capital paid in and surplus	302,630	305,360	305,280	305,290	305,290
Total liabilities	11,159,590	12,305,890	12,270,680	12,463,940	12,385,100
Ratio of total reserves to deposit and F.R. note liabilities combined	78.2%	80.4%	80.3%	80.3%	80.4%
U.S.F.R. BANKS AND TREASURY COMBINED					
Monetary Gold Stock	10,163,000	11,364,000	11,387,000	11,403,000	11,425,000
Treasury and National Bank Currency	2,502,000	2,531,000	2,531,000	2,530,000	2,532,000
LIABILITIES					
Money in Circulation	5,775,000	6,348,000	6,360,000	6,351,000	6,372,000
Treasury Cash and Deposits with Federal Reserve Banks	2,949,000	2,705,000	2,695,000	2,737,000	2,782,000

NEW YORK FEDERAL RESERVE BANK.—In \$'s

(000's omitted)

	Feb. 27, 1936	Feb. 4, 1937	Feb. 11, 1937	Feb. 18, 1937	Feb. 25, 1937
Total gold reserves	8,557,220	8,638,350	8,642,320	8,642,320	8,612,590
Total bills discounted	1,740	1,090	1,090	1,080	1,100
Bills bought in open market	734,380	652,280	652,280	652,280	652,280
Total U.S. Govt. securities	748,370	680,910	680,800	661,210	661,940
Total bills and securities	2,860,840	3,116,510	3,132,760	3,132,620	3,102,640
Deposits—Member bank—reserve account	2,860,840	3,116,510	3,132,760	3,132,620	3,102,640
Ratio of total res. to dep. and Federal Res. note liabilities combined	84.0%	86.6%	86.5%	86.5%	86.5%

AUSTRALIAN COMMONWEALTH BANK.

In £'s (000's omitted)

	Feb. 24, 1936	Jan. 25, 1937	Feb. 1, 1937	Feb. 8, 1937	Feb. 15, 1937	Feb. 22, 1937
Assets						
Gold and English sterling	15,994	16,011	16,011	16,011	16,011	16,011
Other coin, bullion and cash	6,024	6,053	5,782	6,082	6,173	6,125
Money at short call—London	13,245	18,838	18,990	19,211	21,969	22,680
Short-term loans	6,552	11,353	10,874	9,403	8,822	8,885
Securities	70,877	76,550	76,550	76,549	76,811	76,811
Discounts and advances	7,491	9,072	9,230	9,118	8,766	8,908
LIABILITIES						
Notes issued	47,044	47,038	47,038	47,038	47,038	47,038
Reserve premium on gold	4,125	7,753	7,753	7,753	7,753	7,753
Deposits	69,679	75,817	75,206	74,079	76,132	76,509

SOUTH AFRICAN RESERVE BANK.—In £'s (000's omitted)

	Feb. 21, 1936	Feb. 5, 1937	Jan. 29, 1937	Feb. 5, 1937	Feb. 12, 1937	Feb. 19, 1937
Assets						
Gold coin and bullion	27,649	25,909	26,336	26,761	27,187	27,615
Bills discounted: Foreign	5,621	6,798	7,252	6,532	6,757	6,532
Investments	1,752	1,745	1,745	1,744	1,744	1,744
Other assets	14,772	12,623	13,147	13,808	13,761	13,769
LIABILITIES						
Notes in circulation	12,539	14,023	15,760	15,212	14,521	14,066
Deposits: Government	1,811	2,309	1,797	1,290	1,542	2,095
Bankers	32,229	23,819	23,770	26,459	27,647	26,350
Ratio of cash reserves to liabilities to public	56.5%	57.8%	57.6%	57.1%	57.7%	59.1%

RESERVE BANK OF INDIA.—In Rupees (000's omitted)

	Feb. 21, 1936	Feb. 5, 1937	Jan. 29, 1937	Feb. 5, 1937	Feb. 12, 1937	Feb. 19, 1937
Assets						
Gold coin and bullion	44,42,17	44,42,17	44,42,17	44,42,17	44,42,17	44,42,17
Rupee coin	58,28,95	62,39,88	62,02,84	62,02,84	62,02,84	62,02,84
Balance abroad	19,89,07	20,35,56	21,04,60	21,04,60	21,04,60	21,04,60
Sterling securities	67,31,87	75,31,02	77,30,98	77,30,98	77,30,98	77,30,98
Indian Govt. rupee securities	24,41,53	24,37,40	24,37,40	24,37,40	24,37,40	24,37,40
Investments	5,13,24	7,73,78	7,73,78	7,73,78	7,73,78	7,73,78
LIABILITIES						
Note circulation	1,68,70,31	1,96,56,15	1,97,43,99	1,97,43,99	1,97,43,99	1,97,43,99
Deposits: Government	6,59,40	11,30,41	10,77,78	10,77,78	10,77,78	10,77,78
Bankers	35,50,62	15,68,35	17,75,85	17,75,85	17,75,85	17,75,85
Ratio of gold and sterling to liabilities	57.5%	58.0%	58.5%	58.5%	58.5%	58.5%

* Held against notes.

NATIONAL BANK OF BELGIUM.—In belgas (000's omitted)

	Feb. 20, 1936	Jan. 21, 1937	Jan. 28, 1937	Feb. 4, 1937	Feb. 11, 1937	Feb. 18, 1937
Assets						
Gold	3,370,221	3,689,022	3,688,980	3,683,699	3,683,699	3,687,282
Silver and other coin	66,326	36,434	37,502	35,313	34,749	35,046
Securities	1,210,859	1,364,573	1,369,593	1,359,589	1,355,861	1,352,555
Advances	80,352	53,257	53,001	40,127	32,546	33,140
LIABILITIES						
Notes in circulation	4,064,196	4,778,713	4,779,636	4,512,659	4,493,282	4,460,804
Deposits: Govt	22,566	60,727	62,689	62,705	62,705	62,705
Other	833,315	801,679	783,291	749,902	804,818	826,281

BANK OF FRANCE.—In francs* (000's omitted)

	Feb. 21, 1936	Jan. 29, 1937	Feb. 5, 1937	Feb. 12, 1937	Feb. 19, 1937
ASSETS					
Gold	65,437,494	57,358,742	57,358,742	57,358,742	57,358,742
Advances on Gold Coin	1,197,499	1,145,392	1,147,495	1,147,495	1,147,495
Commercial bills	9,532,519	10,186,872	9,615,412	9,446,023	9,494,164
Bills bought ahead	1,111,213	1,409,988	1,294,635	1,294,635	1,294,635
Advances on securities	3,860,577	4,668,914	4,870,488	4,583,199	4,474,725
Loans to State without interest: (a) general	3,200,000	3,200,000	3,200,000	3,200,000	3,200,000
(b) provisional	...	19,772,096	19,772,096	19,772,096	19,772,096
Negotiable Bonds, Sinking Fund Bonds, Other assets (excluding forward exch.)	5,707,677	5,639,771	5,639,771	5,639,771	5,639,771
LIABILITIES					
Notes in circulation	79,716,624	87,687,989	86,896,864	85,929,958	85,380,429
Public deposits	2,679,749	1,955,193	2,213,898	2,455,311	2,600,744
Private deposits	9,195,331	15,164,882	15,045,104	15,233,515	15,555,221
Other liabilities	2,827,849	2,649,100	2,790,783	2,734,580	2,661,730
Ratio of gold reserve to sight liabilities	71.2%	54.7%	55.0%	55.3%	55.4%

LONDON RATES OF EXCHANGE

I.—Spot Rates

(Range of the day's business)

London on	Par of Exch.	Feb. 19, 1937	Feb. 20, 1937	Feb. 21, 1937	Feb. 22, 1937	Feb. 23, 1937	Feb. 24, 1937	Feb. 25, 1937
New York, \$	14.861	14.891-892	14.891-892	14.891-892	14.891-892	14.891-892	14.891-892	14.891-892
Montreal, \$	4.861	4.891-892	4.891-892	4.891-892	4.891-892	4.891-892	4.891-892	4.891-892
Paris, Fr.	124.21	105-105	105-105	105-105	105-105	105-105	105-105	105-105
Brussels, Bel.	35.00(a)	29.02-04	29.00-04	29.00-03	29.01-04	29.01-04	29.00-03	29.00-03
Milan, L.	92.46	92-93	92-93	92-93	92-93	92-93	92-93	92-93
Zurich, Fr.	25.22	21-44-47	21-43-46	21-42-45	21-43-46	21-43-46	21-42-45	21-42-45
Athens, Dr.	375	540-555	540-555	540-555	540-555	540-555	540-555	540-555
He's'fors, M.	193.23	226-227	226-227	226-227	226-227	226-227	226-227	226-227
Madrid, Pt.	25.22	68-75(0)	68-75(0)	68-75(0)	68-75(0)	68-75(0)	68-75(0)	68-75(0)
Lisbon, Esc.	110	110-110	110-110	110-110	110-110	110-110	110-110	110-110
Amst'dm, Fl.	12.107	8-94-95	8-94-95	8-94-95	8-94-95	8-94-95	8-94-95	8-94-95
Berlin, Mk.	20.43	12-15-18	12-15-18	12-15-18	12-15-18	12-15-18	12-15-18	12-15-18

Registered	Par of Exch.	Feb. 19, 1937	Feb. 20, 1937	Feb. 21, 1937	Feb. 22, 1937	Feb. 23, 1937	Feb. 24, 1937	Feb. 25, 1937
Vienna, Sch.	34.58	481-531	481-531	481-531	481-531	481-531	481-531	481-531
Bu'pest, Pen.	27.82	161-16	161-16	161-16	161-16	161-16	161-16	161-16
Prague, Kc.	16.44	1401-1	1401-1	1401-1	1401-1	1401-1	1401-1	1401-1
Danzig, Gul.	25.00	252-263	252-263	252-263	252-263	252-263	252-263	252-263
Warsaw, Zl.	43.38	252-263	252-263	252-263	252-263	252-263	252-263	252-263
Riga, Lat.	25.22	242-252	242-252	242-252	242-252	242-252	242-252	242-252
Bucharest, Lei	813.8	660-680	660-680	660-680	660-680	660-680	660-680	660-680
Const'ple, Pst	1104	613-6	613-6	613-6	613-6	613-6	613-6	613-6
Belgrade, Din.	276.32	208-218	208-218	208-218	208-218	208-218	208-218	208-218
Kovno, Lit.	48.66	281-291	281-291	281-291	281-291	281-291	281-291	281-291
Sofia, Lev.	673.66	390-420	390-420	390-420	390-420	390-420	390-420	390-420
Tallinn, E. Kr.	18.159	172-182	172-182	172-182	172-182	172-182	172-182	172-182
Olo, Kr.	18.159	19-35-45	19-35-45	19-35-45	19-35-45	19-35-45	19-35-45	19-35-45
St'holm, Kr.	18.159	19-35-45	19-35-45	19-35-45	19-35-45	19-35-45	19-35-45	19-35-45
Co'p'gen, Kr.	18.159	22-35-45	22-35-45	22-35-45	22-35-45	22-35-45	22-35-45	22-35-45
Alex'ndria, Pst.	971	971-1	971-1	971-1	971-1	971-1	971-1	971-1
Br. India Rup	18d.	18d-1	18d-1	18d-1	18d-1	18d-1	18d-1	18d-1
Hong Kong, \$	124.58d.	141-15	141-15	141-15	141-15	141-15	141-15	141-15
Kobe, Yen.	24.58d.	141-15	141-15	141-15	141-15	141-15	141-15	141-15
Shanghai, \$	24.58d.	141-15	141-15	141-15	141-15	141-15	141-15	141-15
Singapore, \$	24.58d.	141-15	141-15	141-15	141-15	141-15	141-15	141-15
Batavia, F.	12.11	8-88-90	8-88-90	8-88-90	8-88-90	8-88-90	8-88-90	8-88-90
Rio, Mil.	15.89d.	3-3-1/2	3-3-1/2	3-3-1/2	3-3-1/2	3-3-1/2	3-3-1/2	3-3-1/2
B. Aires, \$	11.45	16-25-35	16-25-35	16-25-35	16-25-35	16-25-35	16-25-35	16-25-35
Valparaiso, \$	40	128e (l)	128e (l)	128e (l)	128e (l)	128e (l)	128e (l)	128e (l)
M'video, \$	51d.	261-27	261-27	261-27	261-27	261-27	261-27	261-27
Lima, Sol.	17-38	181-191	181-191	181-191	181-191	181-191	181-191	181-191
Mexico, Pes.	9-76	171-181	171-181	171-181	171-181	171-181	171-181	171-181
Manila, Pes.	124.66d.	241-1	241-1	241-1	241-1	241-1	241-1	241-1
Moscov, Rbls.	241m	241m	241m	241m	241m	241m	241m	241m
B'ngkok, Baht	121-82d.	22-221	22-221	22-221	22-221	22-221	22-221	22-221

Usance: T.T., except Alexandria (Sight); Rio de Janeiro, Lima, Valparaiso (90 days).
 * Sellers. † Pence per unit of local currency. ‡ Par 8-23 1/2 since dollar devaluation on February 1, 1934.
 § Par 197-10 1/2 since koruna devaluation on February 17, 1934.
 (a) Prior to devaluation on April 2, 1935. (b) Official Rate. (c) Per cent. discount.
 (d) Latest "export" rate. (e) Official rate is 4 1/2 sellers. (f) Official rate is 4 1/2 sellers. (g) Official rate is 4 1/2 sellers.
 (h) Average remittance rate for importers. (i) Rate for payments to the Bank of England. (j) Rate for payments to the Bank of England. (k) Rate for payments to the Bank of England. (l) Rate for payments to the Bank of England. (m) Approximate. Dealings in Roubles at 4 1/2 French francs to 1 Rouble.

II.—Forward Rates

(Closing quotations)

London on	Par of Exch.	Feb. 19, 1937	Feb. 20, 1937	Feb. 21, 1937	Feb. 22, 1937	Feb. 23, 1937	Feb. 24, 1937	Feb. 25, 1937
New York, cent.	1 Month	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2
Paris, frs.	1 Month	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2
Amsterdam, cent.	1 Month	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2
Brussels, cent.	1 Month	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2
Geneva, cent.	1 Month	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2

(p) Premium, i.e. "under spot."

(d) Discount, i.e. "over spot."

NEW YORK MONEY AND EXCHANGE RATES

The Irving Trust Company cables the following money and exchange rates in New York:—

	Feb. 26, 1936	Jan. 27, 1937	Feb. 3, 1937	Feb. 10, 1937	Feb. 17, 1937	Feb. 24, 1937
Call money	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2
Time money (90 days) mixed coll.	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2
Bank acceptances:—						
Members—eligible, 90 days	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2
Non-mem.—eligible, 90 days	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2
Commercial accept., 90 days	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2

Rates of Exchange, New York on—	Par Level	Feb. 26, 1936	Feb. 10, 1937	Feb. 17, 1937	Feb. 24, 1937
London—					
60 days					
Cable					
Cheques					
Paris—					
Brussels—					
Switzerland—					
Italy—					
Berlin—					
Vienna—					
Madrid—					
Amsterdam—					
Copenhagen—					
Stockholm—					
Oslo—					
Athens—					
Montreal—					
Yokohama—					
Shanghai—					
Batavia—					
Rio de Janeiro—					

THE BANK OF LONDON AND SOUTH AMERICA, LTD., has received telegraphic advice from the Valencia Branch that the gold surcharge for payment of Spanish customs duties has been fixed for the period February 21st to 28th at 143-69 per cent. The previous rate was fixed from February 11th at 143-63 per cent.

Overseas Bank Rates and Exchange Rates for South Africa, Central and South America and Australasia were given in the issue of February 6th on page 333.

GOLD AND SILVER

The following statistics of imports and exports of gold and silver for the week ended February 25, 1937, are issued by the Statistical Department of H.M. Customs and Excise.

IMPORTS AND EXPORTS OF GOLD (Into and from United Kingdom)

Imports	Exports
From	To
Bullion*	Bullion*
Coin†	Coin†
British W. Africa...	Palestine
British S. Africa...	British India
Tanganyika...	Germany
Kenya...	Netherlands
Anglo-Egyptian...	Syria
Sudan...	Switzerland
British India...	Jugoslavia
Australia...	Morocco
New Zealand...	U.S.A.
Germany...	Other countries
Netherlands...	
France...	
Switzerland...	
Liberia...	
Venezuela...	
Other countries...	
Totals	Totals

IMPORTS AND EXPORTS OF SILVER

Imports	Exports
From	To
Bullion*	Bullion*
Coin†	Coin†
Irish Free State...	Anglo-Egyptian
New Zealand...	Sudan
Germany...	Aden and Dependencies
Netherlands...	British India
France...	Sweden
Manchuria...	France
Japan...	Switzerland
Other countries...	Austria
	U.S.A.
	Other countries
Totals	Totals

* At current market value. † Coin which is of legal tender in the United Kingdom is entered at face value and shown in italics. Other coin is entered at current market value.

GOLD MOVEMENTS: BANK OF ENGLAND

1937	1937
ARRIVALS	WITHDRAWALS
Feb. 19	Feb. 19
" 20	" 20
" 21	" 21
" 22	" 22
" 23	" 23
" 24	" 24
" 25	" 25
Total	Total

Movement, February 19 to February 25, 1937 (inclusive) ... £113,999,527 in
 Movement during year 1936 ... £113,999,527 in
 Movement during 1937 (January 1 to February 25, inclusive) ... £154,566,724 in
 Movement, April 29, 1925, to February 25, 1937 (inclusive) ... £176,972,176 in
 Movement, September 21, 1931 (gold standard suspended) to February 25, 1937 (inclusive)

GOLD MARKET

Messrs. Samuel Montagu and Company write on February 24, 1937:—
 The Bank of England gold reserve against notes amounted to £313,660,661 on February 17, 1937, showing no change as compared with February 10th.

In the open market the amount of bar gold disposed of at the daily fixing was about £2,700,000, most of which was taken for shipment to New York. There was very little movement in prices, which continued to show a small premium over dollar parity at the time of fixing. The s.s. "Viceroy of India," which sailed from Bombay on February 20th, carries gold to the value of about £255,000.

SILVER MARKET

The market has continued to show a very steady tone and during the week under review the cash quotation varied only between 20 1/2 d. and 20 3/4 d., whilst that for forward remained unchanged at 20 1/2 d. There have been no new features; America has given support and the Indian Bazaars have made forward purchases, buying off-set by further sales to liquidate holdings and small sales on China account. Neither buyers nor sellers have been disposed to press, orders being so limited as to price as to render the market narrow. Quiet conditions are expected to prevail pending the announcement of the Indian Budget, which is to be made on February 27th.

Quotations for gold and silver are shown below:—

1937	Price of Gold per Fine Ounce	Equivalent Value of £ sterling	Price of Bar Silver in London per ounce standard	Price of Silver New York per ounce .999 fine
			Cash	Two Months
Feb. 18	142 1/2	11 11-50	20 1/2	20 1/2
" 19	142 1/2	11 11-50	20 1/2	20 1/2
" 20	142 1/2	11 11-50	20 1/2	20 1/2
" 21	142 1/2	11 11-50	20 1/2	20 1/2
" 22	142 1/2	11 11-50	20 1/2	20 1/2
" 23	142 1/2	11 11-50	20 1/2	20 1/2
" 24	142 1/2	11 11-50	20 1/2	20 1/2
Average	142 1/2	11 11-50	20 1/2	20 1/2
Feb. 25	142 1/2	11 11-50	20 1/2	20 1/2

The highest rate of exchange on New York recorded during the period from February 18 to 24, 1937, was \$4.89 1/2, and the lowest \$4.88 1/2.

OTHER STATISTICS

WEEKLY TRAFFIC RETURNS

RAILWAYS OF GREAT BRITAIN AND IRELAND

(b) Week ended Feb. 19, 1937.	(c) Week ended Feb. 20, 1937.	Miles Open	Gross Receipts, week ended Feb. 21, 1937 (£'000)	Aggregate Gross Receipts, compared with 1936 (7 weeks) (£'000)
			Passenger, etc.	Passenger, etc.
			Merchandise, etc.	Merchandise, etc.
			Coal and Coke	Coal and Coke
			Total Goods	Total Goods
			Total Receipts	Total Receipts
Great Western	1937	3,746	158	198
(c) L. & N.	1937	3,746	158	198
Eastern	1937	3,746	158	198
L. M. & Scottish	1937	3,746	158	198
Southern	1937	3,746	158	198
Total	1937	19,146	1,062	1,077
(b) Belfast & Co. Down	1937	80	1-6	1-6
(b) Great Northern	1937	543	6-9	6-9
(b) Great Southern	1937	543	7-3	7-3

COMPARISONS WITH CORRESPONDING PERIODS, 1935 and 1936 (000's omitted)

	Great Western	L.M.S.	L.N.E.R.	Southern
First half-year 1936, compared with first half-year 1935:				
Gross increase or decrease	+ 263	+ 937	+ 534	+ 85
Second half-year 1936, compared with second half-year 1935:				
Gross increase or decrease	+ 491	+ 1,575	+ 751	+ 378
First half-year 1937, compared with first half-year 1936:				
7 weeks to February 20, 1937	+ 54	+ 125	- 24	+ 20
Weekly average first half 1937	+ 7 1/2	+ 17 1/2	- 3 1/2	+ 2 1/2
Latest week 1937 compared with 1936	+ 20	+ 40	+ 14	+ 8

SUMMARY OF COMPANY PROFIT AND LOSS ACCOUNTS

Company	Year Ending	Balance from Last Account	Net Profit After Payment of Deben- ture Interest	Amount Available for Distri- bution	Appropriation					Corresponding Period Last Year	
					Dividend			Carried to Reserve, Deprecia- tion, etc.	Balance Forward	Net Profit	Divi- dend
					Prefce.	Ordinary					
					Amount	Amount	Rate				
Banks		£	£	£	£	£	%	£	£	£	%
British Linen Bank	Jan. 15	82,858	293,388	376,246	...	152,500	16	125,000	98,746	289,963	16
Breweries											
Octagon Brewery	Dec. 31	12,061	17,217	29,278	2,000	8,400	12	5,600	13,278	14,562	20 (d)
Canals and Docks											
Milford Docks	Dec. 31	194	5,406	5,600	...	5,519	1	...	81	6,627	1½
Seaham Harbour Dock ...	Dec. 31	32,012	44,627	76,639	11,125	11,250	5	21,000	33,264	48,157	5
Electric Lighting, etc.											
Midland Counties Electric...	Dec. 31	7,864	303,284	311,148	91,500	183,000	8	25,000	11,648	301,599	7½
Northampton Electric	Dec. 31	15,031	187,954	202,985	2,625	85,687	10	96,228	18,445	176,924	10
Financial, Land, etc.											
Anglo-French Exploration...	Dec. 31	36,850	132,715	169,565	...	78,750	10	41,949	48,866	93,796	10
Artizans' and Gen. Dwellings	Dec. 31	50,026	188,484	238,510	40,508	93,868	7	52,789	51,345	171,323	7
Exploration Co.	Dec. 31	2,804	2,164	4,968	...	...	...	...	4,968	466	Nil
Nat. Mtge. &c. of N. Zealand	Sept. 30	15,615	21,142	36,757	...	21,348	6½	...	15,409	17,401	5½
Gas											
East Surrey Gas	Dec. 31	5,501	19,162	24,663	10,608	8,477	6	...	5,578	19,378	6
Gloucester Gas Light.....	Dec. 31	9,547	13,504	23,051	...	13,462	5	597	8,992	11,912	5
Ipswich Gas Light	Dec. 31	23,711	16,795	40,506	303	14,811	6½	369	25,023	16,412	6½
Newport (Mon.) Gas	Dec. 31	3,060	14,518	17,578	...	13,700	5	...	3,878	14,375	5
Swansea Gas Light	Dec. 31	15,019	39,601	54,620	19,250	18,028	5	...	17,342	35,854	5
Watford and St. Albans ...	Dec. 31	24,468	61,864	86,332	27,082	29,799	7	...	29,451	57,417	7
York Gas	Dec. 31	9,014	17,864	26,878	1,525	14,106	5	1,529	9,718	14,848	5
Hotels, Restaurants, etc.											
Prince of Wales Hotel Co., Southport	Dec. 31	10,642	13,565	24,207	...	8,000	10	6,000	10,207	(a)	(a)
Motor, Cycle and Aviation											
Brooks (J. B.) and Co.	Dec. 26	6,929	15,040	21,969	3,812	7,625	5	...	10,532	7,354	2½
Rubber											
Glendon	Sept. 30	666	2,823	3,489	...	2,080	4	951	458	798	Nil
Java Rubber	Dec. 31	2,080	5,060	7,140	...	3,644	5-2	1,500	1,996	1,998	3½
Kuala Kangsar	Oct. 31	4,432	18,847	24,279	...	15,750	9	3,000	5,529	12,805	6½
Padang Langkat	Sept. 30	2,042	9,124	11,166	...	7,974	5	993	2,199	5,567	Nil
Shops and Stores											
Lewis's, Ltd.	Feb. 1	58,404	775,598	834,002	296,100	327,101	275	149,718	61,083	741,475	275
Selfridge and Co.	Jan. 31	85,822	353,822	439,644	178,000	112,500 8,327	15 12d	55,000	85,817	306,902	12d
Textile											
Barlow and Jones	Dec. 31	75,450	61,393	136,843	12,298	19,625	5½	64,987	39,933	60,383	5½
Sam Nutter Jute.....	Dec. 31	92,776	72,777	165,553	7,763	49,749	10	13,500	92,541	109,019	10
Titashur Jute	Dec. 31	48,597	69,227	117,824	7,763	49,749	10	13,000	47,312	101,126	10
Tramways and Omnibus											
Lancashire United Transport	Dec. 31	...	67,261	67,261	16,500	20,715	7½	30,046	...	58,419	5
Trusts											
Associated Co-operative Inv.	Dec. 31	472	2,034	2,506	...	1,805	5	250	451	(a)	(a)
British Assets Trust	Jan. 15	79,295	129,284	208,579	97,201	27,382	7½	33,370	50,626	112,197	3
Edinburgh & Canadian Inv.	Jan. 15	4,342	6,549	10,891	7,000	...	...	...	3,891	5,900	Nil
English and Scottish Investors	Jan. 31	9,188	27,525	36,713	17,344	9,250	4	...	10,119	23,448	1½
Fourth Co-operative Invest.	Dec. 31	1,157	2,384	3,541	...	1,691	3	...	1,850	(a)	(a)
International Investment...	Jan. 31	26,954	53,840	80,794	20,588	22,875	7½	...	37,331	51,134	5½
Merchants Trust.....	Jan. 31	101,957	89,469	191,426	32,500	47,074	7½	4,000	107,852	80,731	7½
Premier Investment	Jan. 31	406	57,930	58,336	45,000	12,000	2	...	5,336	52,888	2
Second British Assets Trust	Dec. 31	46,371	31,691	78,062	18,428	10,917	4	1,567	47,150	28,941	3
United States Debenture Cpn.	Jan. 31	100,000	189,500	289,500	57,750	90,000	9	41,750	100,000	160,178	8
Waterworks											
Bristol Waterworks	Dec. 31	57,682	162,608	220,290	65,646	77,118	6½	20,000	57,536	162,332	6½
Luton Water	Dec. 31	14,423	15,264	29,687	...	13,568	4	...	16,119	13,894	4
Sutton District Water	Dec. 31	24,227	54,161	78,388	10,788	39,390	20 7	12,000	16,210	57,867	20 7
Other Companies											
Booth (James) and Company	Dec. 31	25,420	89,947	115,367	8,540	34,313	15	35,000	37,514	67,285	15
Borax Consolidated	Sept. 30	232,459	272,027	504,486	80,000	97,500	7½	90,825	236,161	226,396	5
Crossley Building Products	Jan. 31	1,653	17,239	18,892	5,100	6,000	8	2,250	5,542	14,182	10
Culter Mills Paper	Dec. 31	22,831	27,287	50,118	...	9,188	8½	18,191	22,739	30,226	Nil
Economic Gas Boiler	Dec. 31	...	6,403	6,403	1,414	2,632	20	...	2,357	(a)	(a)
General Hydraulic Power....	Dec. 31	5,009	88,048	93,057	2,500	56,000	7	29,000	5,557	87,675	7
Heath (G. H.) and Co.	Dec. 31	16,013	51,366	67,379	9,000	22,500	15	20,000	15,879	66,122	15
Hewitt (F.) and Son	Dec. 31	...	22,520	22,520	22,303	...	...	217	...	22,818	Nil
Kellner-Partington Paper ...	Dec. 31	5,162	81,039	86,201	30,000	54,618	6½	...	1,583	86,112	6½
Lewis's Royal Polytechnic	Feb. 8	15,971	88,868	104,839	5,156	72,000	30	7,500	20,183	92,367	30
North of Ireland Paper	Dec. 31	24,269	870	25,139	...	...	...	...	25,139	1,309	Nil
Oakey (John) and Sons	Dec. 31	5,214	54,973	60,187	6,000	31,799	12½	17,000	5,388	54,663	12½
Paripian, Ltd.	Dec. 31	7,036	10,065	17,101	1,258	5,862	20	4,202	5,779	7,702	20
Rawplug Co.	Dec. 31	17,562	60,624	78,186	12,750	35,000	35	10,000	20,436	53,880	30
Selincourt and Sons.....	Dec. 31	50,049	22,411	72,460	17,500	...	...	3,948	51,012	17,271	Nil
Stevenson (Hugh) and Sons	Dec. 31	50,585	52,665	103,250	20,015	...	...	22,065	61,170	38,167	Nil
Tremletts, Ltd.	Dec. 31	3,060	7,377	10,437	...	5,490	6	...	4,947	9,482	7
Variety Theatres Con- solidated	Dec. 31	11,142	20,060	31,202	12,009	...	...	8,000	11,193	11,081	Nil

† Free of income tax.

(a) No comparable figure.

(t) Absorbed £7,000.

(d) Paid on staff shares.

(n) April 15, 1936, to December 31, 1936.

Mr R. W. Gibbs has been re-elected director of the Bank of New Zealand. Mr Arthur Windham Baldwin has joined the board of the Great Western Railway Company.

The retirement is announced of Mr W. A. Cadbury from participation in the active management of Cadbury Brothers, Bourneville. He had been chairman since 1922. Mr Edward Cadbury succeeds him as chairman.

Mr J. Gerstley and Mr F. Lesser have been appointed joint managing directors of Borax Consolidated, Ltd.

The Commercial Bank of Australia, Ltd., announce that Mr J. L. Webb has been re-appointed chairman of directors for 1937.

Mr. Edmund Godward, London manager of the Bank of Australasia has been elected to the board.

DIVIDEND ANNOUNCEMENTS

Rate % per Annum, except where marked % or Stated in Cash

Name of Company	* Interim † Final	Date of Pay- ment	Comparison with Last Year	Total	
				Latest Year	Previous Year
RAILWAYS				%	%
London & North-Eastern Railway 4% 2nd Pref. Stk.	...	Mar. 10	...	$\frac{1}{2}$	Nil
TEA AND RUBBER					
Brooklands Selangor Rubber	6%*	Mar. 22	...	...	...
K.M.S. (Malay States) Rubber	5%*	Mar. 15	Nil	...	...
Sampang (Java) Rubber	...	...	...	4	2
Sungei Siput Rubber	10%†	...	...	15	5
MINING					
Maintain Copper	5%*	Mar. 8	...	...	...
North Broken Hill	1/6 p.s.	...	...	...	...
Witbank Colliery	5%*	Mar. 24	Same	...	...
OTHER COMPANIES					
American Trust	4 1/2%†	...	3 1/2%*	6 1/2	5 1/2
Ardrossan Harbour	...	...	...	4 1/2	4 1/2
Arnott and Company, Dublin	5%†	...	Same	7 1/2	7 1/2
Australian Agricultural	1 1/2 p.s.*	Mar. 12	...	12 1/2	8
Bairds and Dalmellington	...	...	...	...	...
Baird (William)	3%*	Mar. 25	Nil	...	...
Barlow and Jones	12 1/2%†	...	12 1/2%†	15 1/2	15
Bearpark Coal and Coke	3%†	Mar. 22	...	5	3 1/2
Briggs (Henry) Son and Company	2 1/2%*	...	Same	...	...
British Land	...	...	...	8	8
British Xylonite	5%†	...	...	7 1/2	9
Brown (John)	15%*	Mar. 6	...	22	13 1/2
Cardiff Pure Ice	...	...	...	23 1/2	13 1/2
Cash and Company	12 1/2%†	...	Same	13 1/2	13 1/2
Chandlers (Johannesburg)	10%†	Mar. 1	...	12 1/2	...
City of London Electric	4%†	...	Same	7 1/2	7 1/2
City Offices	6 1/2%†	Apr. 15	Same	12 1/2	12 1/2
Clapton Stadium	22 1/2%†	...	...	35	20
Clarke Chapman and Co.	...	...	...	8	6
Coats (J. and P.)	2 1/2%*	...	Same	...	...
Coleman and Company	(c) 7 1/2%†	...	Same	(c) 12 1/2	(c) 12 1/2
Comerco	...	Feb. 26	5 1/2%†	17 1/2	8
Davis and Timmins	12 1/2%†	...	...	...	...
Eastwoods Lewes Cement	4%*	Mar. 15	Same	...	...
Enfield Cable	15%†	...	...	25	25
Ewart and Son	...	...	...	17 1/2	15 1/2
Gallagher, Ltd.	19 1/2%†	...	Same	25	25
Gamage (A. W.)	12 1/2%†	...	Same	15	15
Gorringe (Frederick)	5 1/2%†	...	Same	9	9
Grainger and Smith	...	...	...	4	4
H.P. Sauce	22 1/2%†	...	Same	30	30
Harrison, Barber and Company	...	...	...	7	7
Hine, Parker and Company	3 1/2%†	...	Same	6	6
Hugon and Company	12 1/2%†	...	Same	17 1/2	17 1/2
Johnson (Richard), Clapham and Morris	3 1/2%*	...	2 1/2%*	...	...
Lancashire Steel	3 1/2%†	...	...	5	4
Leeds and Liverpool Canal	10%†	...	Same	...	...
London and Lombard Investment	3 1/2%†	...	...	5 1/2	5
London and Thames Haven Oil	(n) 9%†	...	Same	(d) 14	(d) 14
London United Laundries	2 1/2%*	...	Same	...	...
Mersey Power	...	...	...	7 1/2	7
National Gas and Oil Engine	...	...	...	2	Nil
Newman Industries	17 1/2%†	...	...	...	...
North Eastern Electric	4 1/2%†	...	3 1/2%†	7	6
North Metropolitan Electric	6%†	Mar. 24	Same	10	10
Oakey (John) and Company	10%†	...	Same	12 1/2	12 1/2
Penmunt	4%†	...	...	...	...
Phoenix Oil Ord.	...	...	...	3 1/2	Nil
Ransomes and Marles Bearing	...	...	...	...	...
Salt Union	7 1/2%*	...	...	9	9
Scottish Eastern Investment	...	...	...	6	4 1/2
Scottish Iron and Steel	6%†	April 1	5%†	8	7
Second Power	5 1/2%†	...	Same	3	2
Second Edinburgh, etc., Investmt.	...	...	...	...	...
Shrewsbury and Wem Brewery	7%†	...	Same	10	10
Sisal Estates	6%*	Mar. 16	...	...	...
Spencer, Turner and Bolders	...	...	...	3	2 1/2
Staveley Coal and Iron	13%*	Mar. 31	Same	...	...
Stone (J. and F.)	6%*	Mar. 10	5%*	...	...
Trade Indemnity Company	...	...	...	6	6
United Steel Cos.	2 1/2%*	Mar. 20	Same	...	...
Viscose Development	...	...	...	6	Nil
West (Butchers)	...	...	...	12 1/2	15
West Ham Stadium (Def.)	34%†	...	Nil	49	Nil
Whiteley (William)	15%†	...	Same	25	25
Winterbottom Book Cloth	7 1/2%†	...	...	10	...
Woolcombers	12 1/2%†	...	Same	12 1/2	12 1/2

COMMERCE AND TRADE

SURVEY OF COMMODITY MARKETS

THE general trend of the prices of primary products remained upwards during the past week. The proceedings on the non-ferrous metal markets, however, at times resembled those in the Sporting Palace at Monte Carlo rather than in one of London's sale rooms. Quotations for copper, lead, spelter and tin were pushed up like the stakes in a game of poker by speculators intent on a quick profit. The tendency of prices to be violently manipulated to the tune of scarcity rumours is, to say the least, deplorable. Some of the wider implications of these latest tendencies in the commodity markets are discussed in a Note of the Week on page 460.

In contrast to the hectic dealings in base metals, the markets in rubber, linseed and linseed oil were fairly steady this week. Among textile raw materials, wool was unchanged in price on the week, but cotton was slightly dearer. The wheat market, which can now draw on the heavy supplies available in Argentina, was not very active and quotations tended to sag. Raw sugar continued to advance in price. Beef and mutton, as well as Australasian butter, sold at higher prices, and eggs were also dearer.

As far as domestic industrial materials are concerned, reports of the scarcity of coal in certain districts, and of advances in quotations, are increasing. Moreover, the stringency of iron and steel materials is becoming increasingly acute, while the upward trend of prices continues.

In the United States, commodity prices, except cereals, showed a firm tendency. Thus, on Wednesday last, Moody's daily index of staple commodity prices (December 31, 1931 = 100) stood at 207·3, against 207·0 a week earlier, 207·1 a month ago and 169·0 on the corresponding day last year.

COAL

SHEFFIELD.—Demand for coal is well maintained, and good progress is being made in catching up with the arrears of output from last month, due to the influenza epidemic. Users of industrial fuel are securing more satisfactory deliveries and a heavier tonnage is available for shippers from the Humber ports, who are experiencing a better inquiry for shipment over the next few months. There are keen inquiries from Belgium for coking coal, and France is seeking supplies for doubles and singles, but home demand is taking a high proportion of output. There are plenty of inquiries for prompt shipment. The inland market for all industrial fuels remains very good, coke being particularly active.

NEWCASTLE-ON-TYNE.—Coal prices are high and firm in the North East area, demand being as keen as ever. While household requirements will contract as the spring approaches, there is little doubt that foreign demand, which is persistent, will absorb any free coal. Northumberland steam grades are in good demand from the Scandinavian countries, best Blyth screened being 19s 6d. f.o.b., whilst grades sorts are 19s. to 20s. f.o.b. Durham manufacturing coals have a steady sale locally, and any surplus is easily sold for export. In the coke section makers have no difficulty in obtaining full current prices for all they can produce.

WORKINGTON.—The coal trade is brisk. There is a scarcity of all descriptions of coal and supplies have to be brought in from Scotland, Northumberland and South Wales. Even then, owners cannot satisfy Irish needs, and the cross-Channel shipments are at least 5,000 tons weekly below those in the winter of 1935. Small coals for coking and steam coal are in heavy demand. Owners are concentrating largely on the land sale market, and consumers are able to satisfy their needs of house coal fairly promptly. Prices are steady.

GLASGOW.—The stringency of supplies continues unrelieved. Collieries are fully booked for some time ahead—some having export orders into 1938—and this fact and an unwillingness to engage in further commitments limit business. A large proportion of production is, of course, absorbed by the home market and in coastwise business, and even in these branches delivery dates tend to lengthen, especially as regards washed smalls in Lanarkshire. It is to be regretted that progress cannot be made with export business, of which a considerable amount is offering; but to some extent this increased inquiry results from the tightness in other producing countries. If such complaints as that made by Norwegian importers this week are justified, however, the position calls for serious consideration.

CARDIFF.—Coal shipments at the South Wales ports continue to show gains over the corresponding period last year. The Great Western Railway Company returns for the foreign and coastwise trades last week give a

MATHER AND PLATT, LTD.—Net profit for 1936, £180,339 compared with £178,017. Ordinary dividend, 11 per cent. (against 10 per cent.), with an extra 2 per cent., as before, not liable to tax, by taking £27,273 from special reserve on account of realised capital profits. Carry-forward increased from £60,636 to £70,972. Total assets, £2,526,356.

ILLUSTRATED NEWSPAPERS, LTD.—Net profit for year to November 30, 1936, £167,245, compared with £118,217. Preferred dividend absorbed £96,863. Carry-forward increased from £67,192 to £96,880. Negotiations pending for sale by Inveresk Paper Company of part of its holding of Illustrated Newspapers, Ltd., ordinary shares, and an offer will be made to the other holders at the same price of 7s. per share.

BRITISH ROPES, LTD.—Profit for 1936, £231,535, against £169,593. Ordinary dividend 25 per cent. A new wire mill, etc., to be erected in South Africa. New issue of 869,488 ordinary shares of 2s. 6d. at 10s. to be made.

CABLE AND WIRELESS, LTD. (INDEX NUMBERS).—Monthly working day average of receipts, 1929 = 100, for January, 1937, 85·8, compared with 96·4 for December, 1936, and 71·2 for January, 1935.

total of 360,900 tons, as compared with 323,738 tons a year ago, and for the eight weeks ended February 20th the increase over the same period last year is 343,000 tons, or 11 per cent. There is still a scarcity of supplies are spot positions, and for transactions in small isolated parcels prices are substantially above the old minimum schedule. Outputs, however, are slowly increasing, and are now averaging between 780,000 and 790,000 tons per week, against only about 678,000 tons during the first three weeks of February, 1936. The Italian State Railways are reported to be inquiring for 100,000 tons, and the Swedish Navy for 8,000 tons. Coke is still strong and scarce, and prices for patent fuel and pitwood are firm.

IRON AND STEEL

LONDON.—The weekly report of the London Iron and Steel Exchange indicates that attention is concentrated on the scarcity of steel and the efforts which are being made in many departments to alleviate the situation either by rationing consumers or by endeavouring to obtain fresh supplies of scrap and pig iron. Production of iron and steel continues at a high rate; but further expansion is limited by the shortage of raw materials.

In the pig-iron market it is becoming increasingly difficult to place orders for near delivery. For some months consumers have been rationed, and producers claim that by this method they have made the best of a difficult situation. There seems little prospect that it will be possible to overtake the arrears of delivery for some time.

The semi-finished steel department is probably more hardly hit by the shortage than any other section of the iron and steel trade. British works producing this class of material have their output earmarked for some time to come against contracts, and Continental producers are behind with their import quota. So stringent is the position with regard to this material that some of the re-rolling works are faced with the possibility of having to curtail operations.

In the finished section of the market the pressure to obtain supplies is equally severe, and some of the consuming industries complain that their work is held up. Producers are in many cases seeking to ease the situation by instituting a system of rationing.

MIDDLESBROUGH.—Conditions in this area continue stringent without much prospect of alleviation, though Messrs. Dorman Long & Co. will shortly put a new furnace into blast for the production of basic pig iron. Whilst the present position continues there is little likelihood of any parcels of pig iron being available for prompt delivery on the open market. Producers of both Cleveland foundry iron and East Coast hematite are, by a process of rationing, managing to keep home consumers sufficiently supplied to meet present requirements and have during the past week been able to supply merchants with a few parcels for shipment abroad, about 880 tons having been shipped to Denmark, 400 tons to Belgium, 500 tons to India, 220 tons to Finland, and 185 tons to the Netherlands. Total shipments of pig iron from the Tees during the first twenty-three days of February, both coastwise and foreign, amounted to 5,751 tons, against 6,436 tons during the same period in January. Prices are unchanged at the last official figures.

The scarcity of semi-manufactured steel is becoming more acute, whilst local makers cannot take any further orders, being fully booked for this class of steel. Imports of foreign supplies are decreasing. Finished steel of all kinds is in strong demand. Plant continues to be run at full capacity, but supplies fall short of requirements.

Export prices of sheets have again been advanced. Current quotations are: black sheets (24 gauge), £12 per ton for home and £13 per ton for export; galvanised corrugated sheets (24 gauge), £14 per ton for home and £15 15s. for export. Ferro-manganese has been advanced by £2 per ton, the price being £13 15s. to £14 5s. per ton loose and £14 15s. to £15 5s. per ton packed.

A new arrangement between the steelmakers and the scrap merchants has been concluded, but official prices have not yet been announced. Mean-time 67s. per ton has been paid in this area for heavy melting steel scrap. Arrivals of foreign ore in the Tees during the first twenty-three days of February amounted to 196,685 tons, against 86,661 tons during the same period in January.

SHEFFIELD.—So great is the pressure of business that in hardly any section is it possible to guarantee fixed delivery dates. Producers of foundry and basic pig iron are fully booked for months ahead. Deliveries to consumers are inadequate for their requirements. Forge users are in a more enviable position and they experience little difficulty in obtaining full supplies. Output appears to have reached its zenith for the present. In hematite the situation is unchanged and makers are in a position to accept only very limited new business. With regard to finished iron, demand is well maintained, common and marked bars being in active request. Prices are those operating at the time of delivery, the suggested increase of prices not having taken place.

The pressure for basic billets shows no sign of easing and deliveries are falling behindhand. Acid billets are also very active. There is a further increase in business in wire rods and stainless steel sheets and strip. It is difficult to handle all the structural steel business offering. There is no official change in prices. Chief interest centres in iron and steel scrap dealings following the conclusion of a control agreement. This will have a steadying effect upon the market. Business generally has been active this week without much change in quotations, except that light basic steel now costs from 57s. 6d. to 60s. delivered.

The figures month by month since 1930 appeared in our January 23rd issue, page 214.

EAGLE STAR REORGANISATION SCHEME.—Proposed to reduce the four classes of ordinary shares (all £3 shares, but with various amounts paid up), to two. Paid-up ordinary capital to remain unchanged. Each fully-paid share to be converted into six fully-paid 10s. shares every 100 shares £1 paid to become 120 fully-paid 10s. shares, and 80 £3 shares 10s. paid; every 100 shares 15s. paid to become 60 10s. shares fully-paid, and 90 £3 shares 10s. paid; shares with 10s. paid remain the same. Odd shares to be paid in cash.

BORAX CONSOLIDATED.—Net profit for 1936 £181,201, up £25,629 in 1935. Depreciation and tax reserve increased by £10,000 each. Deferred dividend raised from 5 per cent. to 7½ per cent. Carry forward up £3,700 to £236,161.

RAWLPLUG COMPANY, LTD.—Net profit for 1936 £62,074, against £55,331. Dividend on ordinary shares up 5 per cent. to 35 per cent. Carry forward £20,436 (£2,874 more).

WORKINGTON.—The North-West Coast hematite pig-iron market is to all intents and purposes idle. Makers have sold all they can produce during the next four months and refuse to enter into further commitments. The output of the seven furnaces in blast between Workington and Barrow is sufficient to satisfy local needs, but it is inadequate to cope with the requirements of overseas, Midland, South Walian and Scottish users. It is estimated that if the weekly output were 6,000 tons higher there would be no more than sufficient to go round. Some relief will be forthcoming in May, when one of the big furnaces now being relined is put into draught. Prices are firm. Bessemer mixed numbers are £4 18s. per ton at Glasgow; £5 3s. 6d. at Manchester; £5 6s. at Sheffield; and £5 9s. 6d. at Birmingham, with 5s. 6d. to 16s. 6d. per ton extra for special qualities. Malleable iron is in keen demand at £6 15s. per ton delivered at Birmingham; ferro-manganese is going into consumption at from £13 15s. to £14 5s. per ton, home. Steelmakers are so well off for orders that the mills can be kept in engagement for another fifteen months. Workington is rolling rails, billets, bars and slabs, and Barrow is on rails, hoops and strip. Native ore, at 16s. 6d. to 17s. 9d. per ton, is a local trade. No metal can be spared for other districts.

GLASGOW.—In the West of Scotland conditions still give cause for anxiety. While steelmakers have up to the present been able to keep plants fully employed and have much work on books, there is uncertainty as to future programmes on account of the continued shortage of raw materials and fuel supplies, the latter having been accentuated by local troubles. Re-rollers are unable to secure adequate supplies of semis, either from home or continental makers, and it has been necessary to curtail operations at a number of plants by closing down sections of their mills. There is a probability of further curtailments of output should there be no betterment as regards deliveries of semis at an early date. There is no decline in demand and, despite the impossibility of giving early deliveries, considerable tonnages have been booked, both for home and export trade. Machinery makers in Glasgow and district have an exceptionally large amount of work on hand, and practically all users of steel in the West of Scotland are working to capacity and have work on books to keep plant occupied for many months to come.

CARDIFF.—Conditions in the tinplate trade are fairly good, and although the scheduled cartel prices are nominally unchanged at 19s. 9d. f.o.b. per basis box, merchants are realising premiums of from 1s. to 1s. 6d. per box above this figure for prompt shipment. Galvanised sheets are unchanged at their recently advanced price of £15 15s. per ton. Steel sheet and tinplate bars are unchanged at £6 2s. 6d., but an advance is believed to be imminent. Shipments of tinplates at Swansea last week totalled 6,958 tons, against 4,118 tons in the corresponding week last year, and for the first seven weeks of the year exports totalled 50,344 tons, compared with 27,130 tons in the corresponding period last year.

OTHER METALS

COPPER.—During the past week's hectic boom on the London Metal Exchange, copper led the market. After jumping from £58 17s. 6d. per ton on Wednesday of last week to £73 10s. on Monday, the cash price reacted to £65 on Tuesday. On the following day, however, a recovery to £66 17s. 6d. occurred. It is scarcely necessary to point out that the boom in copper prices is not justified by the basic market position. The rise in extra-United States stocks in January, despite the unusually high level of deliveries that month, is proof that copper production is at least equal to the current rate of consumption. During the past three weeks, moreover, the output of the principal producers has substantially increased—a tendency whose continuance must, sooner or later, be followed by a sharp setback in copper prices.

Sales on the London Metal Exchange: 12,400 tons on Monday, against 4,000 tons last week; 8,000 tons on Tuesday, against 4,000 tons last week; 5,050 tons on Wednesday, against 4,300 tons last week. Domestic spot was quoted at 15·7½ cents per lb. in New York on Wednesday, against 13·72½ cents a week ago and 12·37½ cents a month ago. Wednesday's official closing price for standard cash in London was £66 17s. 6d. to £67, compared with £58 17s. 6d. to £58 18s. 9d. a week ago. Stocks of refined copper in British official warehouses at the end of last week, at 36,241 tons, showed a decrease of 1,450 tons, while stocks of rough copper, at 707 tons, were 50 tons smaller.

LEAD AND SPELTER.—Spelter was again more active than lead, the difference between the price of the two metals at one time narrowing to a mere 10s. a ton. Lead rose during the week by £2 3s. 9d. to £30 10s. a ton, whereas spelter gained £4 1s., advancing to £29 13s. 9d. at the close on Wednesday. The speculative advance in spelter is mainly due to the knowledge that during the last war spelter rose more rapidly than any of the other metals, and the assumption that it will enjoy a like benefit from the present armaments race. But the strength of spelter during the war was traceable to the occupation by Germany of Belgium—the leading zinc smelting country outside the United States—and the consequent shortage of spelter. From the viewpoint of wartime needs lead is undoubtedly the more important of the two, being used for ammunition, and in the manufacture of batteries for tanks, lorries, aeroplanes, etc. Spelter is chiefly employed in the form of brass and the quantities needed for this purpose are not so large.

Sales of lead on the London Metal Exchange: 8,500 tons on Monday, against 1,000 last week; 5,500 tons on Tuesday, against 2,300 tons last week; 2,450 tons on Wednesday, against 4,100 tons last week. The New York quotation on Wednesday was 6·50 cents per lb., against 6·00 cents a week ago and 6·00 cents a month ago. The official closing quotation in London for soft foreign for shipment during the current month was £30 10s. per ton, compared with £28 6s. 3d. a week ago.

Sales of spelter on the London Metal Exchange: 10,700 tons on Monday, against 4,800 tons last week; 6,000 tons on Tuesday, against 3,750 tons last week; 3,750 tons on Wednesday, against 6,250 tons last week. Wednesday's quotation in East St. Louis was 6·80 cents per lb., against 6·40 cents the week before and 6·00 cents a month earlier. Wednesday's official closing quotation in London for "good ordinary brands" for shipment during the current month was £29 13s. 9d. per ton, against £25 12s. 6d. last week.

TIN.—Although price movements were erratic, the trend was again upwards, and in unofficial dealings prices up to £260 a ton were occasionally quoted. A speculative advance was tempered by the consideration that stocks are gradually mounting and that, in view of recent price movements, there is little chance of a reduction in the quotas at next Friday's meeting of the International Committee. Tin is not much affected by re-armament needs—its chief use in time of war being in the form of tinplate cans for food storage.

Sales of tin on the London Metal Exchange: 1,350 tons on Monday, against 425 tons last week; 700 tons on Tuesday, against 300 tons last week; 575 tons on Wednesday, against 175 tons last week. The New York quotation on Wednesday was 54·35 cents per lb., against 51·62½ cents a week ago and 50·10 cents a month ago. Wednesday's official

closing quotation in London for standard cash was £240 10s. to £242 10s. per ton, compared with £231 10s. to £231 15s. a week ago. Stocks of tin in London and Liverpool at the end of last week totalled 2,005 tons, a decrease of 180 tons on the week.

PLATINUM.—Following last week's reduction, the market has again had an easy tone, the price falling on Monday by a further £1 5s. to £11 15s. an ounce. As was forecast in this column, the recent advance called forth an increasing supply of old platinum which has had a depressing influence on the price. Although speculative interest remains fairly active, a further reduction would not occasion surprise.

OTHER NON-FERROUS METALS.—Among other non-ferrous metals, aluminium ingots and bars for home delivery were again quoted on Wednesday at £100 per ton, and rolling billets at £102 per ton. Nickel, for home and export, was maintained at £180 to £185 per ton. Quicksilver, on the spot, was quoted at £14 6s. per flask of 76 lbs., the same as last week. Chinese antimony was quoted at £70 to £72 per ton ex warehouse, as against £67 per ton last week. Chinese wolfram for "February-March" shipment was quoted at 45s. to 47s. per unit, c.i.f., compared with 36s. 6d. to 37s. last week.

TEXTILES

COTTON.—Manchester.—General demand has continued quieter, but on the whole the undercurrent of inquiry has been encouraging. Spinners and manufacturers who have been in a position to grant fairly early delivery terms have not had much difficulty in securing fresh contracts. Many buyers, however, seem somewhat afraid of committing themselves further ahead at present.

A rather firmer feeling has prevailed in the raw cotton markets. Trade demand has continued more restricted, but prospects for world consumption remain healthy. Much interest has been taken in the announcement by the Commodity Credit Corporation in the United States that loan cotton released up to February 18th was 251,000 bales. The sales have been accomplished without depressing prices.

Spinners of American yarns have held very firmly to quotations, there being a tendency towards higher rates. Demand has centred chiefly on twists, especially ring beams, which are heavily sold. A steady trade has been done in Egyptian qualities, chiefly medium numbers.

Sales of cloth have been smaller than in any week since the beginning of the year. A fair amount of business, however, has been done in small lots, and the position of manufacturers has not been weakened in any way. With regard to India, miscellaneous transactions have been put through, but there has been an absence of bulk lines. Local merchants seem to be waiting for more favourable advices from the other side as to clearances in the bazaars. Steady buying has again occurred in dyed goods for Java, and some of the contracts will not be completed until early next year. Irregular operations have been reported for Egypt and the Near East in bleaching styles and cloths for dyeing. Some sellers have again done well for South America in printing and finishing qualities. In certain directions the offtake for the Dominions has improved. A fairly encouraging mixed business has been done in home trade fabrics.

COTTON PRICES

	1937				Corresponding Date	
	Feb. 3	Feb. 10	Feb. 17	Feb. 24	1935	1936
Raw Cotton—Mid. American	d. 7-27	d. 7-23	d. 7-19	d. 7-35	d. 7-08	d. 6-01
" Sakellaridis Fully Good Fair						
" Egyptian	10-10	9-95	9-82	10-25	8-85	8-84
Yarns—32's twist	12½	12½	12½	12½	10½	10
" 40's twist	12½	12½	12½	12½	10½	10½
" 60's twist (Egyptian)	17½	17½	17½	18	16½	15½
32-in. Printers, 116 yds., 16 by 16, 32's and 50's	s. d. 20 3	s. d. 20 3	s. d. 20 3	s. d. 20 5	s. d. 18 0	s. d. 16 10
36-in. Shirtings, 75 yds., 19 by 19, 32's and 40's	28 2	28 2	28 2	28 4	24 6	23 10
38-in. ditto, 38 yds., 18 by 18, 10 lb.	11 2	11 2	11 2	11 3	10 8	9 10
39-in. ditto, 37½ yds., 16 by 15, 8½ lb.	10 2	10 2	10 2	10 3	9 6	8 10

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HOLIDAYS WITH PAY.—The discussion in Parliament this week and the decision of the Government to set up a Committee of Inquiry on the question of holidays with pay has caused some comment amongst the employers and the trade union officials in the Lancashire cotton industry. For many years there has been an agreement between employers and operatives concerning holidays, and latterly this has amounted to 15½ days per annum, but without pay. It is understood that the proposal now being made is that wages should be granted for seven or eight days. It must be remembered that, so far as the cotton industry is concerned, piecework is in force, and there might be some difficulty in ascertaining the average earnings of the employees. It has been suggested, however, that it might be found practicable to adopt the same methods as for compensation for accidents under the Workmen's Compensation Act. According to Mr Thomas Ashurst, the Secretary of the Cotton Manufacturers' Association, the proposed concession would mean an increase in the costs of production of about 4 per cent.

JUTE.—Dundee.—Jute markets are very quiet, and little business is taking place in any section. Nevertheless, prices of all jute products are maintaining quite a steady tone, and the fact that the Indian jute mills will be at liberty to increase their working hours and their number of looms after the end of this week has had no adverse effects on the market. Three Indian jute mills are affected by strikes, with the loss of production from 5,263 looms, which may be responsible for the steadiness of the prices of Calcutta goods. Raw jute is very quiet, and imports into Calcutta to date suggest that the final forecast of September last year, at 8,711,000 bales, may be considerably exceeded. The total crop is likely to reach about 10,500,000 bales, once again demonstrating the uselessness of these forecasts, and this in spite of the fact that the Government of India did all it could to restrict sowings this season. The same procedure will be carried on this year, but it is expected that the natives will pay little heed to the attempts to restrict the crop to 8 million bales. Ploughing for next season's crop has already begun in some districts and sowings will soon be commenced, growers being fully aware of the increased quantity required as a result of the increase in the working hours by the mills. The Indian mills are reported to have bought some of the new jute crop already, paying a premium over present prices, but sellers here are reluctant to mention new crop so far.

The price of Daisee-2/3 is £18 15s. for the full group, and PR is offered at £19, with Daisee-4 at £17 10s., Tossa-2/3 at £19 10s. for full group, and £20 15s. paid for good quality, and fours offered at £18 15s., February-March. Good First Marks are quoted at £22, and Lightnings are nominal at £20, while Hearts are obtainable at £19 5s., February/March.

Jute yarns are quiet but steady. Common 8 lb. cops are being sold in small quantities at 2s. 1½d. and 8 lb. spools at £19 10s., while twist remains at 2½d. for 3 ply 8 lb., and sacking yarns are firm at 2½d. for 24 lb. web and 3½d. for 8 lb. chains. Rove is also firm and makers are busy. For 48 lb. £21 is still lowest, and for 200 lb. not less than £16 15s. would be accepted. The finer yarns are quiet at 2s. 9d. for second quality 8 lb. warp, 2s. 6d. for third and 2s. 4d. for fourth and carpet yarns are more or less neglected meantime. Orders for jute cloth are generally small and for quick delivery. This week there was an urgent demand for 9½ oz. 40 in. hessians for the cable companies and 2½ d. is being paid, while 10 oz. 40 in. can be bought at 2½d. and 8 oz. at 2½d. Linoleum hessians are quiet, but there is still a fair demand for heavy goods.

Calcutta goods have shown little change during the past few months.

THE WHITE CITY.—The Textiles Exhibition at the White City is more representative of the trade as a whole than it has been in recent years. The different sections of the trade are no longer in water-tight compartments, and the introduction of staple fibre for spinning on both cotton and worsted machinery is an interesting example of the way in which textile manufacturers are prepared to break new ground. Cotton spinners are using wool, rayon staple, linen and pure silk for various effects, and the varied yarns used by the weavers are even more remarkable. Staple fibre is of particular interest at present on account of the high price of wool, and some attractive suitings and dress materials in wool and fibre blends are produced by piece dyeing instead of the usual sub-dyeing process which would have to be undertaken to produce similar effects in 100 per cent. wool. The wool knitting trade is producing remarkable fabrics for dresses, which are in direct competition with the similar goods produced on the loom. Warp knitting of rayon has also made some remarkable strides on these lines, and some interesting cloths are produced which are to all intents and purposes similar to special woven constructions, but have the advantage of the knitted handle, which is being stressed in alliance with the keep-fit movement. Hand block and screen printing on Continental lines, now carried on in various parts of England, is regarded as superior to foreign printing of the more exclusive type, and there are some striking examples in both silk and rayon fabrics.

GRAIN MARKETS

WHEAT.—Although Germany again made some substantial purchases towards the end of last week, demand generally has died down this week and prices have consequently sagged. There is more pressure to sell Manitoba, but Plate, on the other hand, is fairly firmly held.

On Wednesday last, "May" futures were quoted in Chicago at 131½ cents per bushel, against 135½ cents the week before and 126½ cents a month ago. Quotations in London, Wednesday: No. 1 Northern Manitoba, ex ship, 50s. to 51s. per 496 lbs., against 52s. a week ago; No. 2 Northern Manitoba, ex ship, 49s. to 50s., against 50s. 9d. a week ago. According to *The Corn Trade News*, total shipments of wheat and flour last week totalled 1,663,000 quarters, against 1,777,000 quarters in the previous week and 1,566,000 quarters in the corresponding week a year ago.

FLOUR.—Flour is slightly cheaper in response to a quiet demand. Wednesday's London quotations (excluding quota payments) were: Straight run, delivered Home Counties, 39s. 6d. per 280 lbs., against 40s. a week ago; delivered inner London, 39s., as compared with 39s. 6d. a week ago. Manitoba patents, ex store, 38s. 6d. to 40s., against 39s. 6d. to 41s. a week ago. Australian, ex store, 31s. 9d. to 32s. 6d., against 32s. 6d. to 33s. last week.

BARLEY.—Prices for imported feeding descriptions declined in a dull market. English malting barley has, however, been in better demand at higher prices. "May" futures were quoted at 80½ cents per bushel in Winnipeg on Wednesday, against 83½ cents a week ago. Quotations per 448 lbs. in London on Wednesday were: "English feed," at farm, 34s. to 36s., as against 34s. to 36s. a week ago; "English malting," at farm, 36s. to 45s., against 36s. to 45s. last week. Californian (new), ex ship, 51s. to 60s., against 54s. 6d. last week; Chilean, brewing (new), ex ship, 44s. 9d. to 50s., against 44s. 9d. to 50s. a week ago.

OATS.—On Wednesday, "May" futures were quoted at 47½ cents a bushel in Chicago, against 50½ cents a week ago and 49½ cents last month. Quotations in London, Wednesday: "English Black," at farm, 24s. to 26s.

per 336 lbs., against 25s. to 26s. a week ago; "English White," at farm, 24s. to 26s., against 25s. to 26s. a week earlier; mixed Canadian feed (Vancouver), landed, 23s. per 320 lbs., compared with 23s. 3d. last week.

MAIZE.—Prices have given way this week, in response to a less active demand. "May" futures were quoted on Wednesday at 103½ cents per bushel in Chicago, against 106 cents a week ago and 106½ cents last month. Quotations in London, Wednesday: "Plate," landed, 25s. per 480 lbs., compared with 25s. 6d. a week ago; "Plate," ex ship, 24s., as against 24s. 6d. a week ago; "Plate," "February," 25s., as against 25s. a week ago; yellow maize meal, ex wharf, was quoted at £6 8s. 9d. to £6 12s. 6d. per ton, as against £6 15s. last week.

AMERICAN WHEAT MARKETS.—The following table shows wheat quotations for selected weeks in 1935-37:—

NEAREST FUTURE	Jan. 2, 1935	Dec. 31, 1935	Feb. 26, 1936	Dec. 30, 1936	Feb. 17, 1937	Feb. 24, 1937
Winnipeg (No. 1, Manitoba) —Cents per 60 lb.	82½	84½	85½	129	127	124
Chicago (No. 2, Winter) —Cents per 60 lb.	88½	101½	100½	135½	135½	131½

The visible supply of wheat in Canada amounts to 92,442,000 bushels, against 94,927,000 bushels last week, and 121,345,000 bushels in the corresponding week last year.

SALES AND PRICES OF BRITISH CEREALS.—The following table gives the estimated sale of home-grown wheat during the harvest years 1933-34 to 1936-37:—

	1933-1934	1934-1935	1935-1936	1936-1937
Estimated sales of home-grown wheat—	Cwts.	Cwts.	Cwts.	Cwts.
1 week to February 20	319,717	330,246	365,488	217,714
25 weeks to February 20	7,813,243	9,524,489	9,604,315	7,071,144
Average price of English wheat per cwt.	s. d. 4 5	s. d. 4 8	s. d. 6 4	s. d. 9 1

The following is a statement showing the quantities sold and the average price of British cereals in the past two weeks, and for the corresponding weeks in each of the years from 1933 to 1936:—

Week ended	QUANTITIES SOLD			AVERAGE PRICE PER CWT.		
	Wheat	Barley	Oats	Wheat	Barley	Oats
February 18, 1933.....	Cwts. 218,315	Cwts. 146,655	Cwts. 48,981	s. d. 5 3	s. d. 6 10	s. d. 6 0
February 17, 1934.....	319,717	328,774	71,420	4 5	9 3	6 6
February 23, 1935.....	330,246	232,191	51,072	4 8	8 3	6 11
February 22, 1936.....	365,488	161,432	46,811	6 4	7 9	6 1
February 13, 1937.....	175,140	153,166	64,626	9 0	9 10	8 3
February 20, 1937.....	217,714	190,476	73,233	9 1	10 0	8 3

OTHER FOODS

BACON.—Demand remains fair and a steady tone has ruled in the market this week. The official quotations (per cwt. for No. 1 Sizable) which formed the basis for dealings on the London Provision Exchange this week were: English, 86s. to 90s.; Canadian, 77s.; Danish, 86s., against 86s. to 90s., 77s., and 86s. last week. Arrivals in London last week included: Danish, 13,136 bales; Canadian, 7,004; Dutch, 2,374; Lithuanian, 1,101; and Polish, 2,782; as against 13,297, 7,175, 2,102, 1,217 and 2,676 bales, respectively, in the previous week.

BUTTER.—After the recent easiness the market for Colonial makes has had a firmer tone this week. Danish, on the other hand, is a shade cheaper. Quotations (per cwt.) on the London Provision Exchange on Wednesday were: New Zealand, finest salted, 88s.; Australian, choicest salted, 88s.; Danish, 116s.; compared with 84s., 84s., and 120s., respectively, a week ago.

CHEESE.—Cheese has been a generally steady market, with Australian and New Zealand rather firmer. Quotations (per cwt.) on the London Provision Exchange on Wednesday were as follows: English, finest farmers, 86s. to 88s.; Canadian, finest coloured, 71s. to 72s.; and New Zealand, finest coloured, 54s.; against 86s. to 88s., 71s. to 72s., and 52s., respectively, a week ago.

COCOA.—After the quieter spell, quotations have again moved upward. The spot quotation in New York on Wednesday was 10½ cents per lb., as against 10½ cents per lb. last week. In London, on Wednesday last, good fermented new crop, Accra, March-April, was quoted at 47s. 9d. per 50 kilos., c.i.f. Continent, against 46s. 6d. a week ago. Last week's movements of cocoa in London were as follows: Landed, 94 bags; delivered, for home consumption, 6,652 bags; exported, 63 bags; stocks, 132,712 bags, against 126,915 bags a year ago.

COFFEE.—The London spot market was steady. In New York prices were rather dearer. On Wednesday, Rio No. 7 (cash) was quoted at 9½ cents per lb. in New York, as compared with 9½ cents per lb. last week and 9½ cents per lb. a month ago. Movements of coffee in London last week were as follows: Brazilian, landed, 4 cwt.; delivered, for home consumption, 57 cwt.; exports, 42 cwt.; stocks, 3,544 cwt., against 12,006 a year ago. Central and other South American: Landed, 11,713 cwt.; delivered for home consumption, 2,706 cwt.; exported, 1,962 cwt.; stocks, 71,003 cwt., against 73,620 last year. Other kinds: Landed, 5,492 cwt.; delivered, for home consumption, 3,887 cwt.; exported, 667 cwt.; stocks, 115,769 cwt., against 140,113 last year.

EGGS.—In response to a slackening of supplies, prices were again advanced this week. At Smithfield, on Wednesday, English (ordinary packing, Grade I, about 15-15½ lb.) realised 15s. 3d. to 16s. per 120, as against 14s. to 15s. last week; while Danish (15½ lb.) made 11s. 9d. to 12s. 6d., as against 10s. 9d. to 11s. 3d. last week.

FRUIT.—Business fluctuates at this time of the year with the vagaries of the weather, and the past week was not too favourable from this point of view. Prices were frequently lower. According to *The Fruitgrower's* Covent Garden report, English apples are in consistent demand, with

prices firmer for the somewhat shorter supplies now being marketed; all imported apples, however, are easy, with heavy arrivals. Pears sell fairly well, but are lower in price on account of increasing supplies from South Africa. South African grapes are going out well, there being little competition from other sources. Peaches and nectarines from the same source are easier, but South African plums, in better demand, clear well at slightly firmer rates. Reliable packs of oranges are dearer; lemons are steady, while grapefruit are a slow item.

MEAT.—Business in fresh meat at Smithfield Market was fairly active, but trade was quieter in chilled beef and frozen mutton and lamb. Imported beef was cheaper. On Wednesday last, Argentine chilled hind-quarters were quoted at 3s. 6d. to 4s. per 8 lbs., as compared with 3s. 10d. to 4s. 2d. a week ago. New Zealand frozen mutton was 3s. 4d. to 4s. per 8 lbs., against 3s. 4d. to 4s. a week ago. According to the Smithfield Market official report, supplies during last week amounted to 8,932 tons, an increase of 118 tons on the corresponding week last year. Beef and veal accounted for 4,871 tons, mutton and lamb 2,320 tons, and pork and bacon 1,058 tons, as compared with 4,558, 2,623 and 970 tons, respectively, in the same week of 1936.

MILK.—Information relative to the operation of the Milk Marketing Scheme during January, as issued by the Milk Marketing Board, is given in the following table, together with comparable statistics for earlier months:—

	Jan., 1936	Oct., 1936	Nov., 1936	Dec., 1936	Jan., 1937
Regional pool prices* (per gallon):	d.	d.	d.	d.	d.
Northern	13½	13	13½	14	14
North-Western	13½	13	13½	14	14
Eastern	13½	13½	13½	14½	14½
East Midland	13½	13½	13½	14½	14½
West Midland	13½	13½	13½	14	13½
North Wales	13½	13½	13½	14	13½
South Wales	13½	13½	13½	14	14
Southern	13½	13½	14	14½	14½
Mid-Western	13½	13½	13½	14	14
Far-Western	13	12½	13½	13½	13½
South-Eastern	14	13½	14½	14½	14½
Liquid milk price (per gallon, all regions)	17	17	17	17	17
Manufacturing price (per gallon, average)	5.947	5.766	5.778	6.254	6.249
Total sales under contract	67.23	72.98	64.84	63.61	64.15
For liquid consumption	46.12	47.65	46.51	47.30	48.14
For manufacturing	21.11	25.33	18.13	16.31	16.01

* On account to the nearest farthing.

Accredited producers receive 1d. per gallon in addition to the above prices. Premiums for level deliveries and for Grade "A" or special services are paid to the producers concerned in addition to the pool price. Transport charges are payable by individual producers and are deducted from accounts.

PEPPER.—On Wednesday, Singapore white Muntok, spot, was quoted at 6d. per lb. in bond, against 6d. per lb. a week earlier. Black Lampung, spot, in bond, was quoted at 3½d. per lb., sellers, compared with 3½d. per lb. last week. Movements of pepper in London last week were as follows: Black, landed, 14 tons; delivered, 5 tons; stocks, 1,775 against 1,601 last year. White, landed, 53 tons; delivered, 35; stocks, 11,783, compared with 13,031 a year ago.

RICE.—The spot price of Burma No. 2, cleaned, was 10s. 3d. per cwt., ex warehouse, on Wednesday, as compared with 10s. 3d. per cwt. a week ago. "March-April," in singles to Continent and U.K., was quoted at 9s. per cwt., against 9s. 3d. for "February-March" last week. Movements in London last week were as follows: Landed, 1 ton; delivered, 52; stocks, 1,128 tons, against 3,227 a year ago.

SUGAR.—The London spot market in raw sugar was firm, but in New York an easier tendency was apparent. The spot price in New York on Wednesday was 3.45 cents per lb., as compared with 3.55 cents per lb. last week and 3.75 cents per lb. a month ago. Wednesday's sales of raw sugar in London included "May" delivery at 6s. 4½d. to 6s. 4½d., against 6s. 1½d. to 6s. 1½d. a week ago. Movements of raw sugar in public warehouses in London and Liverpool last week were as follows: Imports, 24,978 tons, against 3,877 in the previous week and 4,636 in the same week of 1936; deliveries, 15,347 tons, against 15,419 and 14,854 tons, respectively; stocks, 237,708 tons, against 228,077 and 264,263 tons, respectively.

TEA.—The following table shows the average prices (compiled by the Tea Brokers' Association) of tea sold in Mincing Lane on Garden Account in recent weeks:—

Week ended	Northern India	Southern India	Ceylon	Java	Sumatra	Africa	Total
Feb. 20, 1936	d. 13.22	d. 12.80	d. 14.64	d. 10.82	d. 10.61	d. 11.84	d. 13.28
Jan. 14, 1937	13.12	12.95	15.42	11.75	10.71	12.21	13.53
Jan. 21, "	13.47	13.26	15.58	12.41	11.08	12.31	13.83
Jan. 28, "	13.77	12.49	15.92	12.60	11.42	12.69	14.18
Feb. 4, "	13.63	13.38	15.78	13.22	11.23	12.68	14.06
Feb. 11, "	13.72	13.73	15.87	12.59	11.29	13.00	14.16
Feb. 18, "	14.04	14.19	16.15	13.35	11.93	13.21	14.53

The quantities catalogued for this week's public auctions comprised 48,472 packages of Indian and 17,222 packages of Ceylon tea. The rather smaller supplies of Indian sorts encountered an active market and, under keen bidding, ordinary and medium sorts advanced in price. At Tuesday's Ceylon sales fine teas were a little irregular and sometimes easier, but other sorts were dearer.

VEGETABLES.—Supplies of forced asparagus at Covent Garden are increasing, states *The Fruitgrower*, and prices are down a point. House-grown beans, however, are short and rather dear, while cucumbers are selling better. Canary Island tomatoes are a little dearer, and good lettuce is in short supply. Mushrooms are steady, and the price of rhubarb is well maintained. Spring onions are inquired for. All varieties of greenstuff remain abundant and cheap, while carrots, turnips, parsnips and beet are all at a low level. Meanwhile, demand for potatoes at the various London markets has improved, while supplies are abundant. Prices for best varieties are accordingly steady. At the Borough Market on Tuesday last, best siltland King Edward again realised from 9s. to 9s. 6d. a cwt. ex market.

MISCELLANEOUS COMMODITIES

VEGETABLE OILS AND OILSEEDS.—A steadier feeling is making its appearance though business is still far from brisk. Continental crushers have again entered the market for linseed supplies and this has had the effect of steadying prices. A little trade in Plate linseed has also been done on English account, but apparently crushers are well covered by the large arrivals and the substantial quantity afloat. Shipments at River Plate ports have declined somewhat, but a fairly considerable proportion continues to be exported to the United States. So far this year Argentina has shipped no less than 380,000 tons or 111,000 tons more than during the same period last year. A feature are the heavy shipments to the United States, which account for 124,000 tons of the total, against only 53,000 tons a year ago. Very little is being shipped by India, whose old crop is nearing exhaustion. The new seed is progressing favourably, and an exportable surplus of around 300,000 tons is spoken of. Even if this estimate should prove correct, supplies for Europe will not be much above last season's, taking into consideration the heavier requirements of America. Prices of linseed to-day are several shillings higher than a year ago, in spite of the larger quantity of seed available. The quantity afloat for Europe has been reduced to 163,000 tons (including 10,100 tons from India). Trade in linseed oil is only moderate and prices are slightly lower on the week. Egyptian cottonseed is in slow demand after re-sale in near positions at a discount. Cotton oil is quiet and quotations nominally unchanged. Demand for oilcakes is good and prices are maintained.

FURS.—The recent London winter fur sales showed the firmest tendency of all London auctions in recent years. The following table compares the chief fur prices paid at the recent Hudson's Bay Company's sale with those realised at the two preceding sales. All quotations are given in shillings and pence per skin:—

	Spring Sale, 1936	Autumn Sale, 1936	Winter Sale, 1937
Beaver, Mackenzie River (Canada) Ex Ex Large ...	73/- to 74/-	70/-	136/-
Ermine, York Fort (Canada) Ex Ex Large	5/7 to 6/1	5/10 to 6/1	7/- to 8/3
Scandinavian Ex Ex Large	4/8 to 5/-	5/10	6/8
Fisher, York Fort, etc., 1 and No. 2 dark	170/- to 370/-	165/- to 350/-	180/- to 460/-
Fox Bastard, York Fort 1 and 2	41/- to 56/-	45/- to 50/-	43/- to 78/-
Fox Blue Arctic, Dark	110/- to 135/-	135/- to 150/-	150/- to 230/-
Fox Cross, York Fort Medium No. 1	165/- to 195/-	157/6 to 225/-	105/- to 240/-
Fox Red, York Fort—Medium No. 1	72/- to 79/-	75/-	82/- to 87/-
Lapland 1 and No. 2 Pale	38/- to 46/-	43/- to 53/-	52/-
Fox White, West Arctic 1, No. 1	200/- to 202/-	Unsold	200/- to 214/-
Lynx, York Fort, etc., 1 Ex Large	280/-	Unsold	225/-
Marten, Mackenzie River, 1 pale	110/-	126/- to 129/-	166/- to 174/-
Mink, York Fort, Ex Large 1 and 2 dark	69/- to 71/-	67/-	95/-
Musquash, black U.S.A. ...	7/-	Unsold	Unsold
Otter, Canada, etc., 1 and No. 2 Ex dark	166/-	Unsold	154/- to 160/-
Skunk, York Fort 1	7/1 to 8/-	5/10 to 6/2	8/- to 8/6
Squirrel, Lapland	1/- to 1/2	Unsold	1/4 to 1/10
Wolf, York Fort, Ex Large 1	40/- to 65/-	51/-	51/6 to 70/-

Speculation is active and, since supplies are somewhat short, a further price advance in the near future would not be surprising. Later in the year, however, a reaction is believed likely. The next silver fox auctions will be held on March 8th, while a sale of Australian furs will take place on April 14th. On April 19th the Hudson's Bay Company will open its spring sale, which will be followed by a general sale of American and other skins.

RUBBER.—After an easier spell at the close of last week, the market firmed up again during the past few days and closed on Wednesday showing a gain of ½d. per lb. on the week. Meanwhile, the steady decline in United Kingdom stocks continues. The spot price in New York on Wednesday was 21½ cents per lb., compared with 21½ cents per lb. a week ago and 20½ cents a month ago. Wednesday's official buyers' price for standard ribbed smoked sheet on the spot in London was 10½d. per lb., as against 10½d. on the corresponding day last week. In forward positions, business has been done at 10½d. for "April" shipment, as against 10½d. to 10½d. for "March" shipment a week ago. Stocks in London and Liverpool at the end of last week totalled 64,888 tons, against 65,861 tons a week earlier. A year ago stocks amounted to 156,562 tons.

Don't worry

OVER-DRAUGHTS

Bank on

BOVRIL

WHOLESALE COMMODITY PRICES

UNITED KINGDOM: LONDON, February 24th

The prices in the following are revised with the assistance of an eminent firm in each department

CEREALS AND MEAT				POTATOES—				WOOL—			
GRAIN, Etc.—				English King Edward				English Southdown, greasy, per lb.			
Wheat—	s. d. s. d.			per cwt.	9 0 9 6			18	s. d. s. d.		
No. 2, N. Man. 496 lb.	49 0 50 0							„ Lincoln hog, washed	0 5 0 6		
Barley, Eng. 425, av. ...	9 1							Queensland, sed. super cmbg.	0 8 0 10		
Oats, „ „ „ „ „	8 3							N.S.W. greasy, super cmbg.	0 5 0 7		
Maize, La Plata, landed	25 0							N.Z., grsy., half-bred 50-56	0 5 0 6		
490 lb., Lon. stan. ex mill.	37 9							Crossbred 40-44	0 6 0 11		
230 lb., „ „ „ „ „	9 0							Merinos 70's average	37		
Rice, No. 2 Burma, per cwt.	9 0							„ 64's	35		
MEAT—								Crossbred 48's	21		
Beef, per 8 lbs.—											
English long sides	3 10 4 6										
Argentine chilled hinds	3 6 4 0										
Mutton, per 8 lbs.—											
English wethers	6 4 7 0										
N.Z. frozen „	3 4 4 0										
Lamb, per 8 lbs.—											
N.Z. frozen	4 8 5 4										
Pork, English, per 8 lbs.	5 8 6 4										
OTHER FOODS				SUGAR—				MINERALS			
BACON—				(Duty, 11/8 per cwt.)				COAL—	s. d. s. d.		
English ... per cwt.	86 0 90 0			Centrifugals, 96", prpt.				Welsh, best Ad'ty...ton	19 6 22 6		
Irish „ „ „ „ „	81 0 91 0			Orange Pekoe „	6 41			Durham, best gas, f.o.b.	20 0		
Danish „ „ „ „ „	86 0			Crushed „	22 11 8			Tyne „	20 0		
Dutch „ „ „ „ „	82 0			Granulated „	20 0 20 10			Sheffield, best house, at	23 0 25 0		
HAMS—				Home Grown „	19 9 21 1			IRON AND STEEL			
Canadian „ „ „ „ „	93 0 94 0			TEA—				Pig, Cleveland No. 3, d/d.			
United States „ „ „ „ „	95 0 96 0			Indian—per lb.—				Bars, M'brough „	81 0		
BUTTER—				Pekoe „	1 11 4			Steel rails, heavy „	170 0		
Australian „ „ „ „ „	88 0			Broken Pekoe „	1 11 1 7			Tin plates „ per box	19 9		
New Zealand „ „ „ „ „	88 0			Orange Pekoe „	1 11 8			METALS—			
Dutch „ „ „ „ „	116 0			Broken Orange Pekoe „	1 11 1 7			Copper, Electrolytic, ton	71/10/0		
CHESSE—				Ceylon—per lb.—				Sheets (strong) „	107/0/0		
Canadian „ „ „ „ „	71 0 72 0			Pekoe „	1 11 2 3			Standard „	66/17/6		
New Zealand „ „ „ „ „	54 0			Broken Pekoe „	1 11 1 6			Lead, Eng. pig... per ton	32/0/0		
English Cheddars „	86 0 88 0			Orange Pekoe „	1 2 2 2			Soft foreign „	30/10/0		
Dutch „ „ „ „ „	52 0 58 0			Broken Orange „	1 2 2 3			Spelter G.O.B. „	29/13/9		
COCOA—				TOBACCO—				Tin—English ingots „	242/10/0		
(Duty, British grown,				(Duty, 9/8-10/8 per lb.)				Standard cash „	240/10/0		
11/8; foreign, 14/- cwt.)				Empire growth, 7/5-							
Acacia „ „ „ „ „	48 0 48 6			8/4 per lb.)							
Trinidad „ „ „ „ „	75 0 84 0			Virginia leaf—							
Grenada „ „ „ „ „	70 0 76 0			Common to fine „	0 8 2 6						
COFFEE—				Rhodesian leaf „	0 8 1 10						
(Duty, British grown,				Nyasaland leaf „	0 7 1 4						
4/8; foreign, 14/- cwt.)				„ strips „	0 9 1 6						
Santos sup. c. & f. cwt.	54 0			East Indian leaf „	0 5 1 7						
Colombian, good „	56 0 65 0			„ strips „	0 6 1 9						
Costa Rica, med. to good	62 0 85 0										
East Indian „ „ „ „ „	62 0 80 0										
Kenya, medium „ „ „ „ „	65 0 80 0										
EGGS—											
English „ „ „ „ „	15 3 16 0										
Danish „ „ „ „ „	11 9 12 6										
FRUIT—Oranges—											
Valencia „ „ „ „ „	8 0 12 0										
Jaffa „ „ „ „ „	8 0 11 0										
Lemons, Malaga „ „ „ „ „	16 0 18 0										
„ Sicilian „ „ „ „ „	25 0 30 0										
Apples: Amer. (var.) bris.	10 0 12 0										
„ „ „ „ „	10 0 12 0										
„ Australian „ „ „ „ „	6 0 8 0										
Onions—											
Valencia, case „ „ „ „ „	6 0 8 0										
Egyptian, bags „ „ „ „ „	7 6 10 0										
Grapes, Almeria, barrels	7 6 10 0										
Grapefruit, Jaffa „ „ „ „ „	7 6 10 0										
„ Amer. „ „ „ „ „	7 6 10 0										
LARD—											
Irish finest bladders „	72 0 80 0										
U.S. „ „ „ „ „	65 0 68 0										

† These prices are for fuel oil for inland consumption—other than for use in Diesel-engined road vehicles—and do not include the Government tax.

UNITED STATES

New York quotations unless otherwise stated

	Feb. 26, 1936	Jan. 27, 1937	Feb. 17, 1937	Feb. 24, 1937		Feb. 26, 1936	Jan. 27, 1937	Feb. 17, 1937	Feb. 24, 1937
Wheat, No. 2, Winter, nearest future, Chicago, per bushel	100	126	135	131	Sugar, Cuban Centrifugals, 96 deg., spot, per lb.	3-40	3-75	3-55	3-45
Maize, nearest future, Chicago, per bushel	60	106	106	103	Cotton, middling, spot, per lb.	11-25	13-22	12-98	13-18
Oats, nearest future, Chicago, per bushel	29	49	50	47	Rubber, smoked sheet, spot, per lb.	15	20	21	21
Rye, nearest future, Chicago, per bushel	57	109	112	107	Petroleum, Mid-continent crude 33 deg., to 33-90, at well, per barrel	104	104	116	116
Barley, nearest future, Chicago, per bushel	(a)	84	85	82	Copper, "Electrolytic," Domestic, spot, per lb.	8-77	12-37	13-72	15-72
Coffee, Rio No. 7, cash, per lb.	6	9	9	9	Copper, "Electrolytic," Export prompt, per lb.	9-00	12-60	13-95	15-95
„ Santos No. 4, cash, per lb.	9	11	11	11	Spelter, East St. Louis, spot, per lb.	4-90	6-00	6-40	6-80
Cocoa, Accra, nearest future, per lb.	5-08	11-50	9-83	10-12	Lead, spot, per lb.	4-55	6-00	6-00	6-50
					Tin, " Straits," spot, per lb.	47-87	50-10	51-62	54-35

(a) Nominal.

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Cabinet and Special Areas

A STIRING of new life is perceptible in Durham and on Tyneside, in Scotland, in Cumberland and in South Wales. Some of the staple industries of these Special Areas, the causes of their heavy unemployment, are now among the most hectically active. It is becoming more and more difficult to place orders for iron and steel in the hope of early delivery. In many places, producers have sold all they can make in the next four months, and refuse to enter into further commitments. Coal prices have been rising and promise to rise further, although output is expanding. From all the centres of deepest depression the trade reports which we print each week are vying with each other in cheerfulness.

This vigorous activity, due in part to the normal progress of recovery, in part to re-armament, is more than welcome. But the mistake must not be made of thinking that it is solving the problem of the Special Areas. Their percentages of unemployment still reach 25 and 30, against a national average of 12. Re-armament has, it is true, made inroads into the "special" unemployment of the Areas. But it cannot be a permanent cure, for they depend normally for their livelihood on great staple industries which live by exports and foreign trade. Re-armament will not open the markets of the world. Moreover, there are special districts within the Special Areas, where industry has departed or the coal has come to an end. Prosperity and comfort cannot be brought back to the men and women in these places without a radical policy of social change and economic reconstruction.

For these reasons, the Special Areas are still close to

the focus of British politics. The Government's attempt, in the autumn, to do no more than prolong the existing Special Areas Act met with determined resistance, not least from their own supporters. The result of this pressure, sustained in the meantime, has this week emerged in a White Paper, herald of a new Bill.

The White Paper goes a little bit further than some forecasts. But it is still a very disappointing document. Of its ten pages, eight are occupied with a description, somewhat self-laudatory in its terms, of what has already been done. A long list is given of the measures that have been taken. It is claimed that a movement of new light industries towards the Special Areas has already been started. Moreover, it is pointed out, this apparatus of special treatment has been strengthened by a policy of Government preference in allocating re-armament contracts. Between April, 1935, and November, 1936, orders for £24 millions were placed in the Special Areas alone and £41 millions in the depressed areas as a whole. This policy, which in the circumstances of the time is clearly justified, is to be continued. Munition factories and explosive works have been, or will be, located in South Wales, in Lancashire, in the North-East and in Scotland.

This review of the past is taken as the justification for leaving the machinery of the Special Areas Act substantially unchanged. Little attempt is made to meet SIR MALCOLM STEWART'S criticisms of the restrictions placed, by the Act and even more by its interpretation, upon the powers of the Commissioners. The pressure put upon the Government has, however, had some effect,

and the scope of the present Act is to be extended in three significant respects. In the first place the limitation that the Commissioners must not assist profit-making concerns is removed. They are to be given the power to make, at their discretion, grants to newly-established industries (though not, apparently, to struggling concerns already in existence) to defray part or all of their rent, rates and taxes for five years. Secondly, the Government is to encourage the formation of trading estates in depressed areas ("certified areas") not now included in the Special Areas. And, thirdly, the Treasury is to be empowered to make loans, up to a total of £2,000,000, to new undertakings established either on these trading estates or anywhere in the Special Areas.

The first of these extensions is, in principle, an important advance; it marks the transition from a policy of palliation of misery to one of stimulation of revival. But it remains to be seen whether it will be applied with vigour. The other two are of little practical importance, since they do not go much further than the policy already pursued, with meagre results, by the Special Areas Reconstruction Association. It is clear, from the whole tenor of the White Paper, that the Government places its reliance not upon any such measures as these but upon the defence programme. Depression and distress are to be bought off by expenditure on guns and battleships. The Special Areas plan pales into insignificance beside the re-armament programme.

It is true that the manufacture of armaments is likely to absorb men and equipment in many districts of the Special Areas—to provide, for a time, a special solution for a special problem. But it is not true to argue—as the White Paper does—that munitions will bring a permanent contribution to the well-being of the Special

Areas. Indeed, in the long run, they may make things worse. The end of the armament programme—which, presumably, we must one day envisage—will once more devastate areas that have been told to pin their hopes on unproductive activity. It is dangerous to encourage the Special Areas to put all their eggs, for the second time, into one basket. Even re-armament cannot help the black Durham villages behind Bishop Auckland, the remote industrial regions of Cumberland or some of the long Glamorgan valleys. Here, in the chronically depressed areas, will be the acid test of the policy outlined in the White Paper.

In spite of the recent spurt in activity, the Special Areas problem is thus almost as far as ever from solution. It may even be further away, since the cause of the present activity bears a strong family resemblance to the over-stimulus of certain industries which was the original root of the trouble. No reasonable person would wish to abuse the Government for failing completely to solve what all must admit to be a peculiarly intractable problem. But an indictment does fairly lie for failing to do what patently can be done. Heavy and sustained pressure has been needed to bring the Government thus far; and the Cabinet is still refusing to follow its own experts in many of the further measures suggested. There is still no sign of any action to put in motion what would be much the most powerful solvent of the Areas' troubles, the liberation of foreign trade from its shackles. We doubt whether public opinion will be satisfied with these latest proposals. We hope not; for the pressure of opinion must be maintained if the problem of the Special Areas—the gravest domestic problem the country has to face—is to be solved by any means save the attrition of time and misery.

The Duce's Pessimism

SIGNOR MUSSOLINI confirmed the forebodings of the worst pessimists by the declarations of his Grand Council on Tuesday. In so many words he told the world that he was busy with his plans for military closure of the Mediterranean, for turning Italy into one vast war machine, and for making every Italian a soldier from the cradle to the—perhaps early—grave.

If it rested with the Italian dictator to say the last word in European politics, the outlook would be gloomy indeed; but this week's superficially startling declarations in Rome also raise two heartening reflections, which neither the DUCE nor anyone else in Europe can safely ignore. First, the nation that is continually putting on spurts in an arms race runs the greater risk of cracking under the strain. The longer the race goes on in peace, the less economic stamina does that nation retain for a prolonged war. The second consideration is this: the more startling the nations' preparations for war become, the greater grows the pressure on the reasonable nations to realise the folly of the business before, individually, all nations become exhausted, or the crack of doom breaks. This realisation will drive—is, indeed, driving—the nations that seek peace to envisage something like a peace system for Europe.

As yet the omens for such a European system cannot be said to be encouraging. But the key remains, as it always has remained in modern Europe, with Great Britain. She is still the great arbiter of the Continent's peace—which is by no means the same as being the great neutral. From this point of view the debates on foreign policy in the House of Lords on February 24th and in both Houses of Parliament last Tuesday were valuable, because they were constructive.

But though the debates have been constructive, they

have not been conclusive; for while the Government can enumerate a number of highly important points on which there is already something like a national consensus, they are not justified in suggesting, as they are trying to do, that the outstanding points on which they and their critics are not yet agreed are only trivial. There is an overwhelming consensus against a policy of remaining unarmed, or of taking a pacifist line, or of refusing to have any commitments at all, or of entering into commitments without a limit. There is an almost equally wide and decided agreement that the Locarno Pact, were it possible to restore it, and the League Covenant, unreformed in either direction, are good things as far as they go. But Parliament is still not unanimous about British policy on the European continent; and here the issue can be expressed in quite concrete terms. Is the Locarno radius to be the widest range of our Continental European military commitments? Or are we to extend to all European countries the military commitments by which we are bound at this moment to France and Belgium alone? This question is not trivial; it is fundamental.

The Government's momentary formula about commitments is to be found in both LORD PLYMOUTH'S speech of February 24th and MR EDEN'S of March 2nd. It is that our armaments are already pledged for use against any unprovoked aggression upon Belgium or France; that we are ready and eager to give exactly the same pledge to Germany, on the same footing, if she is willing to join us in reconstructing the Locarno Pact which HERR HITLER shattered on March 7th of last year; that we do not at present aim to extend this pledge to any other European country beyond those three; but that on the other hand we mean to carry out, *vis-à-vis*

all States-members of the League, our obligations under the Covenant—the point being that the Covenant in itself does not commit the parties to it to go to war. We believe that this present position of the Government is untenable; and that they will be forced by inescapable facts into making a choice between retreating into the isolation advocated by LORDS ARNOLD, LOTHIAN and PONSONBY, or else advancing to that extension of our Locarno commitments from Western Europe to Europe as a whole, advocated by MR GRENFELL and MR HENDERSON. And as it is happily certain that the Government neither would nor could attempt a policy of isolation, the practical question is this: Will they make up their minds to extend their commitments in time to forestall a European catastrophe? Or will they wait until the catastrophe overtakes them and forces them to intervene? If the commitments are made now, there is a chance that we may never have to honour them. If they are not made, it is quite certain that one day we shall have to act as though they had existed.

The Covenant is no obstacle; for though it is quite true that the Covenant does not *require* States-members to take military action in vindication of Articles X and XVI, it not only allows them to do so but gives them every encouragement. We ourselves are fulfilling the Covenant in the spirit as well as in the letter in committing ourselves to France and Belgium; and the Law Officers of the Crown have expressed the opinion that the Franco-Russian Pact and the Franco-Czech Pact are as fully consonant with the Covenant as is the Locarno Pact itself. The limitation of our military commitments to Western Europe is thus admittedly not a matter of principle. SIR AUSTEN CHAMBERLAIN hinted on Tuesday that it was an exigency of home politics. If we pledged ourselves beyond this point in advance, he said, we could not be sure that the British public would allow the British Government to honour the pledge when the time came. Is the British public really so blind that the

Government are constrained to leave the peace of Europe in jeopardy by allowing that desperate gambler, HERR HITLER, to imagine that he can attack Czechoslovakia without involving himself in a war with us?

Here are some points which are certainly within the grasp of any member of the electorate of the United Kingdom. First, our Government have already publicly adopted the view that France will not be committing aggression if she honours her treaty with Czechoslovakia by going to war with Germany in the event of the Germans attacking the Czechs. But if France is involved in war with Germany in those circumstances, both our existing pledges to France and our own vital interests will make it impossible for us to stand aside and leave Germany and France to fight it out. In the second place, our vital British interest in saving France from Germany applies with equal force if Germany's victim is not France but Czechoslovakia or any other European country. For it makes no difference, from the point of view of British interests, whether a European country which Germany attacks and subjugates happens to lie west or east of the present frontiers of the Reich. What matters to us is the preservation of the European balance of power; and if Germany upsets that balance by making herself mistress of Eastern Europe, this country will then lie at her mercy. On Tuesday MR EDEN gave a categorical "No" to HERR VON RIBBENTROP'S demand for the return of the former German colonies. He thereby brought into operation the Ambassador's threat that Germany would recover the colonies "by her own strength." This means that the fate of the British Empire depends on the European balance of power. It is in Czechoslovakia that the destinies of the Empire are going to be decided. The Government should promptly declare that the new British armaments, as well as all our other resources, will be used to resist aggression in any part of Europe. This is the only way to prove the DUCE's pessimism unfounded.

The Great Cities of Britain—V

Remote Newcastle

FROM Roman times to the Union, Newcastle was important for military and ecclesiastical reasons. Built on a hill rising steeply from the Tyne, it possessed one of the strongest of all the great Northern castles and a celebrated set of walls, neither of which was often unemployed. Only a few fragments of these adornments now remain, but they were there in the eighteenth century, and the development of the town was crowded within narrow limits.

The traveller approaching Newcastle from the south is still greeted with the dilapidated survivals of this congestion. From the High Level Bridge the north bank of the Tyne presents a miserable picture of grim and unromantic decay, encumbering the approach to a great city. The account written by Defoe—a predecessor of *The Economist*—is still appropriate. "Newcastle," he remarked, "is a spacious, extended, infinitely populous place. . . . The situation of the town to the landward is exceedingly unpleasant, and the buildings very close and old, standing on the declivity of two exceeding high hills, which, together with the smoke of the coals, makes

it not the pleasantest place in the world to live in; but it is made amends abundantly by the goodness of the river, which . . . makes it a place of very great business. . . . They build ships here to perfection. . . . Here is



also a considerable manufacture of hardware, or wrought iron, lately erected after the manner of Sheffield, which is very helpful for employing the poor, of which the town has always a prodigious number." Or, as an early nineteenth-century writer more elegantly puts it: "The situation of Newcastle, however well chosen it may once have been for purposes of security, is but ill adapted to answer those of neatness and convenience." This earlier inheritance, combined with the hurried growth of Victorian times, has left the town with an ample legacy of ugliness. Perhaps no city in the

world possesses so miserable an edifice for its town hall, and, though "the Town-Hall controversy" has dragged on decade after decade, many citizens have abandoned hope of getting a worthier civic centre. Only a year ago there was some local dispute as to whether a new Labour Exchange should be placed in a prominent

situation or relegated to a decent obscurity where its activities would be less distressingly apparent. It was hidden, but the riverside ruins and the Town Hall retain their unwelcome prominence. In other respects, luckily, the city is more fortunate. Quite apart from the thousand acres of its Town Moor, it possesses fine open spaces, and has ready access to the very beautiful countryside of Northumberland.

Economically, Newcastle has always been the capital of "one of the most clearly defined geographic areas of the country," the area bounded inland by the Cheviots, the Pennines and the North Yorkshire Moors. With access to the south only by the sea or through the Northallerton gap, the town first grew in size and wealth through the monopoly it possessed of the coal for the London market, and of the shipping needed for its carriage, a monopoly that it exploited with skill and persistence over many years. When coal started to reach the Metropolis by rail from Wales and the Midlands, it must have seemed that the growth of Newcastle would be arrested. But it was hard to be unprosperous last century, and the city easily turned the corner. Any loss of differential advantages soon became negligible, with demand rising by leaps and bounds. And Stephenson in 1823 set up his iron works and made his first railway engine in Newcastle. The town played a great part in the growth of iron and steel, engineering, and chemicals. As if that were not enough, there came next the steamship to make another revolution in the economy of the whole Tyneside, bringing with it an increased specialisation upon capital goods.

Thus, at the end of the War, and with the expansion of equipment the War demanded, Newcastle was in a very vulnerable position. As we all know, Fate made full use of her opportunity. But the persistent depression of the area's chief industries has not been offset to any substantial extent by the introduction of new firms. For light industries, nearness to the main markets is a consideration of high importance: and the stranger, asked to name the largest town on the railway line between Newcastle and London, is generally surprised to find that the answer is adjacent Gateshead. "It is apparently cheaper," remarks the Industrial Survey, "to carry raw materials to more central positions and manufacture them there than to manufacture and then carry the manufactured goods elsewhere." But without such industries, despite re-armament, the adaptation of old

workshops to the manufacture of Diesel engines, and the now more prosperous Scandinavian trade, Newcastle is powerless against falling coal exports and declining shipbuilding.

To-day, with a population estimated at 292,700 persons, Newcastle embraces about a third of the population of the whole Tyneside, and just less than half its aggregate rateable value. Its birth rate, 16 per 1,000 in 1935, is very high, but the same is true of both the general and the corrected death rates. The infant mortality rate ranges from 33 to 112 for the different wards, and with a general average of 86 per 1,000 births compares badly with an average of 57 for England and Wales as a whole. But it falls short, if that is any consolation, of the figures of 90 and 92 in the neighbouring boroughs of Gateshead and Sunderland. The maternal mortality rate is 5.13 per 1,000 live and still births, against a national average of 3.93. The state of public health in Newcastle is not satisfactory, to put it mildly. Nor can these figures be explained by a rapid growth of numbers. Between 1912 and 1935, population grew only about 8 per cent. About 60 per cent. of the natural increase in numbers appears to have migrated beyond the city, and the greater part of this movement seems to have been right away from the Tyneside. Unemployment in Newcastle at the end of 1936 was given as 20,674, a general percentage of 15.8—with 20.1 per cent. for men, 8.5 per cent. for women, and 6.8 per cent. for juveniles. Even this, however, was a fall of 28 per cent. from the end of 1934, and the fall in the number of those in receipt of poor relief, from 22,529 to 19,148, was smaller at 15 per cent. A third of the total rates are required for public assistance.

Thus Newcastle, in fact if not by definition, comes near to being a "special area." At bottom its position resembles that of South Wales or Durham at its doors, in the decline of its main industries and the reluctance of new enterprise to settle in it; though, like all large cities, it has escaped the agonies due to complete specialisation. To some extent it has shared in the general recovery, and the measures to assist the Special Areas, the efforts of the Tyne Improvement Commission, the report of the Royal Commission now examining its obsolete structure of local government, and the intensification of re-armament, may all help it further. But no real solution of its problems is in sight or likely to be found without special measures on a large scale.

Is There A Trade Cycle?

THE trade cycle is very much in the news. For even Communists now admit that trade sometimes goes up, and even the stock markets admit that it sometimes goes down. Is it really a *cycle* at all, however? Or is it merely a series of irregular ups and downs? Trade, after all, can only go up, stand still, or go down; and is it so very surprising that it does first one of these things and then another? And if there is no genuine cycle, is there any reason to believe that recovery will stop just because it has already continued for about the traditional period?

Several well-known economists in many countries, including PROFESSOR CASSEL,[†] have argued that there is no cycle, but merely a succession of irregular ups and downs. PROFESSOR D. H. MACGREGOR,[‡] however, has shown by a critical analysis of the historical evidence that this is not true. He points out that there are arithmetical means of distinguishing a fluctuation or cycle from a mere irregular movement. It is true that for every series

of statistics, however irregular, it is possible to calculate a trend or average, and if the irregularly moving figures and the trend line are both plotted in graph form the areas enclosed by the moving curve above the trend line will be equal to the areas below. But this merely follows from the calculation and proves nothing.

PROFESSOR MACGREGOR postulates four conditions which a line must observe to constitute a fluctuation or cycle. The first is that it must not substantially change direction between a peak and a trough; that is, the upward and downward movements must be quite definite and clear-cut. Secondly, between each peak and trough the fluctuating line must cross the trend line; after a boom it must not fall to "normal" and then start rising again. Thirdly, the successive high points and low points must bear a definite relation to each other. This may be graphically expressed by saying that if a line is drawn joining the successive high points and another joining the successive low points, these two lines must bear a definite relation to each other: they must either be parallel, or regularly converging or regularly diverging. And fourthly, the period of time

between one turning-point and another must be long enough for the cyclical influence (whatever it may be) to make itself felt.

PROFESSOR MACGREGOR then takes the random examples of the figures of British shipwrecks and British emigrants between 1870 and 1910, and shows that the indices representing them do not fulfil these conditions. They move alternately up and down, but they do not fluctuate. Next, PROFESSOR MACGREGOR traces for the same period—the representative period of the pre-war trade cycle—what he regards as the three primary indices of economic change: those of employment, enterprise and prices. (The enterprise index has been devised by PROFESSOR MACGREGOR himself on the basis of new joint-stock company registrations.) All these indices, it turns out, do conform to the above four conditions with a remarkable fidelity. The existence of the trade cycle—at least during the years in question—would consequently seem to be an established historical fact.

What is the duration of the cycle? PROFESSOR MACGREGOR gives the high and low years of his three primary indices as having been as follows between 1870 and 1910. (It should be noted that though the figures refer to the cycle in Great Britain, it had already at this time assumed a recognisably common world rhythm during these years):—

HIGH YEARS			LOW YEARS		
Enterprise	Employment	Prices	Enterprise	Employment	Prices
1865	1865	1864	1868	1868	1870
1873	1872	1873	1878	1879	1879
1881	1882	1883	1885	1886	1886
1889	1890	1891	1893	1893	1896
1897	1899	1900	1901	1904	1903
1906	1906	1907	1908	1909	1909

[The enterprise index is Professor Macgregor's own; the employment index is the trade union unemployment percentage; and the price index is described by Professor Macgregor as "the relative prices of Sauerbeck and the Board of Trade."]

It will be seen that the interval between peak and peak, or between trough and trough, varied between five and eleven years. But whereas there was only one interval of five years, one of six years, and one of eleven years, there were nine intervals of seven years, eight of eight years, six of nine years, and four of ten years. If a simple average of these periods is taken, the duration of the cycle would work out at a shade over eight years. The war not unnaturally disturbed the rhythm of the trade cycle. But it is now generally agreed that the post-war booms of the years 1920 and 1929 bore strong resemblance to the traditional cyclical pattern. From the summer of 1920 to the autumn of 1929 was about 9½ years, a period not so very different from the pre-war average of a fraction over eight.

Forward-looking persons reading this article will doubtless by now have calculated that 8½ years after the autumn of 1929 comes the mid-winter of 1937-38. The period around next Christmas may therefore have assumed an ominous significance in their minds. And it is certainly an unassailable arithmetical fact that if the average of the historical trade cycle is calculated, and projected beyond the autumn of 1929, the answer is Christmas, 1937.

But this sort of blind empirical forecasting would, of course, be a most uncritical and unsafe proceeding. Although we cannot yet be said fully to understand the forces of the trade cycle, we are far from being compelled simply to observe its oscillations without comprehending any individual contributory factor as we would observe a single wave of the sea. It has long been clear, for instance, that the cycle is particularly closely associated

with changes in the rate of investment in capital goods, with changes in interest rates, and—probably in the recent depression—with major changes in monetary policy.

It is also now clear that, though the cycle has in general remained world-wide, major changes in policy have modified its operation in different countries. The Great Depression did not really begin in France and Belgium till 1932. Recovery began in the sterling area in the autumn of 1932, in the United States and Germany in the spring of 1933, in France in the autumn of 1935, and in Holland and Switzerland in the autumn of 1936. Moreover, it must be remembered that the clear emergence of the world cycle coincided with the general adoption of the gold standard about 1870; that Germany, France and Belgium, etc., which did not start returning to gold immediately after 1920, avoided the depression of 1920-23; and that the incidence of the cycle may be different in a world that has forsaken the gold standard.

Again, it should be remembered that, though the average period for the cycle is about 8½ years, several individual cycles have been shorter and longer. Finally, one may observe that since the war in fact suspended the working of the cycle, human action can plainly suspend it—if that action is sufficiently violent and sustained; though suspension is not abolition.

In assessing the present situation, therefore, it seems safest to assume that the trade cycle and its attendant cyclical forces are real things; that there is a certain tendency for them to work themselves out in eight to ten years; but that they are associated with, if not determined by, human policy—particularly in so far as it affects interest rates and the output of capital goods. And from this point of view, though from few others, armaments, like houses, must be accounted capital goods. The wise man will also recall that in 1937 America's recovery is about 18 months, and the late gold *bloc* countries' recovery about three years, behind that of Great Britain. It would be very surprising if Great Britain's economy turned definitely downwards while America's was still booming.

Canadian Tariff Concessions

THE trade agreement signed last week between the Governments of Canada and of the United Kingdom* has a much wider significance than derives from its character as a pact between two countries whose mutual trade totalled £98 millions in 1936. It has an intimate and direct bearing on the problem of improving the economic (and therewith the political) relations between Great Britain and the United States. And as far as British policy is concerned it must be taken as a foretaste of the general revision of the Ottawa agreements that is due this year.

As was to be expected from the replacement of Mr Bennett by Mr Mackenzie King at the head of the Canadian Government, the new pact is distinctly more liberal than the agreement of 1932 which it supersedes. But the liberal improvements are almost entirely on the Canadian side—a fact that might be defended, from the mercantilist point of view, on the ground that since Ottawa, British imports of Canadian goods have increased far more than Canadian imports of British goods. Possibly in recognition of this, and certainly in pursuit of their own policy of releasing Canada from the high-protectionism of the previous regime, the Canadian Government have reduced the duties on imports

[†] "The Crisis of the World's Monetary System," page 35.
[‡] "Enterprise, Progress, and Profit," Chapter III.

* Cmd. 5382. Obtainable from H.M. Stationery Office.

from the United Kingdom of a long list of goods, including many important lines of cotton and woollen textiles, chemicals, iron and steel, and machinery. The reductions, which bring duties, in some cases, down to zero, affect 150 items and sub-items, covering about 40 per cent. (by value) of imports from the United Kingdom at present subject to duty. Their amount ranges up to 20 per cent. *ad valorem*, but they are mainly of the order of 2½ per cent. to 5 per cent. *ad valorem*.

On the United Kingdom side, the scope of the reductions is very much smaller. There is a guarantee that the duty on Canadian motor-cars will not be raised above its present level of 22½ per cent., and the preferential duty on silk stockings is reduced to 28½ per cent. (or 8s. per lb.), and on reed organs to nil. But it is not only in scope that the contrast is significant between the Canadian and United Kingdom undertakings. Canada transfers a large number of important tariff items from the list of those on which a minimum margin of British preference is guaranteed to the list of those on which a maximum rate of preferential duty is guaranteed, while the United Kingdom, in return, limits herself merely to a pledge to maintain minimum margins between the general and the preferential tariff. Where the actual rate of preferential duty is nil, this is equivalent to a pledge against reducing the general duty under any circumstances, whatever counter-concessions may be offered by foreign countries, or however hopeful may be any future opportunity to take part in a lowering of world tariff barriers. Even where there remains a possibility of lowering both the preferential and the general rates of duty, the promise to retain at least a certain margin of preference is bound to be a handicap to the conclusion of pacts with foreign countries for the mutual freeing of trade. The new pact, and presumably the other revisions of Ottawa agreements that are to follow it, will not merely solidify imperial preferences; over an important area of trade they will solidify the British protective tariff at its present level.

Another feature of the Anglo-Canadian agreement is even more to be deplored. It renews the exchange of a Dominion undertaking to extend the preferential tariff to exports from the British dependent empire for a United Kingdom undertaking to "invite" the Governments of the colonies (except such as are pledged to the Open Door by international agreement) to grant to the Dominion general preferential benefits and some specific preferences. These preferences include, among others, a high rate of duty on foreign rubber-soled canvas shoes, an imposition which notoriously strikes a blow at the standard of living and health of the poorest and most defenceless of His Majesty's subjects. The former Open Door in the colonial empire was shut before Ottawa; the Ottawa agreements double-locked it by making any re-opening dependent on an all-Commonwealth amendment, instead of a decision of the United Kingdom Parliament. The new pact renews this double-locking at a time when the British Government is ostentatiously sponsoring an international inquiry into access to colonial raw materials, which must depend to a large extent on access to colonial markets. The question involved is not merely one of the volume of trade between Canada and the British dependencies, but one of trusteeship for native interests and of vital issues of international policy.

Perhaps the most remarkable aspect, however, of the new pact is not what it contains but what it omits. There is no mention of Canada's Ottawa pledge that tariff protection would be given only to those industries which were reasonably assured of sound opportunities of success, and that protective duties would not exceed a level that would give United Kingdom producers full opportunity of reasonable competition, on the basis of the relative costs of economical and efficient production—subject to special consideration for infant industries. This pledge (which was repeated in the agreements with Australia and New Zealand) therefore lapses. Some enthusiasts regarded it as the greatest and most worthy innovation made at Ottawa; on the other hand, sceptics declared that if literally carried out it would exactly countervail the very *raison d'être* of international trade—differential costs of production. In the event, it has com-

mitted suicide by a judicial knife. In Australia and New Zealand it was applied, with some advantage to British industry, by boards or commissions of men expert in tariff matters, who used a rough rule-of-thumb and did not attempt to interpret the pledge rigorously. In Canada its interpretation was entrusted to a judicial board, who generally found themselves incapable of discovering "relative costs of economical and efficient production" or otherwise translating its terms into practice. Its decrease will be mourned less by British exporters than by those theorists who hoped that wrapped in its verbiage might be found the beginnings of a valuable permanent check upon excessive protectionism in the Dominions.

For the rest, the new agreement advances no further towards the settlement of British protective policy, through quotas or otherwise, for meat (including bacon and hams) and dairy produce. The position is simply kept open, as far as Canada is concerned, subject to two provisos. The first is that imports of Canadian bacon and hams will not be regulated unless they progress at an "abnormal" rate towards the figure of 2,500,000 cwt., which was allotted to Canada in the Ottawa agreement—somewhat to the jealousy of other Dominions. The second proviso is that, as regards cattle and beef, Canada shares in the favourable terms wrung from the United Kingdom Government by Australia and New Zealand last year—that is to say, there will be no duty or levy on Empire imports, nor will they be reduced by quota below recent levels. One special innovation in the agreement is the article dealing with the contingency of Canada's dumping in the United Kingdom market any products not subject to duty. On being notified that this is taking place, the Canadian Government will "take suitable steps to correct the situation complained of and, if other measures are ineffectual, will exempt United Kingdom goods" of a similar kind from special or dumping duty. The Federation of British Industries has expressed the view that this provision is vague and inadequate; certainly its value seems to lie more in the warning it gives to exporters than in its precise operative terms.

The agreement may, in fact, be summarised in a sentence. It is a Laodicean kind of document, which will please many people but satisfy none. It continues some of the more dangerous and objectionable features of the Ottawa agreements, but both sides have changed their psychology, though not their principles, since Ottawa. The present Canadian Government is more liberal than its predecessor; and the British Government has learned much since the day when its spokesman declared that Britain had not gone to Ottawa to bargain with the Dominions. An optimist's verdict would be that the agreement ought to have been much better; a pessimist's that it might well have been much worse.

Both these judgments derive added pungency from the legitimate assumption that the lines of this agreement are those that will be followed by the British Government in their negotiations with other Dominions. They have shown no sign of relinquishing the principle that all the Dominions must be accorded the same terms in this market. Hence we may take it to be the general policy of the Government to advance from the Ottawa basis in two main directions only: very minor revisions of their own tariff on Empire goods, and an exchange of the general Ottawa clauses for specific undertakings from the Dominions. The principle of quantitative restriction remains; so does the ring-fence of preferential tariffs round the colonial empire; so does the guarantee of minimum margins of preference, which prevents a reciprocal lowering of tariff barriers with foreign countries. These are grave and—in our judgment—exceedingly unfortunate decisions, in view of the hopes raised that a valuable Anglo-American economic agreement might be reached now, though possibly not later, and in view of the efforts being made by the Oslo Convention countries towards general freer trade. But the battle is not yet lost. There is no reason to believe that the Canadian Government, which has shown its own desire for more liberal trade all round, sets store by the illiberal sections of the terms it has secured from Great Britain. There is time yet for a review of British policy that will look beyond the narrow bilateralism now in evidence.

Notes of the Week

Special Areas.—The ironical comment of Dr Dalton that the Government seems willing to spend pound for pound with Lord Nuffield in aid of the Special Areas, epitomises much of the disappointment with which the recent White Paper has been received in all quarters. Equally apt was the admission of *The Times* that the Government had not "exhausted" all the suggestions which have been under consideration. Criticism has by no means been confined to the political opponents of the Government. It is generally felt that the White Paper (which we discuss in a leading article on page 509) has done no more than re-state certain valuable principles of treatment, without making either the administrative or the financial provision to render them more effective, than the tentative policy of the last two years. The stress laid on armament contracts is rightly regarded as a red herring. A broadcast comment on Monday evening from Newcastle was illuminating—"We have been busily engaged in making munitions before, and look at us now!" In South Wales, too, the temporary character of armaments manufacture has been adduced as a criticism of the new statement of policy. The common comment of experts in the Special Areas is that there is nothing that is really new in the proposals of the White Paper; and it is feared that the sums at the disposal of the Commissioners will be no more adequate than in the past to solve the basic problems. In Cumberland, in Durham and in Scotland, the fear is expressed that neither the extended powers of the Commissioner nor armaments contracts are likely to meet the needs of the areas which are really down and out, and that nothing short of Sir Malcolm Stewart's proposals for the compulsory location of industry will save them.

Iron and Steel.—The 33½ per cent. duty on pig-iron imports was suspended on Wednesday. Simultaneously the duty on certain iron and steel products was cut by half to 10 per cent. In view of the world situation, it is not surprising that the British Iron and Steel Federation has been constrained to surrender these outworks of its defences. The price of pig iron and scrap has been rising dangerously for some time under the stimulus of world recovery and re-armament. The multiplicity of protective devices has enhanced the rise; and the position has become serious. In the pig iron market it has become impossible to place orders for near delivery; dates as distant as 1938 have been quoted by Swedish sellers. Consumers have been rationed for some months; and works have been faced with the possibility of having to restrict production for lack of raw materials, in spite of the almost unlimited demand for iron and steel products. The Import Duties Advisory Committee, in recommending the alterations in the duties, suggested that the world demand for iron and steel products was tending to out-run supply; but that the existing duties and rising world prices made it unprofitable to import supplies from foreign sources. The British Iron and Steel Federation has already announced that it intends to raise prices under existing contracts to an unspecified figure from June 1st; and its decision to establish central buying for scrap and foreign pig iron was due to the acute and growing world shortage.

The revival of industry is endangered by this position; civil demand cannot be satisfied; and the cost of re-armament is correspondingly advanced. Indeed, deliveries of steel from the Continent might have been negligible, had not the quota ensured a minimum supply—a surprising rôle for a protective device. To reduce the paraphernalia

of duties and quotas in these circumstances is common sense. There is still, however, some ground for scepticism. The alteration of duty is adumbrated as "temporary . . . pending the developments which are taking place to increase supplies from home and Empire sources." The Committee is satisfied that steps are being taken by the Federation to ensure adequate supplies. We may wonder, therefore, what sort of a reduction of duty this is. Will the old rates be restored the moment the Federation snaps its fingers? What of the broader considerations of national prosperity and national defence? As *The Economist* pointed out in June last (June 13, 1936, page 596), a fiscal procedure which would allow important economic interests, rather than Parliament, to fix and alter tariff rates might too easily render the cost-basis of our industrial structure subject to the arbitrary decision of a monopoly. Altogether a right step seems to have been taken for entirely wrong reasons.

Government and Electricity Distribution.—Last summer the McGowan Committee on electricity distribution published their Report, on which we commented in our issue of July 4, 1936. Briefly, the Committee recommended that it was desirable to reduce the number of units distributing electricity throughout the country by transferring the undertakings at present operated in small units into the hands of their larger neighbours. Schemes were to be worked out by a number of district commissioners to be appointed *ad hoc*, who would clearly be expected to negotiate arrangements, as best they could, with the owners of the undertakings in the area for which they were responsible. We made two main criticisms of the proposals. First, the terms of compensation in respect of company undertakings seemed heavy. We suggested that unless the district commissioners were ready to saddle consumers with very heavy capital charges in the reorganised undertakings, it would be inevitable that the resulting organisation would consist largely of power companies operating, under sliding-scale limitation of profits, both their own present undertakings and the bulk of the hitherto publicly-owned undertakings. Our second criticism was that it was hardly likely to be possible to obtain the services, as district commissioners on a temporary basis, of men of the requisite calibre. The Committee's proposals envisaged that company undertakings surviving the reorganisation would have a tenure of 50 years, at the end of which time some sort of public ownership would be established. We took the view that if there was a case for public ownership in 50 years' time, there was a case for public ownership immediately.

On Wednesday it was announced in the House that the Government would introduce legislation, next session, to carry out the recommendations of the McGowan Committee, but with two important exceptions. First, the schemes would be prepared by the Electricity Commissioners instead of by special commissioners appointed *ad hoc*. This is obviously an improvement, for it should not be difficult for the Commissioners to augment their personnel, and they will be in a position to deal with the problem far more effectively than district commissioners. The second change naturally follows; as the Electricity Commission has become the tribunal of first instance, appeal is now to be made to the Minister of Transport, whose decisions must be confirmed by Parliament.

It is likely that there will be strong opposition from almost every interest affected, except the power companies. Local authorities owning their own undertakings will resent losing them. Many local undertakings will be merged with undertakings acquired on a much more generous measure of compensation. In the pooling of prices, consequently, their consumers will be saddled with capital charges swollen by the goodwill of adjacent undertakings. Smaller company undertakings will inevitably protest against the loss of their identity. It is likely that, unless the Minister and Parliament take a strong line, the fight over every scheme drawn up by the Commissioners will be protracted. Consequently, the 50 years which the McGowan Committee wished to interpose between chaos and thorough-going reorganisation may not even begin for some considerable time.

* * *

No Parking.—The Minister of Transport is considering the prohibition of the parking of cars in streets except to take up or to set down passengers. He has expressed the belief that private enterprise can offer cheap and adequate accommodation off the streets; and that motorists have neglected such facilities, preferring to leave their cars on streets "built at vast public expense for the passage and not the parking of vehicles." He proposes to appoint no more street parking places and progressively to diminish the existing ones. Stationary vehicles, he said in a speech on Tuesday last, must not be allowed to immobilise lines of traffic or to invade the peace of pleasant squares and quiet streets. The motorists' organisations have already protested vigorously, and they promise stubborn opposition to the proposal. They had hoped for increased parking facilities, and the proposed prohibition has come as an unexpected blow. They may take some comfort, however, from the fact that Mr Hore-Belisha's writ runs in only the 1,800 square miles of the London traffic area and, after April 1st, on the great trunk roads. Admittedly, a measure of the kind proposed is the line of least resistance. In the short run, however, the waste of time and money in traffic blocks is only less costly than the loss of life on the roads. London is a special and a serious problem.

* * *

Rumours that the Minister of Transport had said more than he actually intended to do were dispelled by an official statement that he meant every word of his original announcement. Traders are seriously alarmed, fearing loss of custom. It is pointed out, not unreasonably, that to provide adequate garage accommodation will be vastly expensive, and will take a very long time. The immediate public interest certainly requires some restrictions; but the ultimate object must be to fit the streets to the traffic, and not vice-versa. Meanwhile there is a lesson to be learned from Ramsgate, where the local Garage Proprietors Association have petitioned for the abolition of street parks. The Minister of Transport must not, in his proper zeal, play into the hands of vested interests.

* * *

Oxford University By-Election.—The result of the by-election in Oxford University, caused by the resignation of Lord Hugh Cecil, is a remarkable tribute to the personality of a leading economist and servant of the State, and to the new-born independence of an electorate whose other Burgess is Mr A. P. Herbert. Last week, Sir Arthur Salter, with 7,580 votes, had an absolute majority of 55 over the combined poll of two Conservatives—a powerfully backed, Right-wing Independent, Professor Lindemann, and a still more powerfully backed official candidate, Professor Sir Farquhar Buzzard, each of whom secured roughly half the number of Sir Arthur Salter's votes. *The Times*

ostentatiously threw its weight behind Sir Farquhar Buzzard. The *Daily Telegraph* and the *Morning Post* threw theirs behind Professor Lindemann. But the electorate, most of whom presumably read these newspapers, voted for Sir Arthur Salter. Newspapers apart, his personal backing, both within and beyond the academic circle of the University, was stronger than that of either of his opponents, and included a number of Conservatives as well as leading University Liberals and Labour men. Past elections indicate that he could count on a normal "Progressive" vote of 3,500 at most; hence the Oxford Conservatives, faced with a choice between a Die-hard, a symbol of orthodoxy, and a Radical, voted as to at least one-third for the Radical. Here, surely, is a sign that a genuine National Government at the present time would be a Government, not of the Right, but of the Left Centre.

* * *

The Naval Estimates.—The Estimates for Naval Expenditure in 1937-38 were the first Service Estimates to appear under the Government's five-year re-armament programme. Expenditure on the Navy now falls into two divisions: that defrayed out of the Budget, and that from loans, i.e. from issues out of the Consolidated Fund. "The figure which in a normal year would form the net total Navy Estimates, is, for 1937, £105,065,000, which exceeds the total Navy Estimates for 1936, including Supplementary Estimates, by £23,776,000. Of this total £27,000,000 will be provided by issues from the Consolidated Fund, subject to a statutory authority being obtained in accordance with the terms of the Defence Loans Bill now before Parliament. The figure, therefore, shown as the net total of Navy Estimates, 1937, is £78,065,000." Thus, the taxpayer in 1937-38 will only be required to find this £78,065,000—i.e. less than the estimated £81,289,000 (including Supplementaries) in the financial year now ending. Nevertheless, in 1937-38 the country will be paying, both out of savings and current income, £105,065,000 for the Navy alone; which is more than the 1932-33 expenditure on all our Defence Services, and within £2,000,000 of the 1933-34 total Defence expenditure.

	1932	1933	1934	1935	1936* (Esti- mates)	1937 (Esti- mates)
Average number of effectives	89,667	89,863	91,351	94,259	101,154†	112,000‡
Wages, etc., of officers and men	£'000 12,636	£'000 12,514	£'000 12,689	£'000 13,140	£'000 13,611	£'000 14,181
Victualling and clothing	2,981	3,182	3,147	3,435	3,588	3,978
Medical establishments, etc.	361	375	366	406	397	411
Fleet Air Arm	1,025	1,089	1,338	1,993	3,572	4,200
Educational and scientific services	661	650	650	665	719	794
Royal Naval Reserves	347	373	342	334	356	373
Shipbuilding, repairs, maintenance, etc.	15,882	18,449	20,929	25,784	34,934	32,125§
Naval armaments	3,319	3,767	4,034	5,658	9,473	7,770
Works, buildings and miscellaneous	2,936	2,816	2,622	2,839	3,635	2,906‡
Admiralty Office	1,086	1,079	1,106	1,155	1,282	1,459
Non-effective services, civil superannuation, etc.	8,928	9,145	9,393	9,479	9,725	9,869
Total expenditure	50,164	53,444	56,616	64,888	81,289	78,065¶

* Including Supplementary Estimates of April 28th and July 7th, totalling £11,359,000. † Maximum strength. ‡ Plus £2,000,000 for material, and £17,000,000 for contract work, to be defrayed from loans. § Plus £5,000,000 for armament stores, etc., to be defrayed from loans. || Plus £3,000,000 for works buildings, etc., to be defrayed from loans. ¶ Plus £27 millions from loans.

In 1937-38, a full annual provision must be made for the building begun in the financial year now ending, as well as for the expansion in 1937-38; which accounts for the biggest increase in any item—i.e. an increase of £14,033,215 for new construction over the 1936-37 figure. Maintenance, repairs, modernisation of capital ships, increase in personnel, stores and material, account for another increase of £9,081,985; and additional aircraft for the Fleet Air Arm are to cost an extra £516,500—in addition to an extra £278,500 for aircraft forming the initial equipment of new ships other than aircraft carriers, included in the construction cost of such ships. Thus, in 1937-38, big contract payments will be made for five new 35,000-ton battleships—two laid down on January 1, 1937 (*King George V* and *Prince of Wales*)

under the 1936 programme, and the three under the 1937 programme; two 23,000-ton aircraft carriers in the 1936 programme (*Illustrious* and *Victorious*) ordered on January 13th, probably to be increased to four in 1937-38; the seven cruisers of the 1936 programme, and the seven heralded for the 1937-38 programme; and for a host of new destroyers, submarines, light surface craft, increased stores of munitions, etc.

* * *

Of the £44.2 millions estimated to be spent during 1937-38 on building, repairs, maintenance, alterations, etc., only £3.3 millions is for dockyard-built ships, £23.3 millions is for contract-built ships, and £1.4 millions for other vessels, making £28 millions for new construction. Further, £10 millions is for repairs and alterations, £3 millions for stores, and £3 millions for fleet, port, national, and other charges—a grand total of £44 millions under the programme for construction and maintenance of ships. New works at dockyards and naval bases are increased by £1.3 millions; and additional factories, plant and extensions to naval contractors' works (for guns, armour, etc.), constitute new items totalling £3.8 millions more than the mere votes on account contained in last July's Supplementary Estimate. A striking feature of the 1937-38 Estimates is the rapid and vast increase in the value of contract work going to private firms. Industrial capacity for shipbuilding and repairing, and manufacture of ordnance and equipment, seems likely to be strained to the utmost in 1937 and succeeding years—a factor which is bound increasingly to affect civil industry, prices and wages in this country.

* * *

The Army Estimates.—The 1937-38 Army Estimates are complicated for various reasons. First, in 1936-37 they bore £551,800 for expenditure on new Government factories, whereas in 1937-38 the Royal Ordnance Factories' own Estimates cover all such expenditure, as shown in the succeeding Note. Secondly, in 1937-38 the net Army Estimate of £63,120,000—itsself an increase of £7,239,000 over the 1936-37 Estimates and Supplementaries—does not allow for expenditure on Army services of an extra £19,054,000 from the Consolidated Fund, i.e. from loans. Thus, the Army Estimates for 1937-38 are really up by £26,293,000. Finally, the Royal Ordnance Factories' Estimates in 1937-38 are made to bear an abnormal and additional £8,194,900, of which almost all (£7,946,000) is to be raised out of loans. Thus, all in all, the superficially visible increase of £7 millions odd in the 1937-38 Army Estimates should be scaled up to an increase of £34,487,900 in our military estimates (Army *plus* Ordnance). Even this does not allow for the non-recurrent £2.8 millions for military measures during the

Abyssinian crisis provided in the 1936-37 Estimates, and whose abandonment might have been expected to reduce *pro tanto* next year's Army Estimates.

	1932	1933	1934	1935	1936* (Esti- mate)	1937 (Esti- mate)
Number of effectives	148,700	148,700	149,500	152,200	158,400	168,900
Pay, etc. of the Army	£'000 9,008	£'000 9,416	£'000 9,514	£'000 9,440	£'000 10,340	£'000 10,488
Territorial Army and Reserve Forces	3,952	4,721	4,777	5,055	6,043	7,867
Medical Services	877	872	910	1,010	1,071	1,055
Educational Establishments	802	785	866	910	947	1,053
Quartering and Movements	1,203	1,205	1,269	1,650	1,967	1,909
Supplies, Road Transport and Remounts	3,688	3,758	3,851	4,450	4,732	6,005
Clothing and Stores	4,176	4,358	5,153	8,060	15,564	20,368†
Works, Buildings, Lands and Miscellaneous Effective Services	3,329	3,427	4,292	4,802	5,847	4,882‡
War Office	798	802	816	852	913	1,046
Half-Pay, Retired Pay, Pensions, etc.	8,141	8,127	8,242	9,368	8,457	8,447
Net Expenditure	36,137	37,540	39,692	44,654	55,581	63,120§

* Including Supplementary Estimates of £6,600,000 on July 6, 1936, and of £100 on February 26, 1937.

† Plus £13,000,000 for Warlike Stores, to be defrayed out of loans.

‡ Plus £19,054,000 for Works, Buildings and Lands, to be defrayed out of loans.

§ Plus £19,054,000, composed as shown in preceding two footnotes, to be defrayed out of loans.

The regular British effectives on January 1, 1937, are put at 130,249, to which must be added 58,239 British regimental troops on the Indian and Burmese establishments.

* * *

Warlike stores show the greatest increase, provision for guns and carriages having risen from £1 million in 1936 to £5.3 millions in 1937; for gun ammunition from £3.1 millions to £7.3 millions; for wheeled mechanical transport from £1.7 millions to £2.7 millions; for caterpillar transport (including tanks) from £0.8 million to £3.6 millions; and the lesser items in roughly the same proportion. Provision for machine tools, etc., to aid manufacture of warlike stores by private contractors (i.e. not Ordnance factories) has risen from £1.0 million last year to £3.3 millions this. The £13 millions to be raised by loan for warlike stores accounts for most of the £18.6 millions increase in this item. The £6.1 millions to be borrowed for land, buildings and works actually accounts for more than the net increase of £5.0 millions in this item. Military works construction and maintenance are up from £4.0 millions to £6.6 millions; and provision for land and the erection and maintenance of factories which are to be built, operated and maintained by private contractors on behalf of the War Office, is up from a mere £75,000 to £2.2 millions.

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The Royal Ordnance Factories Estimates.—In view of the special interest attaching to these factories in 1937-38, owing to their being called on to spend

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part of the borrowed money for re-armament, we append the current year's estimate, and that for 1937-38.

(£'000's omitted)	1936* Estimate	1937 Estimate
Establishments.....	81	99
Wages, etc.	3,135	4,446
Materials and stores	1,545	2,947
Machinery obtained by contract	468	2,372
Works carried out by contract	225	558
Works carried out by H.M. Office of Works	25	5,154
Land	281	280
Miscellaneous	118	186
Non-effective charges	109	123
	5,987	16,164
Deduct appropriations-in-aid	5,556†	15,482‡
Excess of payments over receipts	431	683
Deduct transfer from supplies suspense account	97	100
VOTE	333*	583

* Including Supplementary Estimates of July 6, 1936, for £293,700, and of February 26, 1937, for £100. Original net estimate £40,000.

† Composed of £4,940,640 from Navy, Army, Air Force, Dominions and Colonies for ordnance, and from miscellaneous sales of scrap, stores, etc.; and £615,760 from Navy, Army and Air Force for construction of new factories.

‡ Composed of £7,536,000 for production for the Services, Dominions, sales of scrap and stores, etc.; and of £7,946,000 from loans out of Consolidated Fund.

All of the £7,946,000 to be raised by loans for expenditure under the Ordnance Factories Vote is to be spent on building or converting munitions factories—of which, in 1937-38 alone, that at Chorley, Lancs, is to cost £2,500,000, at Bridgend £1,150,000, and at Nottingham £1,374,000. "Other sites" include six factories to cost a further £1,685,000 during 1937-38. The Chorley filling factory's total cost appears at £6,050,000; the Irvine explosives factory's at £1,006,000; the Nottingham gun factory's at £1,509,000; and an unspecified explosives factory at £2,890,000. By the beginning of April, in addition to the older Waltham, Woolwich and Enfield factories, where extensions and modernisations are being made, the new Hereford, Irvine, and Nottingham factories will just be starting work.

M. Blum's Victory in the Chamber.—The debate in the French Chamber on February 26th ended in a signal victory for M. Blum. He obtained a majority of 152 votes (361 to 209) after having stood up to a full-dress offensive from the Right, and having declared in reply that he did not intend either to retire from the field or to abandon the Front Populaire in order to put himself, like another MacDonald, at the head of a national government. The French Government's outlook in contending with their financial troubles is a different problem which is discussed below. But the political victory which they have already gained is not in doubt. The struggle between M. Blum and M. Flandin was waged over the allegiance of the Radical-Socialists, and though it is evident that M. Flandin largely defeated his own ends by the animosity which he put into his attack, the principal credit for M. Blum's victory must once again be given to the French Prime Minister's own character and personality. The Radical-Socialists believed him when he assured them that any new features in the Government's policy would be submitted for approval to all the parties of the Front Populaire before being translated into action. The Radical-Socialist Party's loyalty on this occasion to the Socialist leader of the coalition of the Left is a new departure in French politics which may be of momentous importance. For the Radical-Socialist vote is the deciding factor in the French parliamentary balance of power. It is the weakness of these good French Liberals to discharge their generous sentiments in words and then to bestow their votes on the protection of the bourgeois's pocket. But this time they have not played their traditional comedy.

The Government's economic prospects are not so bright. Gold is still leaving the Bank of France and the country; and rentiers, still shy of lending to the Government, will not repatriate their funds lodged abroad. The levels of both costs and prices have been rising fast, and this has stimulated a certain amount of industrial recovery; but the main problems are the central finances and the Government's credit. Until the stock market rises and interest rates fall, the annual service of the National Debt must continue to absorb nearly 50 per cent. of the ordinary Budget; and until Frenchmen who have lodged their capital abroad before the devaluation feel confident enough, both in the level of the franc and in the Government's unwillingness to tax away all the differential of profit upon repatriation, the pressing needs of the Government and Treasury will be concentrated on a money market in which banks, businesses and bourgeois have declared a stay-out strike. If M. Blum can maintain the goodwill of the Radicals and secure that of one or two leading financial houses, his Government can weather the rough water until the autumn, when trade recovery should bring funds home to France. There is nothing inherently weak in France's economic or financial system to-day.

Herr von Ribbentrop's Speech.—On Monday, the German Ambassador to the Court of St. James's made a public speech at the Leipzig Fair in which he took a line on a number of questions of controversy between the country which he represents and the country to which he is accredited. His main theme was Germany's claim to a restoration of her colonies; and on this the Ambassador said nothing very new. The chief lesson of the speech is the fresh light it throws on the difficulty of combining the diplomatist's career with the politician's. On the substance of the German demand, there are few people in England who feel that Germany's desire to have her colonies back is either unnatural or unreasonable; but there are still fewer prepared to enter into any serious discussion with Germany over her colonial claims, except as part and parcel of a general settlement of the kind which Herr Hitler dangled before our eyes on the morrow of his military re-occupation of the Rhineland, a year ago this week. Herr von Ribbentrop's speech carries us no further.

The German claim to colonies is put forward as a thing in itself, with no reference to its relation to the problem of armaments and the problem of Eastern Europe; and it is once again rubbed in that Germany intends to go on, whatever happens, with her Four Years' Plan à la Russe. In this context, we cannot take lightly Herr von Ribbentrop's stamp of the jackboot and rattle of the sabre in the traditional Prussian manner. A compromise on the colonial issue could be found, he declared, only in one or other of two directions—one "the solution of the problem of the restoration of the former German colonial possessions," and the other "by means of the German people's own strength." In English this would appear to mean that we are asked to give the German colonies back unconditionally, and are warned that, if we will not, then Germany proposes to take them back by force. It therefore behoves us to consider closely where it may be that Germany proposes to recruit her strength for trying a fall again with us. We presume the answer is in Czechoslovakia. Once mistress of Central and Eastern Europe, Germany would be able to turn round and tell the four West European Colonial Powers to stand and deliver. For us, of course, the moral would be to check her at her first move by fulfilling throughout Europe, up to the hilt, our obligations under the Covenant of the League. But surely there is a better way. Let Germany ask for her colonies back as part of an arrangement under which she renounces her dream of domination in Europe, and let the compact be sealed by a halt, all round, to the armaments race. This, not Herr von Ribbentrop's method, is the true way to peace with honour.

The Czechoslovakian Germans.—The Agreement on German cultural autonomy on February 19th between the Czech Government and the three non-Henlein German Parties represented in that Government was denounced by Herr Henlein in a speech at Aussig last Sunday. The leader of this Party, which at one time represented nearly 70 per cent. of the Germans in Czechoslovakia, made greater claims than he had ever before presented. Every German in the State should live under his own law, the *Sudetendeutschen* should have their own organs of administration, and the State should make good all economic damage inflicted on the German minority since 1918. These claims smack of another source than Bohemian. There is no doubt that this kind of *Völkische* (sc. popular) autonomy—clearly more than cultural autonomy—would make a State within the Czech State, to which the latter would be paying a species of internal reparations and on whose loyalty it could never rely. It is noteworthy that under the Austro-Hungarian monarchy the Czechs never demanded such autonomy; for they realised that Bohemia, Moravia and Silesia were too mixed in race and population ever to admit of clear-cut autonomous areas of the kind now claimed by Herr Henlein. It is stated in Prague that Herr Henlein's demands were made only in order that they should be refused, so as thus to enable German propaganda against Czechoslovakia to proceed on the basis that the Czechs had refused an offer of reconciliation. Actually, membership of the Henlein Party is said to be declining now that the three other German parties are co-operating in the Government to clear away all differences between Prague and the *Sudetendeutschen*. With an eye on numbers, Herr Henlein has pushed his demands higher. *Il fait la réclame*. But it should not be forgotten that hundreds of thousands of Czechs and Slovaks, to say nothing of non-Henlein Germans, would be placed within Herr Henlein's pale if it could ever be set up. "New minorities for old" is not progress; it is mere change.

Roumania's Iron Guard.—A crisis has arisen in Roumania, largely owing to lack of firm democratic defence of law and order. The Iron Guard is on the war-path again. It is a Fascist organisation, in close contact with Berlin, to whose discredit stands a long list of assassinations, from that of a Prime Minister down to those of poor students. This week the Rector of Jassy University, a liberal, was savagely attacked and nearly killed. Scarcely a day passes but Jews, or liberals, or students, or editors and journalists, or even Conservative ex-members of the Iron Guard itself are assassinated or brutally manhandled. The Iron Guard denies the more important of these outrages, and admits the lesser, in order to gain credit for its activism without opprobrium. But the murder of the late Prime Minister, M. Duca, was shown to have been committed by members of the Iron Guard. And what does the Iron Guard want? Apparently mere Fascism; friendship—and perhaps more—with Germany and Italy; and the dismissal of all friends of France, Britain, Russia and democracy in general. The Tatarescu Cabinet, after having elbowed out M. Titulescu and his pro-French, pro-Little Entente, pro-Russian policy, finds itself weak and divided in domestic politics. The Peasant Party remains aloof. And neither the King nor M. Tatarescu dares grasp a nettle. But if they do not, it will inevitably smother the Roumanian garden with weeds.

Italy and the Habsburgs.—In connection with the flutter produced by Freiherr von Neurath's visit to Vienna, it has been intimated in Rome that Italy is neither promoting nor even approving the idea of a restoration of the Habsburg Dynasty. The project, it is suggested, is both dangerous and superfluous. Austria is getting on quite well as she is. Why this talk of a change in the regime? As this intimation appears to come from official sources, we may conjecture that Signor Mussolini is drawing in his horns from Central Europe, as

Herr Hitler is raising his own horn above the Brenner. Not long ago, Signor Mussolini was credited with the plan of reconstructing a Danubian Habsburg Monarchy which should be weak enough to remain dependent for its existence on the patronage of Italy while strong enough to bar the way to Germany's drive to the south-east down the Danube valley. According to rumour, this new Habsburgia was to be compounded of post-war Austria and post-war Hungary with Slovenia and Croatia thrown in. This bold stroke would indeed have spiked Hitler's guns—if it had not brought the Little Entente into line with the Third Reich in opposition to Mussolini's purpose. But it now looks as though the Duce, with his hands full in Africa and in Spain, had resigned himself in Central Europe to an Italo-German compromise.

Rumour declares that this new bargain was struck during General Göring's recent visit to Rome, and that the basis of agreement was that the Italian effort to exclude Germany completely from South-Eastern Europe should be renounced in favour of a partition of that part of the world into an Italian and a German sphere of influence. Italy was to have Yugoslavia, Hungary and Bulgaria while Germany was to take Czechoslovakia and Roumania as her share of the feast. But this agreement depended on the negotiators' ability to strike a prior bargain over Austria. This was the crux; for Austria was a country which neither party could afford to leave in the other party's hands. It was therefore agreed, apparently, that Hitler would renounce the *Anschluss* and Mussolini the Habsburg restoration in favour of the existing state of affairs. There is not much consolation here for Herr von Schuschnigg. No wonder he is going to Rome.

"Te Duce, Caesar."—The Fascist Grand Council, whose hours are those of a night club, has been burning the midnight oil on no fewer than three nights this week. They met on the night of Tuesday to Wednesday; but the issue of a *communiqué* did not mean that they were at the end of their business—though their subsequent lucubrations were about the birth-rate. Meanwhile, the *communiqué* which we have before us is rather luridly illuminating. The preamble contains a declaration of faith that "every possibility, even remote, of a limitation of armaments is now definitely to be excluded"; and this leads on to the announcement of five decisions. There is to be yet another increase in Italy's armed forces. The powers of the Commissariat-General for War Industries are to be extended for another five years. There is to be an integral militarisation of all the active forces of the nation from the age of 18 to 55 years. The maximum self-sufficiency in military supplies is to be attained at "the sacrifice, even total if necessary, of civil to military needs." And Italian science and technique are to be called in to redress the balance of material forces, "because only by science, by valour, and by a spirit ready for any event can the less-endowed peoples resist the eventual aggression of countries rich in money and possessing greater natural resources." This *communiqué* must be as disconcerting to the Fascist rank and file as it will

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be encouraging to the Chancellor of the Exchequer of the United Kingdom; for, as an undertone to the hyena's snarl we can here detect the croak of the frog who is trying to puff himself out to the size of the ox and has suddenly begun to wonder whether, after all, he may not be going just to burst instead of adding a bovine cubit to his batrachian stature.

* * *

The joke—though it is a grim joke—is that the situation in which Fascist Italy now finds herself is one which ought to be welcomed with enthusiasm by any disciple of Mussolini who has taken the Duce's teaching *au pied de la lettre*. "War alone," Signor Mussolini has written in the *Enciclopedia Italiana*, "brings all human energies to their highest tension and sets a seal of nobility on the peoples who have the virtue to face it." And now the Duce's countrymen are going to find out at first hand—and this even before the next war has broken out—what the "highest tension" feels like. Poor Italians, who were so recently assured that the war against Abyssinia—which, to do them justice, they did not want—was to be a piece of glory on the cheap! For a moment it looked as if the Duce had performed even more than he had promised. Geneva, London and Paris were successfully defied and Abyssinia successfully overrun. But there was one catch about that adventure, and this has now come to light. It was not the end of a story but only the beginning. This week's *communiqué* admits that; and in its hectic tone we catch an inkling of the Nemesis which always eventually overtakes a military dictatorship. From the beginning, Mussolini's primrose path has been none other than Louis Napoleon's. Now he, and some of his people, know it. The grinding of the mills of God is grating in his ears.

* * *

"The Blessings of Civilisation."—Italy went into Abyssinia to bring to it the blessings of civilisation. Some of these blessings have been conferred during the last week or two; and the load of dishonour which is the chief tangible fruit of Italy's conquest of Abyssinia has accordingly been piled higher. The other day, the population of Addis Ababa is reported to have been shot up by bands of Italian blackshirts and workmen as a retort to the bombing of Marshal Graziani on February 19th. The reports coming through from Paris speak of fearful atrocities; the massacre of thousands of defenceless people, inhabitants of an entire district of the town; and a veritable orgy of slaughter. These reports received a hint of confirmation in the Fascist Grand Council's commendation on Tuesday of the behaviour and achievements of the Italian forces at Addis Ababa, after the attempt on Marshal Graziani's life. The stories are now officially said to be exaggerated; but it seems to be admitted that the "punishment" of the native population was on a lavish scale. On February 24th the Abyssinian General, Ras Desta, son-in-law of the Emperor Haile Selassie, was shot in cold blood by a firing squad after having been taken prisoner in battle. To take the life of a prisoner-of-war for the offence of being captured under arms on his native soil, while fighting in defence of his invaded country, is a further step in a so-called civilised nation's regression into barbarism. One has to go back to the days when Cortes, the invading conqueror of Mexico, killed the Aztec princes, to find a parallel barbarity. The British invaders of Boer territory stopped short of shooting de Wet when he had been cornered at last, after disregarding their orders to him to lay down his arms. Nor is the new Italian touch of frightfulness in the antique Roman fashion; for the Romans did not kill a captured enemy commander out of hand. They saved him up for the triumph, then strangled him in the Tullianum on the evening of the day in which he had been paraded through the streets of the Imperial City. General Graziani did not know his book; but no doubt the Duce will see to it that the good old Roman tradition is faithfully followed next time.

The Metal Boom.—After a considerable reaction last week-end, metal prices have staged a sharp recovery and in the meantime each of the Big Four base metals has reached a new and remarkable price record. Copper is now at its highest since 1930. Tin has established a new record since 1928. Lead is higher than at any other time since 1926; and spelter has reached a new peak since 1927. Nothing shows better than this how wrong it would be to expect a break in the metal price level. The immediate future may even see higher metal quotations, as demand is still very active. In the longer run, however, the recent rise in base metal prices appears to have gone much too far. The boom has been due to very large speculative buying, the largest since 1914, on the one hand; and a complete change in the buying policy of consumers on the other. Numerous consumers, who had been used until quite recently to buy from hand to mouth, have in recent weeks piled up stocks which are sufficiently large to cover their requirements for a good number of months.

* * *

Producers of metals, however, are not taking part in the present speculation. On the contrary, production is being raised as far as possible; as on all metal markets the world's potential production is well in excess of potential consumption, including the much over-estimated armament consumption, supplies are likely to overtake consumption before very long. This is all the more likely as the present price level has an adverse effect on consumption, and at the same time stimulates the supply of scrap metals, which are a perfect substitute for new metals in nearly all branches of the armament industry. Until the rising production makes itself felt in current supplies, no major change in the trend of metal prices is likely. Once, however, speculators and consumers will have realised that their fears of a pending shortage in metal supplies has been unfounded a break will probably set in.

* * *

A Collective Bargain in America.—For months past the American air has been thick with threats of a coming assault by Mr John Lewis's Committee for Industrial Organisation on the steel industry and with the counter-challenges of the steelmakers, saying that they never would recognise any labour organisations save their own "company unions." On Tuesday, to the great surprise of the public, it was announced that an agreement for collective bargaining had been signed between the Carnegie-Illinois Steel Corporation and the Steel Workers' Organising Committee, acting for their respective principals, the United States Steel Corporation and the C.I.O. The negotiations, it appears, have been conducted by Mr Lewis and Mr Myron Taylor, chairman of the Corporation, in person. On the same day a group of other large steel producers announced a reduction of the working week to forty hours and an increase in the daily minimum wage to \$5. Several causes have contributed to this very surprising labour victory. The threat of a strike had to be taken seriously, for though Mr Lewis has not yet "organised" more than a minority of the steelworkers, his ability to bring the coal mines to a standstill is undoubted. The steel firms have also been embarrassed by the terms of an Act which limits contracts for Government work to firms working the 40-hour week. With orders for 25 million tons of steel for new warships in prospect this limitation has been a serious consideration. And, finally, the companies' readiness to raise wages is evidence of their confidence in their ability to raise prices. The agreement, in short, is a powerful encouragement to the two outstanding tendencies in America to-day: the one, in economics, towards an inflation of prices; the other, in politics, towards the emergence of a Labour Party.

* * *

Political Developments in India.—The solid bloc of absolute majorities for the Congress in the six provinces of Central and Southern India has not eventuated. In Bombay, although the Congress has over four times

as many representatives as its nearest party rival, it is just short of an absolute majority. In Madras, on the other hand, it has secured a sweeping victory, and its majority in the Central Provinces is now firmly established. Its electoral triumphs have swung a large body of opinion in the Congress towards the acceptance of provincial office, even in Bombay, where there are various possibilities of a working alliance with small groups. The only provincial Government to have been formed so far is in the Punjab, where Sir Sikander Hyat Khan, the leader of the Unionist Party, has constituted a Ministry of three Moslems, two Hindus and a Sikh. One of the most remarkable signs of the new condition of Indian politics has been the indication by the leader of the European body in South India that they might be prepared to support a Congress Ministry pursuing a constitutional programme. Meanwhile, behind the scenes at Delhi, there has been distinct, if strenuous, progress towards the realisation of central autonomy through the federation of the Princes with British India. The election of the Maharajah of Patiala as Chancellor of the Chamber of Princes, in place of the Maharajah of Dholpur, is regarded as a sign that the smaller Native States are growing more inclined towards federation. The negotiations with both the greater and the lesser States have reached the stage of the formulation of definite terms regarding the Instruments of Accession, which will be the fundamental law of federation for the Princes.

* * *

The Indian Budget.—British India, with its high defensive burden and its low taxable capacity in relation to population, has almost invariably a hard task in matching the size of its coat with the cut of its cloth. The Finance Member was faced with exceptional difficulties this year owing to the cost to the central exchequer of the separation of Burma and the introduction of provincial autonomy, which are reckoned to cost eventually Rs. 8½ crores. (A crore of rupees is equivalent to £750,000, and a lakh to £7,500.) Moreover, a serious decline of revenue has produced in 1936-37 an anticipated deficit of Rs. 197 lakhs in place of the small surplus forecast a year ago. Short falls of Rs. 216 lakhs, Rs. 37 lakhs and Rs. 28 lakhs are expected under Customs, income tax and receipts from currency respectively, the most notable failure being that of the sugar duties. In 1937, said Sir James Grigg, sugar revenue accounted for Rs. 10½ crores of revenue; now it had been reduced to Rs. 2½ crores, of which the major part was the yield of excise duty. The loss of Customs revenue had not been offset, as advocates of the protective duty had predicted, by increased receipts from income tax, because cut-throat competition in prices had eaten up profits. For the future, the height of import duties would continue to bring about diminishing returns to the exchequer; this had been for the most part expected, but it was happening, said Sir James, more quickly than had been anticipated. The metamorphosis from a revenue tariff to a protective tariff system has been almost continuous in India's fiscal history from the war years onwards, and its results have lessons for other countries that may move in a similar direction.

* * *

For 1937-38, the Finance Member anticipated a gross deficit of Rs. 342 lakhs, on the present basis of taxation, against an expenditure of Rs. 8,341 lakhs. This includes a defence budget totalling Rs. 4,462 lakhs, of which Rs. 75 lakhs is for Quetta rebuilding. Ordinary defence expenditure is down by very nearly a crore of rupees, a remarkable effort of economy in these days of almost universal re-armament, but one which the Commander-in-Chief gives warning cannot be indefinitely repeated. The gap is to be made up as to Rs. 184 lakhs from the Revenue Reserve Fund which was created out of the realised surplus of 1935-36 as a standby for the expense of the constitutional changes, and as to the remainder by an increase of the sugar excise from Rs. 1 annas 5 to Rs. 2 per cwt. (which is reckoned to bring in Rs. 115 lakhs) and an increase of the duty on silver from 2 annas to 3 annas (which is reckoned to bring in Rs. 50 lakhs).

With regard to the future financial relations between the Centre and the Provinces, Sir James Grigg announced that the Provincial Loans Fund would be wound up, and that the Provinces would ordinarily borrow from the market through the Reserve Bank. In exceptional circumstances a Province might be obliged to borrow from the Centre, but such a loan would always be for a specific sum on definite terms that would cover the expenses and risks incurred by the Centre. The Government of India would not lend normally, if at all, to cover provincial deficits. It is interesting to compare this system with the Financial Agreement operating in Australia and the loan council scheme proposed but suspended in Canada.

* * *

Mr Aberhart in Deep Water.—Nemesis faces the Social Credit Government of Alberta. At the end of August, 1935, Mr Aberhart swept into power on a platform of paying "social dividends" of some \$25 a month to the citizens of the Province. Forced to admit that this could not be done forthwith, he promised that the Social Credit system would be established in eighteen months' time. The expiry of that interval, unfortunately for Mr Aberhart, was marked by the invalidation of his Government's two most important Acts by the Courts of Canada. The reduction of interest on provincial bonds from an average of 4.9 per cent. to a flat rate of 2½ per cent., and the reduction of interest on private debts under the Reduction and Settlement of Debts Act have alike been ruled *ultra vires*. The Alberta Government responded by two measures. First, they declared an immediate moratorium of 60 days on private debts contracted before January 1, 1936, except debts due to Governments or municipalities, loans on insurance policies and the bonded debt of companies, and debts to creditors outside Alberta other than mortgages on land in the Province. Secondly, they announced that Alberta would fall into line with the other Prairie Provinces in having its finances examined by the Bank of Canada—the first step towards federal aid on terms. They are also planning a voluntary marketing board scheme under which farmers would receive a bonus in "credit" above the market price. Mr Aberhart has publicly admitted his inability to carry out his major promise, but has appealed to his supporters to declare in three months' time whether they desire his Government to continue their efforts to establish a new economic order.

* * *

Expansion of Retail Trade.—During 1936 retail trade continued to expand at approximately the same rate as in 1935, according to information given in the annual report of the Retail Distributors' Association. The money value of sales in the non-food departments last year was, however, only 14 per cent. above the 1932 level, whereas our index of business activity rose by some 27 per cent. during this period. Moreover, the improvement was by no means uniform as between the different categories. The index of the money value of retail sales in the separate departments last year was as follows (1935=100):—Furniture, 112.0; boots and shoes, 105.8; women's wear, 105.1; men's and boys' wear, 104.1; piece-goods, 93.5.

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From Our Special Correspondents

United States

Violent Opposition to Judicial Reform

WASHINGTON, February 18.—The attack on the President's judicial reforms has gone to such excess as to make material for a psychological study of American political thought. The President, shrewd as he is in estimating public opinion, was taken aback by the fury of the upbraiding to which he has been subjected. He had been lulled by his November victory and by the absence of contentiousness since the election. He expected opposition, even bitter opposition; but he had not anticipated a neurotic outburst. And that adjective must apply to much of the discussion since the proposals were made. The President, both in his opening address before the new Congress and in his Inaugural, had asserted that the problem in the United States is not the Constitution but its interpretation. Nobody objected to this quite tenable doctrine; yet when the President took action to put the theory into practice, he was accused of trying to establish personal government, of bringing America to the brink of dictatorship, and of destroying the American system of government.

In fact, the change will affect American institutions very little, since it does not modify the Constitution or limit the power of the Court. The statement that he is seeking greater executive power is, of course, correct. The fundamental issue is whether strong Federal government is permitted by the Constitution; if it is, the executive must also be strong. In this sense, the proposals increase Mr Roosevelt's personal power while he is at the White House. But to see the proposals merely as the expression of personal ambition is to lose sight of their real significance.

The spleen of most of the President's critics was because the proposals were too slick. Wanting to be rid of four particular justices because of their narrow reading of the Constitution, the President raised the oblique issue of old age, the reactionary four being all old men. Liberal Justice Brandeis, too, is old, and so is the often-Liberal Chief Justice Hughes. But on the count, the President would lose one supporter, one frequent supporter, and four opponents if the age limit could be established. The method was infuriatingly indirect. He was packing the Court. But he was not trying to avoid the sanction of the Senate, which must approve nominations to the bench by a two-thirds majority. Thus it was a correct step, and one in which the President's power over appointments remained strictly limited.

Why the President chose just the way he took to spring the surprise is subject to various interpretations. One reason must have been that he wished to be able to present his arguments before they could be answered. He wished to point out that an age limit had been suggested before, and that it had eminent supporters, including the House of Representatives which passed it in 1869, Chief Justice Hughes, the late Mr Taft, and indeed Justice McReynolds, his arch-opponent on the Supreme Bench. No doubt he expected to make the old-age issue "stand up," if he could have the floor first. Consequently he did not take his closest friends into his confidence, since a single leak would have flooded the country with the story that he was getting ready to pack the Court. He told the Cabinet about the proposals just before he received the Washington correspondents; and he could not hide from the newshawks how happily he appreciated having kept a secret from them.

Other reasons may have prompted him to bring forward the proposals when and how he did. One was that they would overshadow his programme for reorganising the executive branch of the Government. By this the President's power will be greatly increased, and he may have feared obstruction. The reorganisation scheme has now paled into a minor issue. The other reason might have been that he wished to deflect public attention from the motor strike, which had reached an intensely emotional deadlock. A third reason was the approaching Court decisions on the Wagner labour law and on the rights of States to pass minimum wage legislation—both key cases. The proposal was so timed that adverse decisions would have rallied public opinion behind him. A favourable decision would make it possible for the President to compromise.

President's Prestige at Stake

Before this letter can be published the issue may have been decided. It looms at this moment as the most dangerous to Mr Roosevelt of any he has raised at the White House. He is in his second term, subject to the inherent difficulties of all second terms. His grip on his party members in Congress grows weaker, as they listen more to home opinion, and need less his personal leadership in an approaching national campaign. A bitter defeat, due to a popular revolt against tampering with the Court, would blow away the President's prestige in a single gust. Unlike Great Britain, where sometimes it appears that a reputation in public life is harder to lose than to make, America does not maintain loyalties to leadership, and has small pity for generals who suffer setbacks. It is one of the reasons why, in American politics, defeats on questions of principle are so seldom invited.

The opinion of the country on the Court issue is not yet determined. A week ago the President might have felt certain of victory; to-day the opposition is rising. The Conservatives no longer are the only opponents, and they are clever enough to let the Progressives and Liberals do a proportionate share of the talking. The Liberals, however, dislike the President's proposals in the main because they do not go far enough, or rather not deep enough. A compromise with them which limited the power of the Court would certainly reduce much of their hostility. But the public is impressed with the glaring fact that the President has not offended this time the Liberty League—which has remained beatifically silent—but his own Liberal supporters. So the public may not decide on basic values but by the easier criterion of personalities. The danger, then, is acute for Mr Roosevelt. That he is aware of it goes without saying, and he will probably have in view a legitimate and timely exit.

Excess Reserves and the Money Market

NEW YORK, February 23.—As the time approaches for the next increase in reserve requirements, it seems probable that the adjustments of March 1st will be made without shock. Nevertheless, rather interesting changes are taking place in our banks which can be associated with the step towards control. It will be recalled that required reserves were raised 50 per cent., effective August 15, 1936; but the announcement was made some time in advance. The following table shows certain items of the reporting member banks on selected dates:—

ITEMS OF THE REPORTING MEMBER BANKS

	July 1, 1936	Aug. 12, 1936	Feb. 3, 1937
Total loans and investments	22,619	22,324	22,579
U.S. securities	9,510	9,380	9,149
Reserves (total).....	4,487	4,855	5,330
Demand deposits adjusted	14,679	14,752	15,493

The reduction in the holdings of United States securities (following an increase of close to \$1,000 millions in the first six months of the year) was accompanied by an increase in commercial borrowing that has left the total loans and investments almost unchanged, and an increase in reserves. There was recently a rise in the yield on short Government issues, which constitute our money market almost exclusively. To an uncertain but limited extent, the long-term interest rate has been affected. The long-term 2½ per cent. Treasury obligations issued in December promptly went to a premium, which they still hold; but certain high-grade corporate issues that had gone as low as a 3½ per cent. basis have moved to a 3½ per cent. yield. Whether this should be described as an alteration of the long-term interest rate or as a realignment of corporate versus Government issues is a matter of opinion. Further, a considerable number of the new issues brought out in recent weeks has been left with the underwriters; but here again it is disputed whether this represents a temporary congestion, a tightening of the capital market, or merely errors of individual pricing. Perhaps the most that one could say positively is that our money market was on an abnormal basis in 1936, and was directly under the influence of the enormous excess reserves; the absorption of these excess reserves has gone some distance in restoring order to the money market, but as yet there is no indisputable evidence that it has exerted an influence outside the boundaries of the money market, even though such an influence may be inferred.

Stages in Recovery

It is interesting to notice and to analyse the surprisingly clear sequences of phases in our recovery. The initial movement centred in goods for individual consumption—clothing, etc.; the second phase (say late 1934-35) centred in articles for household consumption—automobiles, refrigerators, farm implements, etc., and in light industrial machinery; in 1936 it included residential building (consumer durable goods) and heavier industrial installations or replacements. In early 1937, it has very definitely advanced to include durable goods—steel, railroad equipment, cement, etc., and a certain activity in industrial building. Steel operations, for example, are 50 per cent. above a year ago. Thus far the series has been cumulative—that is, as a new set of industries came into activity, there was no reduction in the type of demand that had previously been most conspicuous. It is a little difficult to date these phases precisely on the calendar, but the sequence of phases is perfectly distinct—individual consumer goods; consumer household goods and light industrial equipment; and now heavy capital goods. While there are still some lagging industries (for well-marked reasons peculiar to themselves), it is now accurate to say that our recovery is comprehensive and complete—using recovery to mean the regaining of a previous level of activity regarded as highly prosperous.

Prices and the Cost of Living

Until June, 1936, industrial production rose by 50 per cent. without affecting the official price index. Since then, however, the price index has advanced from 79 to 85.6, or about 8 per cent. This index is still some 15 per cent. below 1926; but many commodities are at levels which would have seemed familiar in the '20's—in spite of the fact that the index of raw materials is 12 per cent. below that of 1926.

The official cost of living index in December stood at 82; the average for 1935 had been 81; for 1933 (the lowest year) it was 76. Statistically, therefore, the records show (a) that there was a great decline in the cost of living during the depression; and (b) that there has been but a negligible increase with the recovery. *The Economist's* Berlin correspondent remarked some weeks ago upon the difference in the cost of living between a statistical family and a family composed of human beings. The comment has wider application.

COST OF LIVING

B.L.S. 1913=100

	June, 1929	June, 1933	Dec., 1936
Total	173.7	129.8	143.6
Food.....	167.5	102.8	131.6
Clothing.....	165.6	122.8	142.9
Housing	151.9	108.7	106.5
Fuel and lighting	184.2	157.8	162.7
Furniture.....	188.4	137.8	165.9
Miscellaneous	206.1	192.3	193.0

Food prices are up about 30 per cent. and clothing and furniture about 20 per cent. "Fuel and Lighting" and "Miscellaneous" are relatively rigid, having declined

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little and recovered little. The key to this index is housing, and rents are shown virtually at the pre-war level, and actually lower than in 1932 or 1933; and, as rents have a substantial weight, this brings down the average materially. Obviously the collection of rental data is the most difficult statistical task in the compilation of a cost of living index; and while no one would question the statistical accuracy of the Bureau's data, the fact remains that no persons of your correspondent's acquaintance believe that rentals of equivalent dwellings are so near their pre-war level. On the other hand, it appears to be true that so far in the recovery, rents have advanced rather less than other elements of the price structure. The general increase of retail prices in recent weeks has been sharp enough and comprehensive enough to make it a matter of common fireside discussion.

France

Failure to Restore Financial Confidence

PARIS, March 4.—The situation is still characterised by the divorce between the Popular Front Government and the capitalists. The difficulties of the Treasury and the problem of the Equalisation Fund remain all-important. What can the upshot be when, as M. Blum has pointed out, no alternative government is possible? M. Blum's statement seems to be borne out not only by the state of parties in the Chamber, but also by the weight of public opinion in the country. The importance of the financial difficulties is not realised, while, on the other hand, people can see the evident revival of business. Consequently there has been an increase in the deposits in the Public Savings Banks since the beginning of the year; but the Rentes decline and currency comes on the market.

Will the further financial difficulties lead the Government to a further devaluation, which would yield 9,000 million frs. to the Treasury through a revalorisation of the gold stock of the Bank and the 10,000 million frs. of the Equalisation fund; or to a control of the exchanges? Whatever the solution adopted, will the Tripartite Agreement be abandoned?

M. Blum, however, has just declared at a luncheon given in honour of the retiring British Ambassador that: "We attach to the tripartite financial agreement an importance which is no way less than that accorded it by Great Britain. Our policy will be so directed as to do nothing which would contravene either the letter or spirit of the agreement." It remains to be seen whether this solemn declaration will finally convince investors that there is to be no nationalisation of credit or key industries, and no control of the exchanges—panaceas which are daily advocated by the leaders of the trade unions. It remains true that the Cabinet is rightly or wrongly, regarded as thriftless and prodigal by those whose confidence is sought in this crisis.

Moreover, all the concessions made by the Government, the "breathing space," and the appeal by the trade unions to their members to work harder to offset the decline in production which followed the 40-hour week, have had little effect compared with the doctrinal sacrifices which they represent. It appears, therefore, that to stem this stubborn psychological current, there must be a change in the personnel of the Government—a change in the men in office. This would, however, look like a condemnation of the Townsend policy, and M. Blum has declared against any retreat or denial of his former social policy. Moreover, is the Senate ready to play the rôle of the American High Court of Justice and to aid this change? During the last few days the Upper

House, the radical members of which represent mainly the interests of farmers and of saving, has become increasingly aggressive.

Declining Coal Production and Rising Demand

The production of coal was 3,725,130 tons in January, 1937 (21 working days), against 3,923,827 tons in December, 1936 (23 working days), and 4,172,186 tons in January, 1936 (23.2 working days). The average daily production was 177,400 tons in January, against 170,600 tons in December, 1936, and 180,000 tons in January, 1936. The number of men employed was 233,527 at the end of January, 1937, against 223,524 at the end of January, 1936. The production of coke in the coke plants of the coal mines was 329,197 tons in January, against 321,265 in December, and 348,573 in January, 1936.

The decline in the production because of the 40-hour week and the rising demand, a consequence of the revival of business and the fear of higher prices, have led the Government to increase the coal import quota from 58.5 per cent. to 65 per cent. The mines were unable to meet the demand in spite of an increase of 10,000 in the number of workers compared with January, 1936.

Meanwhile the 4½ per cent. Rentes have lost three points in two days; and the general movement of public funds, since devaluation has been as follows:—

	1936		Before Devaluation		After Devaluation	
	High-est	Low-est	High-est	Low-est	High-est	Low-est
3% Perpétuelle	81.60	65.05	73.60	65.05	81.60	70.45
4% 1917	82.10	62.95	75.95	62.95	82.10	68.45
5% 1920	106.50	83.25	103.70	83.25	106.50	92.50
4½% "A"	87.70	67.35	83.45	67.35	87.70	71.50

In spite of the failure to restore confidence, the revival of business and the rise in prices have led to a further dishoarding of capital, as shown by the downward trend of bank deposits.

	Dec. 31, 1935	Nov. 30, 1936	Dec. 31, 1936
	Francs ('000,000 omitted)		
Crédit Lyonnais	10,661	10,614	10,413
Société Générale	8,780	8,867	9,017
Comptoir National d'Escompte	6,733	7,024	7,456
Crédit Ind. et Comm.	1,417	1,507	1,595
Totals	27,591	28,012	28,481

Unemployment at the end of February was 415,580, against 420,597 in the preceding week, and against 489,639 a year ago.

Germany

The Confiscation of Private Property

BERLIN, March 3.—Although Planning is almost as popular a word here as in Russia, whence it was borrowed, and even appears in the title of a new public institution, Nazi measures for the regimentation of business seldom embody any thinking in advance. The measures have a hand-to-mouth character. It is true that in the original Party programme there appeared comprehensive schemes for the dissolution of large estates and the reconstitution of department stores as congeries of petty bazaars; but political or practical business considerations prevented the execution of these projects. Private property has been confiscated in a disorderly and piecemeal fashion, but in the end it has been done almost as thoroughly as if confiscation had been planned on ideological grounds.

It is generally believed by foreigners that the Nazi Party favours private property; and this is sometimes cited as the main difference between it and the Russians. This foreign view is correct: the Party does, in principle, favour private property, and has even, in practice, shown its aversion to State ownership. Yet the Government is being compelled by immediate unforeseen exigencies to confiscate private property all along the line. This fact is overlooked abroad because the Reich has taken no sweeping and avowedly confiscatory steps. Nevertheless, the process goes on, the main difference from Russia being that here the capital and the physical equipment of production are still privately owned,

though rigidly State-controlled. But the products are no longer privately owned. The Supervision Boards, the Nutrition Corporation, and other State organs, have taken measures which virtually constitute confiscation. This applies to nearly all raw and semi-manufactured materials, partly to manufactured goods, and to all major food products. This situation is the result of piecemeal interference without planning. The control of food and in particular the marketing policy—a long chain of ineffectual amendments—is the best instance of this. The Government believed that its policy would ensure an adequate food supply at profitable and tolerable prices; but this expectation was not fulfilled. The result has been compulsion to deliver. This was quite contrary to the original Party theory that only measures in the farming interest would be necessary.

The Impounding of Foreign Securities

The food shortage is probably the immediate cause of the new confiscation of foreign securities. This confiscation is certainly not the result of plan; for the default on the bonds service of mid-1933, was officially justified on the ground that it would facilitate the creation of new currency reserves. The regulation of crops and food imports were to help towards the same end. Just as the food shortage led to numerous partial and ineffective confiscatory measures, so has the exchange shortage. It is not publicly known what resources are available to pay for the additional food imports needed. The real reserve position is not shown in the Reichsbank's returns. Last winter the Government proclaimed an amnesty for exchange hoarders, and simultaneously decreed capital punishment for the worst offenders. The result was a panic among hoarders. According to private statements no less than Rm. 280 millions of hoarded money or securities were delivered up before the brief amnesty expired. It is said that the official collectors' desks groaned under packets of decayed Swiss and other foreign banknotes unearthed from the cellars of terrified, but not necessarily contrite, hoarders. This new foreign currency reserve does not appear in the Reichsbank's returns, which continue to show the gold and foreign exchange holdings at Rm. 73 millions.

Under the November decree, which impounded in exchange banks all foreign securities officially or unofficially dealt in on home Bourses, further exchange was gathered in. Before this week the owners of these securities were actually free to sell to private individuals; but the Gold Discount Bank induced them to sell to it by offering them 20 per cent. above the Bourse value, which had meanwhile been heavily depressed by official measures. It seems that the Gold Discount Bank escaped a book loss on these purchases by buying up blocked marks abroad at a heavy discount and paying the security sellers with these marks. As the blocked marks were depreciated by more than 20 per cent., the State got hold of the foreign securities and also made a substantial profit.

Food, Pigs, and Lack of Foresight

Nevertheless, the exchange shortage seems to be as acute as ever. When the long-concealed shortage of cereals was divulged last winter, it was estimated that Rm. 250 millions would be required for additional imports of grain and fodder. This was a major instance of miscalculation. As late as October last, when the depletion of the carry-over and the quantity of the new harvest were both exactly known, the Nutrition Corporation expressly affirmed that the supply of cereals and fodder was sufficient. The Party organ, *Deutsche Landwirtschaftliche Presse*, now gives an even less favourable account of the position than the earlier unofficial account, which estimated the shortage of cereals and of fodder at 2 million tons. According to the Party journal, an import of 3½ million tons is needed. The present 25 million pigs consume 20 million tons, against 8½ million tons needed by 70 million humans. An increase of 2½ millions in the number of pigs involves a supplementary need of 2 million tons of fodder. To this must be added a shortage of 1½ million tons of fodder for normal needs, and of ¾ million tons of cereals,

making in all 3½ million tons. The fodder problem is all-important, and it will be necessary to adapt the number of livestock accordingly, that is, to kill off the surplus pigs.

The Food Minister has inopportunely published a book condemning the alleged unnecessary "pig murder" during the war, supposed to have been one cause of Germany's defeat, and duly imputed to Jewish professors. The official reasons given for the new food shortage do not give evidence of much foresight. One reason often given is that increased prosperity caused a great rise in consumption. As this prosperity was officially predicted four years ago, its effects on the food supply ought to have been foreseen. In fact, no measures were taken until after the whole control and marketing system had collapsed.

Hungary

Rising State Revenue

BUDAPEST, February 10.—Budget receipts in the first six months of the current financial year have increased by 10 per cent. because of rising prices and better business conditions. From July to December, 1936, the revenues of the Budget proper amounted to 445.7 million pengő, against 406.4 millions in the same period of 1935. As total revenue for the past financial year was just about 800 million pengő, it is not unreasonable to hope that in the current year receipts will reach 870 million pengő. The increased receipts from taxation will enable the Treasury to finance the deficit of the State undertakings without recourse to the money market. It is one of the most satisfactory signs of the recovery that for the second consecutive year the Government did not absorb the very limited liquid resources of the country.

The absence of borrowing in the open market, however, did not stop altogether the increase of the floating debt. Indeed, according to the official figures as published in the last report of Mr Tyler, the representative of the Financial Committee of the League of Nations, the floating debt of Hungary increased by 8.9 million pengő in the last quarter of 1936, in spite of the excess of actual receipts over actual expenditure. It must be added, however, that the cash position of the Treasury has been improved considerably during the same period; and consequently the liquid public balances available at the National Bank have risen by a far greater amount than the increase of the State's floating debt and its commitments.

The deficit on the State undertakings is estimated in the Budget at 59 million pengő. It is now certain that it will not exceed 40 million pengő, and probably it will be less. Railway receipts increased by 10 per cent. in the first half of the financial year, and expenditure rose by 6 per cent., so that the chronic deficit, though likely to

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be much less than in previous years, will not disappear even in this comparatively good year.

That the Hungarian Government is resolved to pursue a sound financial policy was amply demonstrated by the Prime Minister's announcement that the 1937-38 Budget, which will be submitted to Parliament in April, will be drawn up on a conservative basis. It will still, however, disclose a deficit, in spite of the good actual returns, revenue estimate. The Premier's warning against excessive hopes of providing for ambitious schemes involving an increase in the permanent expenditure (as advocated by certain political and other groups at home) was very timely. Those in charge of Hungarian financial policy have learned the bitter lesson of the 1931 deficit, which was the result of a steady increase in permanent expenditure. It is now realised that certain permanent expenditure items, like pensions, are bound to increase in the next few years, whether receipts continue to rise or not. Furthermore, a modest investment programme will have to be financed out of taxation; under the system of Hungarian accounting, items which really provide for the replacement of obsolete plants or the repair and re-equipment of buildings have often been entered in the past as capital expenditure; the Government certainly deserves credit for striving to adopt a more adequate policy. In order to satisfy these needs there is to be no reduction of taxation on any appreciable scale in spite of strong pressure from certain political and business circles.

Foreign Debt Problems

The improved budgetary position led certain groups of foreign creditors to believe that Hungary could increase transfers for the service of debt. This is, however, not the case. With the exception of direct transfers for the interest service on the League loan, amounting to 3½ per cent. (instead of the original 7½ per cent.), foreign exchange has not been available for the service of other debts unless foreign creditors sacrificed some of their claims to finance the so-called additional export schemes. These exports are encountering increasing difficulties, and in the case of the United States countervailing duties have entailed their suspension altogether. This instance is a timely reminder to both Hungary and her foreign creditors that debt settlement cannot be based on exports fostered by the methods practised at present. Hungary's capacity to transfer cannot be gauged as long as additional exports at varying pengő rates are in force.

The short-term creditors received about 2 per cent. interest in their original currency from the proceeds of the blocked pengő balances, and some more as capital repayment. The long-term bondholders (other than the holders of State loans) received in blocked pengő 5 per cent. interest; this they could sell to third parties for sums amounting to 1½-2 per cent. in their original currency; or they could freely spend it within Hungary, where their returns would correspond to about 3½ per cent. The Treasury billholders receive from the proceeds of the 2½ per cent. (paid in pengő) about 1½ per cent., in convertible foreign exchange. The worst treatment at present is meted out to the pre-war bondholders of what is known as the Caisse Commune debts. There is little doubt that the whole complex of the pre-war debts, in which not only Hungary but the other Successor States, notably Roumania and Jugoslavia, are interested, must be put on a more satisfactory basis. The service of the bonds since 1931 has been—to say the least—erratic, and has differed according to the nationality of the holders; and, if any, only a fraction of the original scale of the Paris Protocol was paid. On the other hand, in the case of the post-war debts, Hungary has faithfully observed the right of equal treatment to all national groups. The pre-war debts, though they show a very impressive figure at their nominal value, are far less significant to-day than the post-war debts.

Since a very considerable part of Hungary's bonded foreign loans has been repatriated, it is rather difficult to arrive at an exact figure of the country's outstanding foreign debt at present. Mr Tyler's last report quotes an estimate of 2,400 million pengő. Other estimates range around 2,000 million pengő. Another difficulty is to

translate those pengő estimates into foreign currencies. It is perhaps safe to say that Hungary's foreign debt which in 1931 was estimated at £150 millions (4,300 million pengő) is now less than £100 millions, and that the value of interest paid in pengő in direct and indirect transfer is about £2 millions; and about £1 million has been handed over for capital repayments. This corresponds roughly to an average interest rate of 2 per cent., but the interest paid on different loans varied from 3½ per cent. paid on the League loan to about half of that in the case of other loans (except the Caisse Commune bonds).

Japan

A Stop-Gap Government

Tokyo, February 10.—The temper and hostility of the Lower House against the Army forced the resignation *en bloc* of the Hirota Ministry on the re-opening of the Diet after the New Year recess. General K. Ugaki was sent for, but on account of the bitter and determined opposition of the military authorities, he failed to form a Cabinet. General S. Hayashi, the War Minister in the Okada Cabinet, was then charged with the formation of a Ministry. After an unsuccessful attempt to organise a Radical Government, he agreed to recruit the Services Ministers from the moderate elements. His Cabinet was installed on February 2nd. The Premier himself took the portfolio of Foreign Affairs, and Mr T. Yuki, Governor of the Japan Industrial Bank and President of the National Chamber of Commerce and Industry, became Finance Minister. The two major parties, the Minseitō and the Seiyūkai, were not represented in the new Cabinet. Thus the new Ministry is, like its predecessor, a stop-gap Government.

The new Government has withdrawn the Finance Bills and other measures introduced by the preceding Ministry and has drastically amended most of the reform programme. The new Finance Minister has dropped the sales tax and the general property tax; he has discarded the proposals which would accelerate the rise in prices (such as the general revision of the tariff); and he has suspended the plan for the reform of local taxation which might have led to the disintegration of local government. On the other hand, he has reduced expenditure by some 270 million yen. The new Budget policy has been generally well received, particularly in financial circles. Opinion has been much relieved by the continuation of the collection of income tax at the source in respect of deposits and debentures.

Rapid Rise in Imports and Prices

Cotton spinners have been speeding entries in anticipation of import restrictions, and cotton imports last month reached a record monthly total in the past decade. The January returns show that imports, at 304,126,000 yen, were 59,187,000 yen, or 24.2 per cent., in advance of those of January, 1936, and exports, at 200,370,000 yen, had risen by 25,823,000 yen, or 14.8 per cent. Although raw cotton accounted for three-quarters of the increase in imports, there were other notable increases in crude rubber, iron and steel, and beans. The chief declines were in wool and petrol. In exports, an advance in cotton piece-goods was nearly offset by a decrease in raw silk. The import surplus for the month amounted to the unusually large sum of 103,756,000 yen, which is 33,364,000 yen greater than a year ago.

The Bank of Japan's wholesale price index number for January registered a further steep rise of 8.6 per cent. This was an advance of 21.6 per cent. on a year ago, and the highest since August, 1926. The output of cotton yarn during January was 130,468,000 lbs., 190,000 lbs. less than in December; and rayon production last month totalled 25,260,000 lbs., a decrease of 244,000 lbs. on the preceding month. The New Year holidays were responsible for the decline in both cases. The aggregate value of all shares listed on the Tokyo Stock Exchange on February 1st had risen by 227.9 million yen, or 3 per cent., compared with a month ago.

Letters to the Editor

American Floods and Strikes

TO THE EDITOR OF THE ECONOMIST

SIR,—In your issue of January 30th (page 230), under the heading of "Floods and Strikes," there is a certain amount of incorrectness, I believe.

In the first place, according to information available to me, stronger Federal control of our national economy is not necessary for flood prevention work, because there has always been, as nearly as I can discover, Federal control of all navigable streams; and various Congresses have been appropriating money for years for flood prevention. I cannot remember interference with Federal efforts along this line on the part of any State.

In the second place, your reference to the Motor Strike, in which you recite that General Motors Corporation is arbitrary, seems to be decidedly at variance with much excellent opinion here. You apparently do not remember that Lewis and his strikers muscled-in, to use an Americanism, and took possession of private property, holding it and defending it as property is seized in an enemy country during time of war. This is the principle on which General Motors Corporation has taken its stand, and it has obtained a writ to evict the strikers from its property; but up to now our executive officers have not seen fit to give their support to court orders. The proposition is fundamental. Can private property be invaded and held, and are we scrapping our judicial processes, because our executive officers prefer to support the demands of the lawless?

Very truly yours,

RALPH FORDON.

Detroit.

[1. The Federal power over navigable streams is inadequate for flood control. Not all rivers are navigable, and even of those that are, flood control may require damming of the unnavigable head waters and of the riparian territory.

2. The word applied to General Motors Corporation in the Note alluded to by Mr. Fordon was "recalcitrance," and referred to the Corporation's refusal (at that time) to obey the Federal Government's invitation to negotiations. There was nothing in our Note which could be taken as excusing the illegal attitude adopted by the strikers.—Ed., *Economist*.]

Hire Purchase Finance

TO THE EDITOR OF THE ECONOMIST

SIR,—The insertion of my letter to you of the 24th ult., is appreciated. Will you please, however, permit me to say that of the companies whose names are given in my letter, the three whose hire purchase businesses have become merged in this company and its associated undertaking, "the Lincoln," are:—

The Lancashire Wagon Company, Ltd.

The Bristol and South Wales Railway Wagon Company Ltd.

The Yorkshire Railway Waggon Company, Ltd.

The Scottish Waggon Company, Ltd., The British Wagon Company, Ltd., and Wagon Finance Corporation, Ltd., are not associated either with this company or the Lincoln Wagon and Engine Company, Ltd., in anyway.

The name of one company engaged in the hire purchase of road vehicles since 1902 was, unfortunately, omitted from my letter of the 24th ult., viz., The British Railway Traffic and Electric Company, Ltd., and they are associated with The British Wagon Company, Ltd., Rotherham.

Will you please also permit me to say with regard to your editorial comment at the end of my letter in your issue of the 27th ult., that the operations of certain if not all the companies whose names have been mentioned are not confined to railway wagons—their activities include railway locomotives and all classes of road transport vehicles, agricultural plant, machinery, aircraft, etc.

Faithfully yours,

D. W. REES.

A Road and Rail Controversy

TO THE EDITOR OF THE ECONOMIST

SIR,—Perhaps you will allow me a few lines in which to reply to the charges made by the writer of "A Railway View," and contained in his letter published in *The Economist* on February 20th.

There is no need for me to traverse the whole of his arguments, which have already been answered in your issue of last week by the writer of the road article, but your correspondent, although he agrees with me that "epithets are not evidence," goes on to charge me with garbling and with misquotation. It is perfectly true that I took a portion of a sentence of his and included it in my letter without the context. This was not in the slightest degree meant as an attempt to comment on that particular sentence, but because I thought, and indeed I still think, that the phrase which I quoted represented shortly the main complaint contained in the railway case; namely, that their rates are fixed by statute and they are not free to charge what they will.

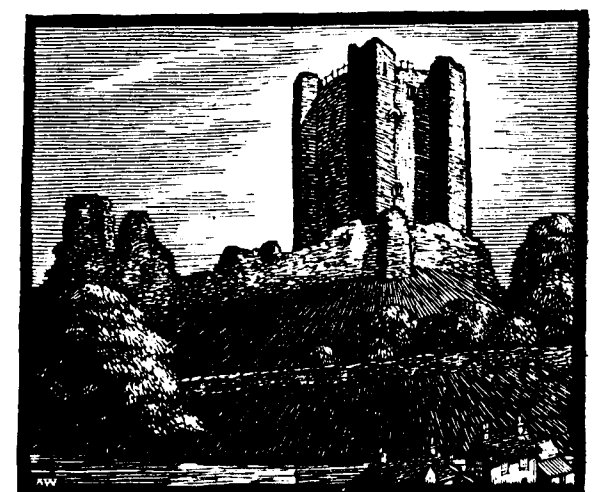
For the rest, the letter in no way answered the main point of mine which is that the ordinary contention of the railways that the best of the traffic is taken by the roads had apparently been disproved by the writer of the article from the road point of view. The remarks which he set forward have not yet been traversed in this correspondence. Doubts have been thrown upon their legitimacy, but they have not been contradicted, nor have other figures been quoted to show that they were wrong. One can only presume that they were right.

I think that this, together with the admitted fact that 69 per cent. of the railway traffic is carried under "exceptional rates" or "agreed charges," dismisses the main complaint of the railways.

Yours faithfully,

H. E. CRAWFORD.

London, W.C.2.



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Books and Publications

The French Army

ONE fact which emerges clearly from Mr Davis's study* of the French army is the growing conviction among military and informed civilian opinion that France cannot be content to rely on a conscript army without a fairly substantial basis (or *cadre*) of professionals. Soon after the war, owing to the superior attractions of civilian life, there were only 50,000 professional soldiers left. In 1920, when the proposal to reduce the conscript army to a one-year service basis was made, a strong demand was put forward simultaneously in the Senate for a professional army of 150,000 men. The proposal was not accepted, but when in 1923 the period of service was reduced to eighteen months, it was agreed to have a professional nucleus of 100,000. Yet in 1926, when one-year service was established under Poincaré, these men had not been recruited, and it was only some years later that an army of 106,000 (of whom 64,300 were non-commissioned officers) was successfully enlisted. These regulars were, Mr Davis says, in imitation of the post-war German Reichswehr, the highly efficient weapon forged by General von Seeckt.

The second strengthening of the old conscript army came through the institution of "disponibilité." "Disponibilité" meant that the last two classes which had been called to the colours held themselves ready, either for general mobilisation or for specific recall to active service. Since young reservists who had just completed their training were at least as valuable as raw conscripts, "disponibilité" gave the Chamber power in a crisis to triple the size of the army. Considerable encouragement is also given to boys to acquire "elementary military training certificates" before they enter the army, but there is no such concentration upon the militarisation of youth in France (nor, it seems, are youths so willing to undertake it) as in the Fascist countries.

So much for the home forces; but France has not ignored the colonies (especially Algiers and Tunis) as a source of man power, and the expression "France—a nation of 100 million inhabitants" may, indeed, partly explain Germany's campaign for the return of colonies. Much, however, depends upon France's ability to transport her African troops, an ability which may be much weakened by an insurgent victory in Spain. The army must remain France's first line of defence. At sea her dependence upon submarines is a confession of comparative impotence. But in the air it is important to notice that she is beginning to rely more upon quality than upon quantity. Her air fleet actually fell in numbers between 1934 and 1935; but the quality both of military and of civil craft has correspondingly improved, and her factories seem to be well organised.

The disadvantage of a book such as this is that there is an inevitable time lag in the publication of military statistics. It is a pity, however, that there has also been a considerable lag between the time of writing and of publication. The return from one to two years' service in 1935, which was unavoidable in view of the "lean years" for French man power twenty years after the war is mentioned but not discussed. No comment is made upon M. Blum's Act for the Nationalisation of War Industries, nor upon M. Pierre Cot's plans for close national control of aircraft factories. The book ends on a note of gloom, if not of panic. But one might well remember that, from the time of the French Revolution onwards, it has only been in wartime that democracy has shown its full military capacities. Mere comparisons of peace-time preparations and of birth rates do not tell the whole story. In "total war" the spirit as well as the material matters.

* "The French War Machine." By Shelby Cullom Davis. George Allen and Unwin. 221 pages. 8s. 6d.

Shorter Notice

"Thy Neighbour." By Lord Melchett. Frederick Muller. 286 pages. 7s. 6d. net.

Lord Melchett published his declaration of faith about the solution of the Jewish problem in the Jewish National Home when the Royal Commission was about to examine the underlying causes of the troubles in Palestine. His book is a moving and eloquent appeal, written with glowing sincerity and conviction, for the application by the Christian world to the Jews of the maxim common to Christianity and Judaism, "Love thy neighbour as thyself." He sees in the British declaration of 1917 about the establishment of the Jewish National Home, "an outstanding act of dramatic significance in the history of many centuries." The return to Palestine is "a question of the bare and bitter necessity which drives the Jew out of a Europe which ruthlessly persecutes him."

The theme of the book is the achievement and promise of Zionism, and the place which the Jewish National Home should take in the British Empire; to Lord Melchett's mind the destinies of the English and the Jews are interwoven. He prefaces a survey of Jewish persecution throughout the ages, and of Jewish misery in Eastern and Central Europe to-day. He has a gift for picking out the essential and dramatic incidents, which enables him to compress the story of the Jews, "from Abraham to Disraeli," in less than fifty pages. He has a gift, too, for simplifying the problem of to-day in Palestine. It may be that he over-simplifies it and has too little regard for the national feeling of the Arabs. For him it is enough that Jewish settlement in Palestine brings social and economic improvement to the Arab population. The Government, he thinks, must uphold firmly the principles of the Mandate; it must allow Jewish expansion in Trans-Jordan; it should set up a Jewish Defence Force in Palestine to withstand any outbreak, and so make it unnecessary to maintain a large body of British troops; and it should be prepared to constitute a Legislative Council of Arabs and Jews on a basis of parity, if the Arabs would accept the principle of the National Home.

The Arabs, he believes, are developing a social conscience; thanks to Jewish example, a democratic ideal will gradually pervade their community. His enthusiasm and his conviction help him to leap over obstacles which may seem serious to the Royal Commission; but his pleading is always straightforward and wholehearted. The world, he insists, must face up to the Jewish problem. There is no hope for Jewry save in the establishment of the National Home. "We must go back to Eretz-Israel; it is our Destiny, it is our own acknowledged Right."

Books Received

Studies in the Theory of Economic Expansion. By Erik Lundberg. (London) P. S. King and Son, Ltd. 266 pages. 10s. net.

Moscow in the Making. By Sir E. D. Simon, Lady Simon, W. A. Robson and J. Jewkes. (London) Longmans, Green and Company. 253 pages. 7s. 6d. net.

The Monetary Experience of Belgium, 1914-1936. By Henry L. Shepherd. (London) H. Milford. 271 pages. 13s. 6d. net.

The Negro Question in the U.S.A. By James S. Allen. (London) Lawrence and Wishart. 224 pages. 5s. net.

Les Finances de la IIIe République. G. Lachapelle. (Paris) Flammarion, 26, rue Racine. 249 pages. 16 frs.

Documents on International Affairs, 1935. Vol. II. Edited by John W. Wheeler Bennett and Stephen Heald. (London) H. Milford. 567 pages. 21s. net.

Protection of the Public from Aerial Attack. Being a Critical Examination of the Recommendations put forward by the Air Raid Precaution Department of the Home Office by the Cambridge Scientists Anti-War Group. (London) Gollancz. 127 pages. 2s. 6d. net.

Autarchia economica e finanziaria ed economia mondiale. By Jenny Grizotti Kretschmann. (Padua) Casa Editrice Dott. A. Milani. 145 pages. L. 18.

Great Western Railway Docks, 1937. (Cardiff) Chief Docks Manager's Office. 334 pages. No price stated.

Schacht in seinen Aeusserungen. (Berlin) Gedruckt in der Druckerei der Reichsbank. 174 pages. No price stated.

Les Valeurs à revenu variable. (Paris) Les Editions Financières de France, 12, Bd. de la Madeleine. 372 pages. 2s. 6d.

MONEY AND BANKING

Four Years of American Banking

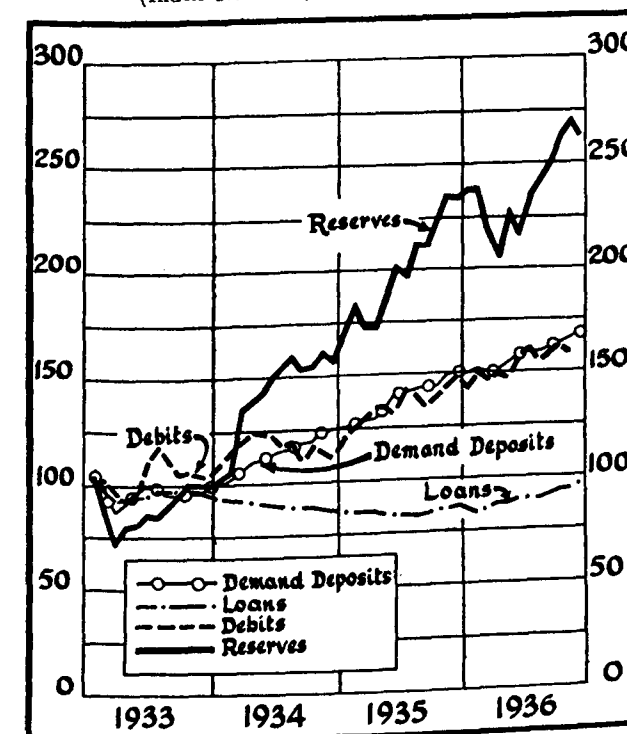
It is exactly four years this week since the collapse of the American banking system reached its sensational climax. On Saturday, March 4, 1933, the day on which Mr Franklin Roosevelt became President of the United States, every bank in the country was closed.

It is difficult now, short though the intervening period has been, to recapture the atmosphere of those days, or, in the conditions of to-day, to realise the magnitude of the contrast between now and then. Then there was a "liquidity panic"; now liquidity is a burden to the banks rather than a hysterical ambition of the depositor. Then loans were being called on every hand; now the borrower is eagerly sought after. Then to be a banker was to be a leper; now once more the profession is respected, even though it is no longer so all-powerful as in the past. The most striking sign of the change is to be found in the figures relating to bank closings. In the nine fat years to 1929 the average rate of bank failures was exactly two a day. In the two years 1934-35 the average rate was less than two a week. In the circum-

look of American banking has been the metamorphosis which came over the whole economy of the nation at the same time. Whether it was Mr Roosevelt's merit, or merely his good fortune, it is in any case certain that since March, 1933, the American economy has been expanding, activity has been increasing and prices are rising. Moreover, unlike the nineteen-twenties, exception need not be made for the agricultural districts where bank failures had been most plentiful. In such circumstances it requires quite egregious mismanagement to cause a bank failure.

These two factors really tell the whole story; for the remaining changes in American banking are merely incidentals. The recovery of liquidity has, for instance, been powerfully assisted by the enormous inflow of gold from Europe since 1933. But gold was, on balance, flowing into the country before 1933 (though, of course, in very much smaller quantities). Further, the public's confidence in the solvency of the banks has been buttressed by the existence of the Federal Deposit Insurance Corporation. But there have been few calls upon the corporation's services. Congress has been busy with banking legislation. But, in broad outline, the organic structure of the system is substantially unchanged. In particular, nothing has been done about the salient

AMERICAN BANKING, 1933-36
(Index Numbers, December 1932=100)



Reserves, Deposits and Loans, refer to Reporting Member Banks (101 cities to September 1934, 90 cities thereafter, the two indices linked); The Debits curve is derived from the Standard Statistics Co's index.

stances of American banking, it can be said that the endemic disease of bank failures has been cured.

What has worked the miracle? First and foremost, the restoration of confidence. Mr Roosevelt's great achievement in his first weeks of office was primarily psychological; he persuaded his fellow-countrymen that the worst was passed. It is, of course, true that some recovery was almost certain to follow so complete a collapse. When every bank was closed, it was possible for the first time to believe that there would be no more failures, that every "sore spot" had been exposed and every weakness detected. It is characteristic of the history of banking crises that, once the panic is stayed, recovery comes quickly.

The second cause of the surprising change in the out-

AMERICAN BANKING STATISTICS
(\$ Millions)

	June 30, 1933	June 30, 1934	June 29, 1935	June 30, 1936	Dec. 31, 1936
Monetary gold stock	4,318	7,856	9,116	10,608	11,258
Money in circulation	5,721	5,373	5,588	6,241	6,543
Federal Reserve Banks:—					
Gold reserves	3,543	4,782*	6,180*	8,107*	8,852*
U.S. Govt. securities held	1,998	2,432	2,433	2,430	2,430
Bills bought in open market	48	5	5	3	3
Member Bank borrowings	164	25	6	4	3
Total Reserve Bank credit	2,220	2,472	2,480	2,473	2,500
Member Bank reserves	2,292	3,840	4,979	5,633	6,606
Of which, excess	363	1,685	2,414	2,717	1,984
Member Banks:—					
U.S. Govt. securities held†	6,887	9,136	9,870	13,673	†
Other securities	5,041	5,515	6,945	6,014	†
Loans	12,858	12,523	11,979	12,518	†
Deposits—Demand	12,089	14,261	17,530	20,284	†
Total	21,070	24,072	27,725	31,070	†

* Gold certificates. † Not yet available. ‡ Including securities guaranteed by the Government.

weakness of American banking, namely, the existence of a myriad of individual unit banks, each too small to secure proper diversification. Substantially, the American banking system is unreformed, and he would be a bold prophet who would deny the possibility of another panic in the next period of deflation.

The story of the last four years is told in the accompanying statistical table and also, graphically and with less detail, in the diagram. The most remarkable occurrence has been the very large increase in the Member Bank reserves—"bank cash." This has not been due, to any substantial extent, to deliberate expansion of the credit base by the Reserve authorities. The Reserve Banks made some purchases of securities in 1933, but since October of that year their portfolio has been unchanged. Nor is the expansion due to the devaluation of the dollar. The great bulk of the "profit" resulting from that transaction is still impounded in the Treasury. It has been entirely due to the inflow of gold.

As can be seen quite clearly from the chart, the total of deposits has been quite unable to keep pace with this rapid expansion of reserves. As a result, there has been a large amount of "excess reserves" (a phenomenon for which banking theorists had made no provision),

and the Reserve authorities have had to absorb the excess by doubling the ratios of reserves required by law until a New York or Chicago bank must now hold cash to the amount of more than a quarter of its demand deposits. The last increase in reserve requirements had not taken effect by the latest date shown in the table.

The increase in deposits, compared with anything but the simultaneous increase in reserves, has been very rapid, and the total is now back to, or above, the level of 1929. Two interesting facts should, however, be noticed. In the first place, the increase in the total turnover of money, as reflected in bank debits, has only just kept pace with the increase in demand deposits; in other words, the velocity of circulation of money still remains at the very low level touched at the bottom of the depression. Undoubtedly what has occurred (though there can be no proof of it) is that many deposits have been turned over with increasing rapidity, but that this has been offset by the continuous creation of new deposits which have lain idle. Light can be shed on this by the second fact to which attention may be directed, namely, that the increase in deposits has not been accompanied by any increase in loans. The new deposits have been brought into existence entirely through the medium of purchases by the banks of Government securities. Moreover, the new securities have been created for the purpose; they represent the deficit.

The story of the last four years in American banking can thus be summed up in five words: gold imports and Budget deficits. They have combined to produce a quite astonishing degree of liquidity. But they have also combined to change, at least for the time being, the dominant function of American banking. For the banks now finance the Government rather than industry, while it is the Government, through its expenditure and its credit institutions, which, to an increasing extent, finances industry. That the Federal Reserve authorities are determined to use every weapon in their formidable armoury to prevent liquidity from begetting inflation, is clear from their recent actions. Whether they also have answers to the other questions raised by the development of American banking since the crisis of 1933 is a matter which can usefully be discussed four years hence.

Financial Notes

The Banks and Gilt-edged.—A writer in the latest issue of the Midland Bank's *Monthly Review* has advanced a new explanation of the February decline in the gilt-edged markets. In brief, he says that "for a number of weeks from the middle of January there was a sharp, much more than the usual seasonal, shrinkage of cash reserves." The writer ascribes this to exceptionally large revenue receipts by the Treasury; to the operations of the Bank of England; and to the currency requirements of the public. He draws the natural inference that a shortage of bank cash, persisting over more than a brief period, compels the banks to restrict credit, thereby bringing about a rise in interest rates and a fall in capital values. This is an interesting explanation, but it is difficult to reconcile it with such facts as are so far available. For example, the Bank of England returns for January and February show the following position:—

	Jan. 13	Jan. 20	Feb. 17	Feb. 24
	£ mill.	£ mill.	£ mill.	£ mill.
Note circulation	455.0	450.5	453.3	455.1
Securities in banking department	116.4	105.9	109.0	110.2
Public deposits	12.4	13.6	24.4	13.0
Bankers' deposits	106.7	100.3	90.6	100.4

Apart from a temporary drop in bankers' deposits on February 17th, due to passing inequalities in the dates of Treasury bill payments and maturities, there is no evidence of any serious reduction in the supply of bank cash, nor of the existence of any of the underlying causes suggested in the Midland Bank's *Review*. On the other hand, it was believed in the money market that the Midland Bank itself was unusually short of cash during

most of February, but that this shortage did not extend to the remaining banks. The absence of any increase in public deposits at the Bank of England proves that as the revenue surplus accrued it was applied to the redemption of Treasury bills, but it may be that while the Midland Bank's customers paid their full quota of taxes, the Midland Bank only held a small proportion of the maturing Treasury bills. This would explain the Midland Bank's shortage of cash, but it is far from establishing the existence of a general shortage of bank cash, of which at present there is no evidence.

Nevertheless, the writer of this article has aroused one or two interesting lines of thought. First as to the effect of heavy revenue collection upon the money market. Broadly speaking, as the revenue surplus is applied to the redemption of Treasury bills, the banks recover in Treasury bill excess maturities the cash lost by them in the form of tax payments by their customers. This recovery, however, is not quite instantaneous, and at a time when large sums of money are passing to and fro between the banks and the Treasury, each individual bank may not quite know where it stands, while the net result may be that some banks gain cash at the expense of the others. Hence the banks display a certain caution in lending, and so these months of heavy revenue collection cause a certain "stickiness" rather than "stringency" in the money market. Another interesting point is that while, since January 9th, there has been a reduction of £94 millions in the total Treasury bill issue, £15 millions of this reduction was in tap bills and only £79 millions in tender bills. Due allowance must be made for a simultaneous increase of £10 millions in Ways and Means advances from public departments, but it certainly looks as if some of the money collected recently in revenue has not re-emerged in redemption of tender Treasury bills. Whether the departments have been acquiring longer-term securities, or whether the Exchange Equalisation Account has been buying gold, is a matter for surmise, but in any case the net absorption of bank cash is insufficient to explain the sharp setback in gilt-edged prices.

The Spanish Default.—An interesting situation has developed concerning the Spanish trade bills drawn under the "Madlon" agreement and accepted by various London houses. When these matured at the end of February, payment was not forthcoming. It transpired that the Bank of Spain had previously lodged with one of the London clearing banks funds more than sufficient to meet the maturing bills, which total about £200,000. When, however, instructions to pay were issued, the clearing bank refused on the ground that it was not satisfied that there was any authority to issue such instructions. This may be considered to be a surprising step, although it is claimed to be in line with the cautious policy adopted by banks as regards payments concerning countries involved in war, especially when, as in the present case, the territory is divided between the two sides. However, as the clearing bank had accepted these funds, after the outbreak of the revolution, from the Valencia Government, which is still legally recognised by this country, its action is open to grave question. But this does not excuse the default, which throws the burden on to the acceptance houses, who are entirely innocent of these political complications and are only concerned with the Bank of Spain. The Spanish Government would have been well advised to have met the maturing bills out of the other sterling balances which they are understood to hold in London, and having acquitted themselves and the acceptance houses, to have brought a legal action against the clearing bank for the recovery of the deposit. There can be little doubt as to the issue of such an action; and it is, it must be supposed, what the clearing bank is waiting for, so that

it may be relieved of the necessity of taking a decision that might conceivably involve it in a heavy loss. The situation at present is a deadlock, and until action is taken by the Bank of Spain, will remain so. It will be interesting to see what happens in the case of the "Moreno" bills which begin to mature, and are for a much bigger sum. It would be best for the name of the Spanish Government in the City that they should be promptly met, whatever complications there may be concerning the Spanish funds held by London banks.

"Insurance Accounts Without Tears."—An expert actuarial correspondent raises some important questions regarding the leading article on insurance accounts which appeared in last week's issue of *The Economist*. He contends that although the Act of 1909 provided for the separation of insurance funds, and, indeed, specifically stated that each fund shall be absolutely the security of the policy-holders of that class, this intention is rendered nugatory because investments of these separate funds are not required to be segregated. This is a distinction which is well known to the insurance world, though it is not stressed by some legal authorities. It does not, of course, affect the general principles on which insurance accounts are prepared, and our article was intended to provide no more than a simple exposition of the accounting methods applied to insurance business. For that reason it adopted terminology calculated to appeal primarily to the layman rather than that which our insurance correspondent might have used. It may, however, be remarked that the problem of segregating the assets of each fund received special attention by the Clauson Committee, whose report of 1927 contained a draft Bill providing for the segregation of assets as well as funds. This Bill, however, still remains on the stocks, but the Departmental Committee which is now considering compulsory insurance is understood to have devoted some attention to the matter. So far, indeed, as life assurance is concerned, a change in the law is probable. As regards other departments, it is a highly debated matter. It is hardly necessary to emphasise that, so far as the great British offices are concerned, the segregation of assets would in no way increase their massive security.

The Money Market.—It has been a fairly quiet week in the money market. Conditions have been easy in spite of the drop in bankers' deposits, but at least one of the clearing banks has been calling every day, possibly owing to substantial revenue payments not entirely offset by redemptions of Treasury bills held by that bank. Rates are a shade easier.

	Feb. 11, 1937	Feb. 18, 1937	Feb. 25, 1937	Mar. 4, 1937
Bank rate	2	2	2	2
Clearing banks' deposit rate	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$
Short loan rate:—				
Clearing banks	$\frac{1}{2}$ – $\frac{1}{2}$ *	$\frac{1}{2}$ – $\frac{1}{2}$ *	$\frac{1}{2}$ – $\frac{1}{2}$ *	$\frac{1}{2}$ – $\frac{1}{2}$ *
Others	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$
Discount rates:—				
Treasury bills	$\frac{1}{2}$ – $\frac{1}{2}$	$\frac{1}{2}$ – $\frac{1}{2}$	$\frac{1}{2}$ – $\frac{1}{2}$	$\frac{1}{2}$ – $\frac{1}{2}$
Three months' bank bills	$\frac{1}{2}$ – $\frac{1}{2}$	$\frac{1}{2}$ – $\frac{1}{2}$	$\frac{1}{2}$ – $\frac{1}{2}$	$\frac{1}{2}$ – $\frac{1}{2}$

* Loans against Treasury bills and other approved bills and British Government securities within six months of maturity; 1 per cent. Treasury Bonds and other gilt-edged stocks within six months of maturity; and other collateral respectively.

The clearing banks have been buying a few April and May maturities at their minimum rate of $\frac{1}{2}$ per cent. The discount market is very quiet and the prospect of an extra £5,000,000 at Friday's tender makes little difference.

The Foreign Exchanges.—The foreign exchange market has been dominated of late by the ever-increasing rumours that some further measure of depreciation of the franc will shortly be decided upon by the French Government. This has caused heavy selling of francs, particularly against dollars, which have accordingly been very strong, to the extent of requiring occasional official intervention. The franc spot rate has remained held at about Frs. 105.15, but the three months forward

discount has been out as far as Frs. 3 $\frac{1}{4}$. The French market was closed on Thursday owing to the national holiday of *mi-carême*. It may be possible that if these sellings of francs continue the market may become saturated, and many operators may be unable to keep their positions open and will have to buy back francs. Owing to movements of this kind the paradox often occurs that a currency is devalued in a bad market. The guilder has been strong in sympathy with the dollar, as when the cross-rate rises enough the Netherlands Bank indulges in arbitrage operations. Other currencies have been uninteresting. The effects of the lower brokerages and reduced margins recently agreed upon appear to be working out against the brokers, owing to the very large proportion of direct dealings. However, a longer period is needed before the full effects of the change can be ascertained.

The Bank Return.—There has been a considerable rise of £5.9 millions in the note circulation, which may be attributed partly to end of the month influences and partly to the beginning of a seasonal spring upswing in general activity.

	Mar. 4, 1936	Feb. 10, 1937	Feb. 17, 1937	Feb. 24, 1937	Mar. 3, 1937
	£ mill.	£ mill.	£ mill.	£ mill.	£ mill.
Issue Department:—					
Gold	200.6	313.7	313.7	313.7	313.7
Note circulation	404.0	455.0	453.3	455.1	461.0
Banking Department:—					
Reserve	57.3	59.1	60.8	59.3	53.6
Public deposits	7.9	11.7	24.4	13.0	15.2
Bankers' deposits	104.5	99.2	90.6	100.4	93.8
Other deposits	36.6	37.3	36.7	37.9	37.7
Government securities	83.4	81.2	83.1	85.0	85.1
Discounts and advances	11.9	6.5	5.5	4.9	4.3
Other securities	14.7	19.5	20.4	20.3	21.9
Proportion	38.4%	39.8%	40.1%	39.1%	36.5%

There has been a corresponding fall in bankers' deposits of £6.6 millions, while public deposits have risen by £2.2 millions. For the first time in several weeks there has been practically no rise in Government securities.

Hongkong and Shanghai Banking Corporation.—The accounts of this bank for 1936 suggest that the devaluation of the Chinese dollar and the demonetisation of silver in November, 1935, have ultimately had a beneficial effect. Evidence of increased activity is to be found in the rise in the notes in circulation from \$119.0 millions to \$127.6 millions, and in the increase in current accounts from \$568.1 to \$649.3 millions at the expense of a slight fall in fixed deposits. Discounts and loans have also risen from \$435.9 to \$493.8 millions.

	December 31, 1935	December 31, 1936
	Sterling equivalent £'000	Sterling equivalent £'000
Liabilities:—		
Capital	1,302.1	1,239.6
Sterling reserve	6,500.0	6,500.0
Silver reserve	651.0	619.8*
Notes in circulation	7,748.1	7,910.8
Current accounts	36,987.8	40,244.9
Fixed deposits	13,543.5	11,690.2
Bills payable	808.9	918.6
Acceptances	154.1	204.9
Assets:—		
Cash	10,037.8	12,238.7
Bullion	2,728.5	41.9
Investments	17,072.5	18,681.7
Discounts and loans	28,376.5	30,606.1
Bills receivable	8,644.3	6,996.9
Net profits	12.1	15.1
Dividend per share	£5 10s.	£5 10s.
Exchange rate	1s. 3 $\frac{1}{2}$ d.	1s. 2 $\frac{1}{2}$ d.

* Now Hongkong currency reserve.

As a consequence of the compulsory surrender of silver stocks to the Hongkong Government, silver coin to the value of \$141.5 millions has been handed over in return for Certificates of Indebtedness, which are included in the item "cash." The lowering of the exchange rate from 1s. 3 $\frac{1}{2}$ d. to 1s. 2 $\frac{1}{2}$ d. has made a difference of nearly 5 per cent. in the calculations of the items in terms of sterling, so that the increases appear less in the sterling

equivalent. Profits for the year have been substantially higher, being \$15.1 millions, against \$12.1 millions in 1935, but the dividend remains at £5 10s. per share, compared with £6 in 1934.

Insurance Notes

Britannic Assurance Company.—The usual annual valuation of this company has been made, and the results, together with those of 1935, are given below:—

	1935	1936
Ordinary Branch—		
Surplus earned during the year	390,599	396,824
Brought forward from previous year.....	138,153	124,311
	528,752	521,135
To Bonuses to policyholders	265,076	275,457
„ Shareholders' account	34,365	34,539
„ Investment reserve fund	30,000	40,000
„ Staff pension fund	5,000	10,000
„ Strengthening of reserves	70,000	...
„ Carried forward to next year	124,311	161,139
	528,752	521,135
Industrial Branch—		
Surplus earned during the year	682,150	674,592
Brought forward from previous year.....	126,166	140,081
	808,316	814,673
To Bonuses to policyholders	238,235	241,500
„ Shareholders' account	265,000	265,000
„ Investment reserve fund	70,000	60,000
„ Staff pension fund	95,000	90,000
„ Carried forward to next year	140,081	158,173
	808,316	814,673

The basis of valuation was the same as in 1935, namely A1924-29, in the ordinary branch using 2½ per cent. for participating policies and 3 per cent. for other contracts, and the E.L. No. 8 (Males) Table combined with interest at 3 per cent. in the industrial branch. The ordinary branch rate of bonus is again 38s. per cent. on the sum assured; as usual the cost of the bonus, including shareholders' proportion, is well within earnings. Policy-holders in the industrial branch have no contractual right to participate in profits, but out of the 1929 surplus a voluntary allocation of £50,000 was made to them; the amount of the allocation has been increased in each subsequent year, and for last year, as will be seen from the table, was £241,500. In the ordinary branch new business increased from £3,654,000 to the new record total of £3,865,000, and the net rate of interest fell by 3s. 9d. per cent. to £4 8s. 1d. per cent. Total expenses of £177,000 are equal to just under 13.2 per cent. of premium income, a rate which must be considered distinctly favourable compared with the average of other offices, especially when it is borne in mind that new business is large in relation to the size of the fund and that the average new policy is for a sum assured of only about £200.

In the industrial branch new sums assured increased from £9,427,000 to £9,886,000, and, what is of more importance, the premium income increased by £136,000 to £3,784,000. The expense rate declined further from 34.4 per cent. to 33.2 per cent. of the premium income. There has been a steady fall in this rate since 1920, when the peak figure of 47.4 per cent. was registered. Probably future years will show some further reduction in the expense rate, but in view of the extraordinary services rendered by industrial insurance agents a figure of anything approaching 30 per cent. is really modest. As the chairman of the Pearl recently pointed out, the industrial insurance agent acts as "guide, philosopher and friend" in the homes he visits, and renders many services of great value, not otherwise readily available to the people he deals with, extending beyond his apparent functions of procurement of new business and collection of premiums. Total assets increased from

£26,288,000 to £28,159,000. During the year there were no major movements in the classification of the investments. Loans at £4,421,000 were smaller by £73,000, but British Government securities increased by £1,271,000 to £6,587,000. Indian and Colonial Government and Municipal securities showed little change, but the corresponding holdings of Foreign Securities were considerably reduced. Debenture, preference and ordinary stocks each showed moderate increases to £3,012,000, £2,456,000 and £3,977,000. The book values of the assets stand at or below cost. In the aggregate these book values are doubtless considerably below market values. In addition to this hidden reserve specific investment reserves in the ordinary and the industrial branches now amount to £500,000 and £1,000,000 respectively. During the year £100,000 was transferred to general reserve, which now stands at £425,000. The strength of the financial position is obvious, and each report gives evidence of energetic expansion on sound lines. The dividend declared is 50 per cent. free of tax.

Clerical, Medical and General.—Although 1936 was the first year of a new quinquennial valuation period, new business advanced to the fresh record figure of £2,843,000 against the previous year's record of £2,511,000. Annuity consideration moneys also expanded substantially from £254,000 to £376,000. The net interest earned on the life fund fell by ¼d. per cent. to £4 2s. 3d. per cent. Death claims were £374,000 against £340,000, and surrender values £124,000 against £87,000; premium income, exclusive of single premiums, increased from £864,000 to £904,000. It has previously been the custom of this Society (as of the Sun Life Assurance Society) to furnish with the Report a list showing the nominal amount and book value of each Stock Exchange holding. On this occasion, both offices have departed from this practice, and adopted that of the general body of offices in not furnishing any details of individual investments. Total assets increased from £14,376,000 to £14,908,000. Loans of all kinds increased from £4,655,000 to £5,055,000; loans on medical practices under a special scheme of the Society showed a large increase from £66,000 to £480,000. British Government securities, which form only a little more than 5 per cent. of the total assets, appeared at a somewhat lower figure, as did also combined Indian, Colonial and Foreign Government securities. Debenture stocks at £2,220,000 were also slightly smaller. Practically the whole of the ordinary stocks held refer to the shares of subsidiary companies, and there is little change in their book values. Freehold and leasehold properties increased from £1,714,000 to £2,149,000. The financial position of the Society is one of great strength, and in owning the entire share capital the Employers Liability possesses an excellent investment.

United Kingdom Provident Institution.—New sums assured of this institution increased from £4,551,000 to a fresh record of £4,621,000, and the rate of interest was 1d. per cent. higher at £4 3s. 6d. per cent. Death claims were £691,000, a reduction of £9,000; in the temperance section the actual claims were about 81 per cent. and in the general section about 85 per cent. of those expected by the A1924-29 table. The bonuses in the temperance section are somewhat higher than in the general section as a result of the more favourable mortality, but even in the general section the rates are above the average. The institution has expanded vigorously in recent years; compared with five years ago the premium income has increased from £1,378,000 to £1,675,000, against £1,362,000 at the end of 1926. Total assets in the year increased from £23,766,000 to £24,594,000. There was a further movement in loans from £5,121,000 to £5,764,000, and British Government security holdings again fell, from £4,403,000 to £3,582,000. Debenture stocks decreased by £453,000 to £2,826,000; preference stocks were slightly greater, and ordinary stocks at £2,363,000 showed an increase of £513,000.

THE STOCK EXCHANGE

Gaumont-British Questions

WHEN directors fall out, shareholders prepare for the passing of dividends. The future of the Gaumont-British Picture Corporation—the head of the largest group in the British film industry, with £5,036,718 of debenture stock and £6,250,000 of share capital—is the subject of a conflict in the board room which raises considerations of fundamental investment importance.

The facts, for the most part, are not in dispute. The Gaumont-British Picture Corporation at the date of its last balance sheet (March 31, 1936) owned, controlled or managed 341 theatres, dance halls, restaurants, etc., carried on business as film producers, renters and printers, manufactured wireless sets and components, and had an interest in television. The control of Gaumont-British is vested in a company called the Metropolis and Bradford Trust, which owns 2,915,000 of its 5,000,000 ros. ordinary shares. The Trust has a curious voting system of its own, by virtue of which the brothers Ostrer, as owners of 51 per cent. of an "A" voting capital of £10,000, control the Trust, with its total capital of approximately £420,000. And the Trust, in turn, controls Gaumont-British, with its debenture and share capital of £11½ millions. The Trust has an important American non-controlling shareholding, representing the Twentieth Century-Fox interests. Last October it was announced that another British film group, the Associated British Picture Corporation, Limited, had agreed to purchase the Ostrer Bros. holding. The exact details of the deal have never been divulged. It would appear, however, that the deal fell into two parts, and that the first, but not the second, has been completed. Consequently, the non-Ostrer interests, including both Mr John Maxwell of the Associated British group, and the American representatives, now have four out of a total of nine seats on the board of Gaumont-British—or, it might be true to say, in the light of the new appointments to the board this week, five out of eleven. Thus, they can still be outvoted on vital issues.

British company annals afford few examples of such "pyramiding" in *excelsis*, which is reminiscent rather of railway empire-building in America on the lines we described in *The Economist* a fortnight ago (February 20, page 398). If British law were to lay down a rigid principle of "one vote, one value"—and still more if it were to prohibit the formation of holding companies—it might well be that many arrangements would become illegal which are now recognised, by common consent, as being convenient and equitable. But all "privileged voting" should be confined within limits which a disinterested observer would recognise as reasonable; and should be such that no possible conflict can ever arise between the pecuniary interests of the controlling management and those of the body of shareholders. In this case, with control dependent on so small an ultimate holding, it is clearly possible to envisage conditions in which such a conflict might arise.

The position of Gaumont-British draws attention, however, to another criticism of the present state of British company law, which makes no provision for the annual publication of consolidated revenue accounts and balance sheets of parent companies and subsidiaries. The disclosed results of Gaumont-British for the four years to March 31, 1936, are summarised at the head of the next column.

The impression given by these figures is that total earning power, after rising sharply in the year to March, 1934, was subsequently well maintained. Actually, the 1936 report disclosed that the directors "considered it

GAUMONT-BRITISH PROFITS AND DIVIDENDS

Year to March 31	Profit £'000	Earned after Debenture Service £'000	Earned for Ordinary £'000	—Ordinary— Earned %	Paid %
1933	463	311	217	9.3	7*
1934	692	419	255	9.0	7
1935	720	413	234	8.0	7
1936	716	376	197	8.6	Nil

* And capital bonus of 20 per cent.

prudent" to appropriate £200,000 of profits for a special reserve in respect of film production or distribution. At the meeting on November 2nd a motion was carried for adjournment pending the presentation of consolidated accounts. These, which were duly considered and passed on December 17, showed that the cash position of the group was decidedly stringent, since cash holdings and debtors together totalled only £692,000 against liabilities for creditors, charges and tax, of £974,000 and a secured bank overdraft of £1,577,000—the whole question of the group's liquidity thus turning on the basis of valuation of work in progress, etc., given at £1,379,000.

Since December events have moved rapidly. On January 21st, Mr Isidore Ostrer, the President of Gaumont-British, who has now rejoined the company's board as chairman, suggested that the company might abandon film production. On February 19th the directors announced a full half-year's payment of dividend on the £3,250,000 of 5½ per cent. cumulative preference capital and referred to substantial losses by a film producing subsidiary company. Four days later Mr Maxwell revealed, in a Press statement, that the preference dividend decision was a 5-4 majority ruling, from which he and three other directors dissented, and that the total figure for subsidiary company losses, estimated to December 31st last, was £623,000. It is possible that extant reserves may cover this loss; but in any case the Companies Act does not specifically prohibit a holding company from paying a dividend by taking credit for the earnings of profitable subsidiaries and allowing unprofitable subsidiaries to carry forward their losses in their own books.

Matters approached their *dénouement* in the closing days of last month. On February 24th it was announced that the board had abandoned film production and that "delicate and complex negotiations" were on foot. The nature of the negotiations was revealed, three days later, in a statement that Gaumont-British had agreed to co-operate with another group, General Film Distributors, on a fifty-fifty cost basis, in the production of a strictly limited number of pictures. General Films would do the group's distribution, and Gaumont-British would cease to produce major films at its Shepherd's Bush studios. The news was interpreted as an intimation, broadly, that Gaumont-British was liquidating its interests in production and distribution. Like its predecessor, the decision was taken by a five to four directorial majority. Last Tuesday, Mr Maxwell, the head of the dissentient directors, made a statement to *The Financial News*, which in substance was an indictment of the entire transaction. Mr Maxwell declared that the agreement was a salvage operation by an administration which had failed in its management of a potentially successful production business; that offers of pictures for distribution had been made by Mr Maxwell's own company and by another British producer; that both the

offers and a request for a week's delay had been refused, and that an excellent sales organisation was thus being jettisoned. The whole matter, he suggested, had been rushed, for the American companies had themselves been refused a 48-hours delay. The net result, he declared, was that Gaumont-British ordinary shareholders would have no prospect of dividend for some years to come, since the income from the theatre subsidiaries would probably be static. A heavy writing-down of ordinary share capital would be inevitable; for one-and-a-half million pounds of production and distribution assets were being scrapped. In addition there was a large trading loss, and certain other book assets would require drastic writing-down.

Clearly, matters cannot remain in this position, but it is difficult to see, at the moment, what outside shareholders can do. For the present, they are powerless spectators of a titanic struggle, whose outcome must affect the earning power of this company for many years ahead. The peculiar irony of the situation is that, if preference dividends were unpaid, the preference shareholders would obtain votes which would make them a *tertium quid* whose voting influence would be decisive if it were allied, for example, with that of the dissenting section of the board. But if the group's losses are held to be of a capital nature—in the light of the latest agreement—there may be no bar in law to the maintenance of preference dividend payments out of other profits. So far as the deal with General Film Distributors is concerned, the one obstacle seems to be that the trustees of the 4½ per cent. first mortgage debenture stock of Gaumont-British may take the view that the proposed transfer of assets might jeopardise their security. Meanwhile, the market price of Gaumont-British 10s. ordinary shares, which touched 14s. 10d. last year, has fallen to 7s. 9d. It is quite impossible to say what valuation investors ought to put on these shares until the whole question of the company's future assets and activities has been threshed out. Obviously a good deal more must be, and will be, said on that point. But meanwhile investors may ask themselves one question. Would the position of Gaumont-British have been better, or worse, to-day, if British law had contained provisions for (a) annulment by the Court, on the application of a substantial body of shareholders, of any special voting rights which appeared inequitable or inexpedient in their general effect; (b) regular publication of consolidated income accounts and balance sheets by holding companies; and (c) an obligation on all such companies to set off the losses of unprofitable against the earnings of profitable subsidiaries, before the payment of any dividend?

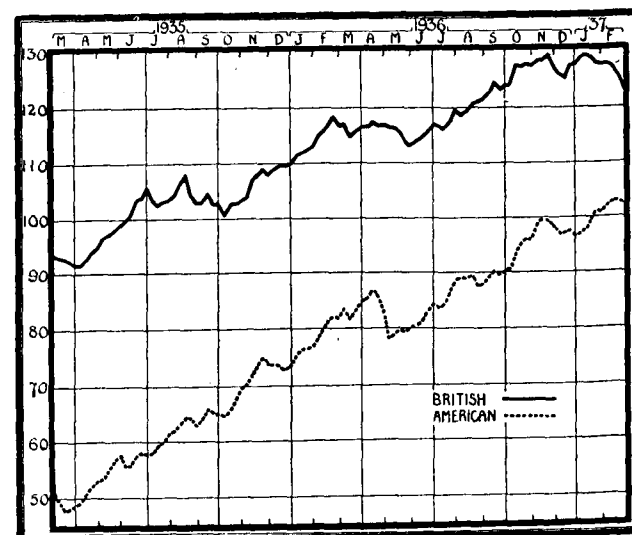
Investment Notes

Course of Share Values.—February was a month which few investors will recall with pleasure. The Government's decision to borrow approximately £400 millions, out of a total expenditure of £1,500 millions in five years, was widely interpreted as the death knell of low interest rates. The inevitable marking-down of gilt-edged securities was more than adequately reflected in the prices of the best equity securities. There was madness in the market's method; for while the price of every ordinary share has an "interest element," the marking-down appeared to pay little heed to the very different "equity element" in the prices of such shares as J. Lyons and Marks and Spencer. The decline was great enough to bring *The Financial News'* ordinary share index back to the level of the early autumn. London and Wall Street, after moving for many months in parallel, have pursued opposite courses since the beginning of this year, as our customary chart shows. Wall Street continues to believe that prosperity is stronger than strikes—or, more correctly, that any increase in industrial costs, which is the price of labour settlements, can be absorbed in the ocean of prosperity. The omens are that, in the immediate future, New York will continue

its general advance and London will recover, but not to the level prevailing before this year's decline set in. The market may now have more accurate ideas of the

BRITISH AND AMERICAN INDUSTRIAL SHARE VALUES OVER THE PAST TWO YEARS (1928 = 100)

British: "Financial News" Index of 30 Ordinary Shares
American: "Standard Statistics" Index of 50 Common Stocks



capacity of the national savings to meet the Government's probable demands, but it is also more aware of the importance of rising costs in industry.

Provincial Brokers Register.—The Register of Country Stockbrokers, compiled by the Stock Exchange Committee, came into operation last Monday. The complete Register contains the names of no more than 135 firms, and even allowing for exclusion of brokers operating within the London area, it seems that the total comprises a relatively small proportion of the firms who, while carrying on a *bona fide* stock and share business, neither belong to the Associated Provincial Brokers Association, nor are members of the various Provincial Stock Exchanges. It is understood that the Committee have, in fact, ruled out all applicants whose normal activities go beyond stockbroking. Throughout the provinces there are many smaller firms which conduct a legitimate stockbroking business as an adjunct of some professional or semi-professional activity, such as accountancy, or insurance broking. The full rebate of commission will, of course, still be allowed to members of the provincial Stock Exchanges, and of the Associated Provincial Brokers Association. Since the latter already includes many firms who carry on ancillary professional activities, it is reasonable to expect an influx of new members to the provincial institutions.

It may be noted, however, that no reasons have been officially given where applications for admission to the list have been rejected, and only formal notifications have been issued both to the members sponsoring applications and to the unsuccessful applicants themselves. Among the latter, certain substantial provincial firms who have been important collectors of business for their London connections over a long period of years have expressed themselves strongly both on the presumed basis of the Committee's method of deciding upon the applications, and upon the method of communicating their decisions. Whether these opinions have relevance or not, it is suggested that while the new Rule 203 may successfully check the indiscriminate rebating of commission on the maximum 50 per cent. basis, it may not achieve much more. The suggestion, when the proposal was first mooted last November, that some guide would be provided

regarding the status of outside provincial brokers by their inclusion or exclusion from the list, appears to have lost much of its force, according to this argument.

Electricity Distribution and the Investor.—The Minister of Transport's unexpected announcement that the Government has decided to implement the findings of the McGowan Report on electrical distribution (with certain modifications) is discussed on page 515. It is somewhat early to assess the investment significance of the Minister's proposals, but certain general observations can be made. The scheme is understood to provide for the lowering and levelling of electricity charges, and this policy would undoubtedly hasten the reduction of tariffs which many supply companies have effected in recent years. Broadly, these have maintained the companies' net revenues, owing to the steady increase in consumption, and there is no reason to anticipate an increase in earnings if further reductions in charges are secured. Conceivably, certain undertakings which have made generous provision for depreciation might be able to take up the slack comfortably, but our standard depreciation calculations do not suggest that these cases are predominant. The investor who holds electricity supply shares on the long-term expansion argument may have to consider whether its fruits will not be passed on (as they have been in recent years) to the consumer. Electricity supply shares, in that event, would become well-secured but stable interest securities. It will be noticed, however, that the Government's proposals do not specifically include the problem of the holding company. Nor has direct consideration been given to the electrical equipment undertakings. These, it would seem, may be the main beneficiaries from the standardisation of supply. Considerable economies in production of lamps and other equipment should be possible through standardisation, and in the long-run the demand for domestic appliances might be considerably increased. It would follow that the supply companies would themselves benefit directly from any resulting increase in demand at off-peak periods. The investor, however, can hardly reach firm conclusions until more detailed plans are published.

The Week in the Bond Market.—While the rest of the world continues to provide the bond investor with opportunities, Europe prefers to strew problems in his path. Rumour produced a fall of seven points, for example, in Polish 7 per cent. Stabilisation Loan on Monday. Poland is now observing the dubious principle of "no means, no coupons," and has applied this treatment to American holders, who now receive only 35 per cent. of their coupons. But since Poland's active trade balance with this country last year amounted to £3,300,000, her proposal to cut the sterling interest to the same rate after the April coupon lacks even this dubious economic justification. The sterling bondholders will support their representatives in the strongest resistance to this proposal. Of the Danzig position, the bondholder may take a rather serious view. The 6½ per cent. sterling bonds are specifically secured, but the report of the Bank of Danzig includes a suggestion that holders of Danzig loans may be asked "to accept a reduction of interest." Danzig is being *gleichgeschaltet*, and the suggestion, therefore, has a somewhat sinister ring. Finally, the Roumanian Government have made a disappointing proposal regarding the 4½ per cent. Gold Loan of 1913 and the 4 per cent. Consolidation Loan of 1922, of which 45 per cent. of interest is offered, without any provision for amortisation. Altogether, the glittering prizes in the foreign market are hardly to be found in Europe.

Bond Movements in February.—The course of the market, in fact, shows that the "commodity bonds" in the South American list are still making most consistent headway. The "Municipal and General" Index

Short Particulars

THE HOUNDSDITCH WAREHOUSE

COMPANY LIMITED

Authorised.	SHARE CAPITAL	Issued or to be Issued.
£800,000 in 800,000 5 per cent. Redeemable Cumulative Preference Shares of £1 each	...	£800,000
£800,000 in 3,200,000 Ordinary Shares of 5s. each	...	£800,000
£1,600,000		£1,600,000

The Company is entitled to redeem the whole but not a part of the 5 per cent. Redeemable Cumulative Preference Shares at a premium of 2s. 6d. per Share, plus accrued Dividend, on or after the first January, 1942.

The Subscription List will Open and Close on Wednesday, 10th March, 1937, for an

ISSUE OF

800,000 5 PER CENT. REDEEMABLE CUMULATIVE PREFERENCE SHARES OF £1 EACH AT £1 PER SHARE and 1,000,000 ORDINARY SHARES OF 5/- EACH AT 15/- PER SHARE

(Of which 200,000 Ordinary Shares have been underwritten firm and will be allotted in full.)

The Prospectus shows, inter alia, that:—

- The Company was formed to carry on the business of General Warehousemen, Importers, Exporters, and Merchants.
- The business was founded in 1922 by the present Joint Managing Directors. A modern freehold building, in Houndsditch, consisting of seven floors of an acre each was completed and fully occupied in 1934. The business employs over 1,000 persons and comprises about 30 departments, including:—
Ladies' Coats, Gowns, Furs, Millinery, Underwear, Hosiery, Footwear.
Men's and Children's Clothing, Underwear, Footwear.
Furniture, Carpets, Curtains, Linens, China, Glass, Hardware.
Leather Goods, Sports Equipment, Cutlery, Stationery and Toys.
- Net Assets (exclusive of goodwill) ... £1,311,570
- Profits before Directors' Fees, Managing Directors' Remuneration, Depreciation, and Income Tax:—
Fifteen months to 31st March, 1929 ... £74,763
Year ended 31st March, 1930 ... £94,550
" " " " 1931 ... £109,634
" " " " 1932 ... £116,214
" " " " 1933 ... £135,877
" " " " 1934 ... £164,923
" " " " 1935 ... £190,125
" " " " 1936 ... £216,484
NINE months ended 31st December, 1936 ... £225,247

On the basis of the Profits for the nine months ended 31st December, 1936, the Directors are of opinion that the results for the full year to 31st March, 1937, would show a profit of not less than £270,000. On this estimate the average of the Profits for the three years ending 31st March, 1937, would amount to £255,536.

After the above profits are adjusted by deductions for Directors' Fees and Salaries, and Joint Managing Directors' remuneration, Depreciation, amortisation of leaseholds, and allocation to staff fund, there will remain, after making all necessary deductions other than Income Tax:—

Average adjusted profits for three years ending 31st March, 1937	...	£201,427
Adjusted profit for the year ending 31st March, 1937	...	£241,445

5 The average figure of £201,427 for the three years to 31st March, 1937, would cover the dividend on the 5 per cent. Preference Shares, requiring £40,000 per annum, over five times.

The above figure of £241,445 for the full year to 31st March, 1937, would cover the Preference dividend over six times, and after payment of that dividend there would remain a balance equivalent to approximately 25.1 per cent. on the Ordinary capital of the Company at par, or 8.3 per cent. on the Ordinary Shares at the issue price of 15s. per share.

6 The Directors are confident that the progress of the business shown in successive years in the past will, given normal trading conditions, be maintained in the future.

Prospectuses and Application Forms on the terms of which applications will be accepted for Shares of the above issue, are available from:—

BARCLAYS BANK LIMITED, New Issue Department, 54 Lombard Street, London, E.C.3, and Branches, and from the Brokers, MYERS & CO., 19, Throgmorton Avenue, London, E.C.2, and Stock Exchange.
NATHAN & ROSSELLI, 7, Adams Court, London, E.C.2, and Stock Exchange.

of foreign bond movements shows a two-point rise over the month at 119.0. Defaulted bonds again made more rapid progress in February, being assisted by a vigorous rise in defaulted Chinese issues, which has contributed to the advance in the Far-Eastern index from 116.2 to 120.0. Our usual table follows:—

January-June 1934=100

	Europe	Near & Far East	Egypt	South and Central America			Complete Index	Un- defaulted Bonds	De- faulted Bonds
				States	Pro- vinces	Total			
1936	(32)	(31)	(4)	(36)	(11)	(47)	(114)	(60)	(54)
March	95.1	109.9	99.2	100.2	85.9	96.7	100.0	103.7	95.3
April	97.6	110.0	98.7	101.3	87.9	98.0	100.8	104.7	96.5
May...	96.1	106.5	98.2	101.3	88.6	98.1	99.8	104.3	95.0
June	96.3	104.4	99.4	100.2	89.2	97.5	99.1	102.8	95.1
July...	84.7	110.6	100.9	99.1	89.2	96.7	99.8	101.4	95.0
August	85.1	113.2	100.7	99.3	88.8	97.0	100.7	105.7	95.3
Sept.	84.7	110.7	99.9	98.8	89.0	96.4	99.7	104.3	94.8
Oct....	95.2	111.7	99.7	105.3	93.0	102.3	102.5	104.3	100.6
Nov.	(31)	(31)	(31)	(113)	(59)	(113)	(113)	(59)	(113)
Nov.	95.4	110.6	99.6	107.2	101.0	105.7	103.9	104.5	103.2
Dec....	97.7	114.0	99.7	120.2	110.0	117.8	110.3	105.8	115.3
1937	(30)	(30)	(30)	(112)	(58)	(112)	(112)	(58)	(112)
Jan....	103.6	116.2	100.6	128.5	131.7	129.3	117.0	107.3	128.5
Feb....	102.9	120.0	99.6	131.8	131.8	131.8	119.0	108.1	131.4

A progress report issued by Foreign Government Bond Trust this week provides some interesting comparisons between the Index and movements of individual securities. Between April, 1934, and February, 1937, the Index shows a rise of 17.7 per cent. (identical, incidentally, with the appreciation shown by the Bond Units, although the latter are not identical in spread compared with Index). The range of appreciation of selected individual investments between 3.7 per cent. and 55.8 per cent., is sufficient illustration of the need for diversification in bond investment.



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Company Notes

Newcastle Investments.—Tyneside's recovery from economic desolation (as we suggest in a review on page 511) has been somewhat less rapid than in other areas to which the speculative investor has been attracted. There are, perhaps, two main features in a representative list of Newcastle shares. The first is the relative stability of dividends which they show—surprising at first sight for an area whose fortunes are associated with the capital goods industries. In part, this steadiness may be due to Newcastle's position as a market centre, whose hinterland feels the effect of economic fluctuations directly and more deeply. The second feature is the absence of obvious bargains in a selection of Newcastle issues. The stable dividend issues, like North-Eastern Electric and other public utility concerns, deserve their high investment rating. But among the recovery shares, dividend yields exceeding 4 per cent. are still uncommon. Newcastle Breweries, which achieved a sharp rise

Company and Share Denomination	Earned for Ordinary		Ordinary Dividend		Ord. Share Price	Yield %
	Previous Year	Latest Year	Previous Year	Latest Year		
Associated Breweries (£1)	8.0	9.2	7½	7½	36 0	4 3 6
Clarke Chapman (£1)	8.7	11.6	6	8	38 9	4 5 0
Hood Hazle (R.&S.) (£1)	22.6	22.9	12½	15	75 6	3 19 6
Newcastle Breweries (£1)	19.4	26.1	9	11	62 8	3 10 3
Newcastle & Dis. Elec. (£1)	8.1	7.8	7	7	35 6	3 19 0
North-Eastern Electric (£1)	7.3	6.6	6	6	34 3	3 10 0
Parsons Marine Steam Turbine (£1)	6.0	7.7	5½	7½	47 0	3 3 9
Tyne-Tees Shipping (£1)	4.7	5.8	5	5	11 6	8 14 0
Wallsend Shipway & Eng. (10s.)	18.5	18.8	6½	12	26 9	4 10 0

‡ Plus 15 per cent. tax free bonus from capital profits. § Plus 4½ per cent. tax free from investment profits.

in earnings for 1935-36, are valued on a 3½ per cent. yield basis, and Associated Breweries, with a steadier recovery record, yields fully ½ per cent. less than some of the representative brewery shares in the South. On the prospect that the heavy industries may recover something of their normal stature, these yields may be justified by dividend performance. The investor, at any rate, is taking a more confident view of shipbuilding prospects on Tyneside. This week's report from Clarke Chapman (which is a marine and general engineering concern located at Gateshead) shows an appreciable improvement to justify this view. Swan, Hunter and Wigham Richardson have announced a 7 per cent. ordinary dividend for 1936, compared with 5 per cent. for 1935. Again, Parsons Marine Steam Turbine and Wallsend Shipway and Engineering each have increased Admiralty and mercantile business on hand. Apart from these fairly familiar issues, however, Newcastle's investment attractions are more evident to the operator with good local connections and a due endowment of patience.

Courtaulds' Report.—The Courtaulds' profit figures have been available for the past fortnight. The full report amplifies the preliminary statement without producing surprises, for the balance sheet is again illustrative of the company's state of progressive development. The net value of properties is up by £1¼ millions; stocks are nearly £500,000 higher; and the progress of the undertaking is being financed in comfort from its massive holdings of securities, which have fallen from £16 millions to £15.4 millions. Meanwhile, as we showed in *The Economist* of February 20th (page 442), the effective dividend rate has been increased from 9.68 per cent. to 10.28 per cent. On what basis should the investor value Courtaulds? At the present price of 52s. 7½d. ex dividend the yield is £3 18s. 3d. per cent.—a return more in keeping with a stable industrial equity than a high-powered recovery share. But Courtaulds' attraction for the serious investor lies in its long-term possibilities. It is characteristic of the company's cautious management

that it records, for a year in which British rayon output increased by 17 per cent., that operations were "rather more profitable." Similarly, the company sold much more stable fibre, but since the Greenfield factory was not fully employed until a few weeks ago, this business yielded little profit. Again, the selling policy adopted for rayon is to be applied to "Fibro": to quote the report, "the lower cost of production which we expect to obtain (from the Greenfield plant) will be necessary to enable us to secure the bulk business which we look for." American trading conditions have improved, but the Viscose Company now deducts the 10 per cent. tax on dividends to Courtaulds. The report, then, is the familiar record of progress, tinged with warning to those who would expect too much. In the differences of view between Mr Samuel Courtauld and the more optimistic speculator, the former has invariably been right.

English Steel Results.—The first of the results of the Vickers group for the initial period of re-armament was a little disappointing to the market. That the English Steel dividend should have been merely maintained on the increased capital seemed insufficient to speculative investors who had been expecting bumper returns. The actual figures, however, show very clearly the remarkable earning power of English Steel—the bottom layer of the group. The trading profit, this year struck after an unspecified allowance for contingencies, has increased from £845,204 to £1,059,446. The net profit, after debenture interest and very generous depreciation, is £722,452, compared with £522,218. Earnings on the deferred capital were therefore nearly 50 per cent., and after paying 20 per cent., the directors put £300,000 to reserve. The actual dividend, which is of course shared between Vickers itself and Cammell Laird, is the equivalent of 5.8 per cent. free of tax on the latter's capital, while Vickers receives £310,600 net, representing 5.4 per cent. free of tax on its ordinary capital. These figures, however, are of little real significance, in view of the obvious directorial policy of financial consolidation to meet the strain which the re-armament programme, although very profitable, must cause. The Navy Estimates show a further substantial increase in prospective demand for armour plate, of which English Steel is one of the only three producers. In 1933-34 the Admiralty contracted for £396,000 worth of armour; in 1935-36 it contracted for £954,700; in the current year the estimate is £1,632,940, and it is estimated at £3,502,100 in 1937-38. This increase has involved a five-fold increase in the nation's armour-producing capacity, part of which, it appears, is financed by the Government itself. Clearly, such an increase demands strong financial resources and consolidation. The indirect shareholders of English Steel will benefit in the long run, but at present the directors are likely to continue their conservative policy of consolidation.

Cammell Laird.—The results of Cammell Laird and Company likewise disappointed the market. Here again the directors have been cautious. The net profit has increased from £110,688 to £171,653, and the earnings on the increased capital amount to 10.8 per cent. But the directors have only stepped the dividend up from 3½ per cent. to 5 per cent., and the market marked the 5s. shares down to 14s. This company, too, must needs wait some time before large profits can be shown. Its holding in English Steel, as we have seen, is likely to be more fruitful as a hidden reserve of great strength than as a source of rapidly increasing revenue. For the latter, the company must depend upon its naval shipbuilding, and this will not reach its peak until 1938-39. The capital ship which was laid down in January will bring in more in 1938 than in 1937. The aircraft carrier "Ark Royal," on the other hand, will be launched next month, and probably less will be earned on that account this year than in 1936. Broadly, however, the company's naval shipbuilding will bring in increasing profits as the re-armament programme gets under way. And, finally,

the Metropolitan Cammell Carriage and Wagon Company, though still far from dividends, is improving its position and may be expected to contribute to the parent company's revenue in, say, two years' time. Cammell Laird 5s. shares, which have recovered to 15s., offer a trivial dividend yield, but the earning power behind them is indubitable, and they appear to be well valued as a medium-term holding.

Brick and Cement Dividends.—By valuing London Brick on the highest yield basis accorded to a first-rank industrial, the market expected too little. In addition to the maintenance of the 22½ per cent. dividend on the ordinary capital, which was raised during 1936 from £1,600,000 to £1,800,000, a scrip bonus of one in nine is to be issued. Associated and British Portland Cement have raised their dividends from 20 per cent. to 22½ per cent. The Associated Company's payment is declared after providing £417,150 for depreciation, writing down trade investments by £10,000, and allocating £87,500 to contingencies. Although a decline in residential building has begun, the market for materials for other construction purposes is still expanding. London Brick has a large area of supply, it enjoys great financial strength, and can smooth out the inevitable fluctuations in building activity to some extent by making for stock. The £1 ordinary stock rose to 75s. on the announcement. This is not a riskless share, but it is clearly the leader in the brick industry. Associated Portland Cement, which stand at 103s. 9d. to yield £4 9s. 3d. per cent., have a wider interest in constructional activity both for peace and re-armament.

Revival in Rubber Shares.—Since the boom in commodities began at the end of last year, market favour has swung from one commodity and its associated

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shares to another. Last week, base metals were the centre of attraction. This week, rubber has again taken the stage. The immediate cause has been a revival of confidence following the settlement of the General Motors' dispute in the United States. But much more positive factors have been at work. The opinion appears to be growing that the exporting areas will have difficulty in fulfilling their permissible quotas, which increase this year from 75 per cent. of standard assessments in the current quarter to 80 per cent. in the next and 85 per cent. in the third quarter. Shipments in January amounted to no more than 70 per cent. of the quota, and the position since appears to have been but little eased. The main immediate difficulties are a shortage of shipping facilities and the inadequacy of native labour supplies. Meanwhile consumption is going ahead and stocks continue to decline. In face of this situation, a more vigorous price advance has only been restrained by a kind of informal American buyers' "strike," reminiscent of a famous phase in the unfortunate Stevenson scheme, which ended ultimately in a disastrous rise in prices. There is no suggestion that history will repeat itself in all respects, but it seems unlikely that American consumers will be successful in preventing a further moderate rise in prices in the future.

* * *

Rubber companies find themselves, therefore, in an enviable position. Though they may not all be capable of producing their full permitted quota, they can look to considerably higher average prices during the current year. As most companies show a greater response to higher prices than to quota releases, this is perhaps no great hardship; the prospective increase in costs may also tend to reduce profit margins per pound of output, and will thus increase still further the relative advantage of increased prices over increased output. If the speculator looks well ahead, he may find the prospect of output at, say, 90 per cent. of standard and profit margins

in excess of 6d. a pound decidedly alluring. But the market, at any rate, is showing more discrimination than during last December's boom. Yet large discrepancies in share valuations based on prospective earnings still exist. The accompanying table gives a selection of some six companies of high efficiency and possessing a considerable equity in price advances:—

Company and Share denomination	Id. per lb. on equity capital with 100% quota	Latest costs per lb.	Estimated total profits with 9d. price + 80% quota	5% increase in quota + 80% on equity capital	Latest divs.	Current share price	Yield on latest divs.	Yield on estimated earnings with 9d. price + 80% quota
Bikam 2/-	3.8	4.1	14.9	0.9	3	3/3	1.8	9.2
Broome (2/-)	6.3	4.3	21.4a	1.5	8½	4/4½x	3.8	9.3
Cicely (2/-)	6.5	4.2	25.0	1.6	6	5/7½	2.3	9.5
F.M.S. (4/-)	4.9	4.2	18.8	1.2	6	2½x	2.7	8.4
Hoscote (4/-)	5.3	5.0	17.0	1.1	4	1½	2.1	9.0
Patallag (4/-)	5.8	3.9	23.7	1.5	7	2½	2.7	9.1

(a) After Debenture interest = £3,750 or 2.3 per cent. on ordinary capital.

It will be observed that these shares are still priced to yield between 9 and 10 per cent. on estimated earnings, assuming an average price of 9d. and a quota of 80 per cent. The price has been taken conservatively to cover the prospective increase in costs this year.

* * *

Company Results of the Week.—Our usual analysis of profit and loss accounts appears on page 562, and includes in particular many important stores and textile company results. The principal results are discussed on page 562 under the heading "Shorter Company Comments."

* * *

Company Meetings of the Week.—On later pages of this issue will be found the reports of the following company meetings:—London Midland and Scottish Railway, Refuge Assurance, Scottish Widows' Fund and Life Assurance Society, Standard Life Assurance, British Assets Trust, Midland Counties Electric Supply, Borax Consolidated, Selfridge and Company, Anglo-French Exploration, London and Lomond Investment Trust, and Padang Langkat Rubber Estates. Sir Josiah Stamp's address at the London Midland and Scottish meeting was discussed in last week's issue of *The Economist* (page 480). Mr Gordon Selfridge, at the Selfridge and Company meeting, expected a general increase in merchandise prices in the coming year. Mr J. Wilcock Holgate, at the Refuge Assurance Company meeting, ascribed the proverbially light mortality rate of annuitants to their carefree income, and gave an analysis of fatal accidents. At the Scottish Widows' Fund and Life Assurance Society meeting, Lord Kinross commented on the continued decline in the number of surrendered policies. Addressing Borax Consolidated shareholders, the vice-chairman, Colonel J. W. Reid, discussed the use of borax as an agricultural fertiliser. Mr F. R. Robinson, at the Anglo-French Exploration Company meeting, discussed certain of the company's interests, in particular Apex (Trinidad) Oilfields and tin investments. At the Padang Langkat meeting, Mr H. A. Barrett pointed out that most of the company's investments had fixed redemption dates. Mr George Balfour informed Midland Counties Electric Supply proprietors that in four years the total number of consumers connected had been doubled. At the British Assets Trust meeting, the chairman discussed the inauguration of an income reserve fund. The Hon. W. B. L. Barrington explained to London and Lomond Investment Trust shareholders the difficulty of assessing the current year's prospects, owing to the possibility of increased taxation in this country and the United States. At the Standard Life Assurance meeting, the chairman contrasted the amount of life assurance per head in America and in this country.

THE WEEK IN THE MARKETS THE STOCK EXCHANGE SETTLING DAYS

TICKET: MARCH 16 ACCOUNT: MARCH 18

THE new Account opened in fairly good style, but there was no disposition to follow the rather bullish lead of early dealings. Adjustments in over-high or over-depressed quotations have rather been the order of the week. The tone is better and investment support, while not excessively generous, is sufficiently faithful to maintain a general appearance of better times. On Thursday, conditions had become somewhat dull, with most interest in mining shares.

Gilt-edged opened in firm style, with the few remaining bears seeking cover. Sabre-rattling, however, checked the movement on Tuesday and conditions subsequently passed from steadiness into dullness.

In the foreign market, Polish Sevens fell 7 points on Monday, but regained the fall on Tuesday, on threats to the service (which are discussed on page 535) and Danzig issues were also depressed for similar reasons. Chinese bonds were again well supported, the railway issues receiving special attention. Brazilian loans opened firm, but were sold on a fair scale later. Chilean issues, however, made a good response to rising copper prices.

A gloomy opening in the home rail market brought half-point falls, which were repeated on Tuesday. Mid-week conditions, however, were better on the good traffic figures. Argentine rails enjoyed a firmer market, and buying was resumed on the week's satisfactory traffics. Rhodesia Railways debentures opened at 3-2 discount.

Prices have been reasonably firm in the industrial markets during the week. The iron and steel section opened well, with Indian Iron still on the upward grade, and Clarke Chapman stimulated by the report. Profit taking caused irregularity later, and Cammell Laird and Swan Hunter both fell on disappointment with the higher dividends. The abolition of import duty on pig iron had little effect on prices. Settle Speakman were strong in the coal group, on the dividend distribution. Business was good in the motor section at the beginning of the week, but eased off later. Morris Motors rose sharply in mid-week. The aircraft group were rather neglected, with Rolls Royce lower at first on the strike report. Electrical equipment issues were firm to strong throughout, with Telegraph Construction in the lead on the report; in mid-week there were heavy dealings in General Electric.

Brewery issues opened well, but weakened later, and were not impressed by the output figures. Great Universal and Harrods attracted some attention among store shares, and Unilever were inquired for in the catering group. Textiles were quiet. Movements in the miscellaneous industrials section were irregular, with most consistency shown by building material and cement issues, which improved steadily. The cement and brick dividends are discussed on page 537. Radiation went ahead in anticipation of the final dividend and on record sales figures. Carrier Engineering were better and improvements were shown by several engineering issues.

Conditions were quiet throughout the week in the oil market, mainly by hopes of a further increase in the price of petrol, but the advance was discriminating. Anglo-Iranians were in demand at the end of last week, but the new account opened with an unusually small volume of business. Eagles, especially Canadian, were in request, though the general tendency was irregular.

Rubber shares, however, enjoyed an excellent week. Substantial rises have been achieved all round, but the turnover has been small, opinion being practically unanimous as to prospects. In rather contrary circumstances the tea market has encountered a mild depression. Prices have receded slightly all round.

Recent large South African purchases made for quieter conditions in the mining market at the end last week, and there was a certain amount of cash selling for the end of the account, some profit taking even being noticeable on copper shares. But improvements were registered in the new account, more especially among Rhodesians. Diamond shares have done fairly well, but the trend in Kaffirs was mainly downwards. Their rally was shared by base metals.

"FINANCIAL NEWS" MARKET INDICATORS

	Feb. 25	Feb. 26	Mar. 1	Mar. 2	Mar. 3	Mar. 4
Approximate total of bar-gains recorded in S.E. List	11,715	12,795	14,490	11,445	11,945	12,020
Corres. day 1936.....	10,473	11,092	12,359	9,397	10,645	10,239
SECURITY MOVEMENTS						
Index of 30 Ordinary Shares (July 1, 1935=100).....	119.9	120.5	120.6	120.5	120.1	120.0
Index of 20 Fixed Interest Securities (1928=100).....	127.2	127.6	128.3	127.9	128.0	128.0

Highest 1936: Ordinary Shares 124.9 (Nov. 18); Fixed Interest 138.8 (Feb. 10).
Lowest 1936: Ordinary Shares 107.4 (Jan. 2); Fixed Interest 136.2 (Sept. 23).
Highest 1937: Ordinary Shares 124.8 (Jan. 4); Fixed Interest 136.6 (Jan. 4).
Lowest 1937: Ordinary Shares 118.1 (Feb. 23); Fixed Interest 126.5 (Feb. 23).

ACTUARIES' INVESTMENT INDEX

On Tuesday last the index of 178 industrial equities stood at 88.5, compared with 87.1 a week ago and 90.2 a month ago. The corresponding yields are 3.94, 3.95 and 3.76 per cent. Some of the component indices are tabulated below:—

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)			Yield (%)		
	Month ago (Feb. 2, 1937)	Week ago (Feb. 23, 1937)	This week (Mar. 2, 1937)	Month ago (Feb. 2, 1937)	Week ago (Feb. 23, 1937)	This week (Mar. 2, 1937)
Insurance companies (24) ...	130.1	121.8	126.3	3.28	3.51	3.39
Coal (7)	118.0	127.5	123.8	3.22	3.14	3.15
Cotton (6)	57.4	53.7	55.7	2.14	2.21	2.19
Gas (7)	129.2	125.5	121.3	4.53	4.69	4.85
Oil (5)	103.9	105.2	110.8	2.87	2.84	4.19
Electric supplies (10)	158.8	151.8	155.8	3.83	3.98	3.90
Breweries and distilleries (21)	147.5	138.2	146.2	4.28	4.62	4.36

OVERSEAS STOCK EXCHANGES

NEW YORK

BUSINESS ended last week in a dull mood, with most prices below the level reached at the end of the previous week. The strongest sections were packing and steel issues. This week opened with rumours, which were rapidly substantiated, that Carnegie-Illinois were to agree to bargain with the Lewis union, and several independent steel companies announced higher minimum wages and a 40-hour standard week. Steel issues shot ahead, with U.S. Steel in the lead. Chrysler were strong on hopes of a settlement of their conference with the motor union, and aviation issues gained on the Navy Appropriation Bill. Rail and farm implement shares shared in the improvement. Prices continued to improve through the week, and the prospect of higher wage costs produced no hesitation in the markets, since the steel industry anticipates a continued increase in demand at rising prices. Railroad shares have risen

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RESERVE FUND	£2,500,000
CAPITAL UNCALLED	£7,500,000
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steadily since the end of last week. Practically the only easier group in the market was the utility section. In mid-week the bond market attracted a large volume of business and prices advanced rapidly. *Iron Age* estimates steel mill activity at 85 per cent. of capacity, for the week, which is 2 per cent. up on the previous week, and higher than any figure touched since October, 1928.

Feb. 24, Mar. 3, Mar. 4, 1937 1937 1937 (Close) (Close) (Latest)				Feb. 24, Mar. 3, Mar. 4, 1937 1937 1937 (Close) (Close) (Latest)			
1. Rails & Transport				4. Manufacturing			
Atchison	74½	82	82½	Briggs	54½	54½	54
Balt. and Ohio	27½	32½	33½	Chrysler	125	133½	132½
B.M.T.	47½	48	47	Electric Autolite	44½	44½	43½
Can. Pacific	16½	17	17½	General Motors	65½	68½	67½
Ches. and Ohio	65	68½	68½	Hudson Motor Car	21	21½	21½
Ch. Gttn. Rly. P.M.	48	51	51½	Murray Corp.	18½	19	19
Illinois Central	28½	31½	31½	Nash Kelvinside	22½	23½	23½
N.Y. Central	44½	48	48	Packard Motor Car	11½	11½	11½
Nor. Pac.	31½	34½	34½	Bendix Aviation	27½	27½	27½
Pennsylvania R.R.	43½	44½	44½	Boeing Airplane	45½	48½	48
Southern Pac.	52½	59½	59½	Douglas Aircraft	64½	68½	67½
Southern Rly.	32½	34½	35½	United Aircraft	30	33½	34½
Union Pac.	133½	135½	135½	Air Reduction	74½	73	73
Greyhound Cp. New	15½	15½	16½	Allied Chem. xtd.	238	240	244½
				Col. Carbon	117	115	114½
				Comm. Solvents	18½	18½	19½
				Dupont	171	178½	177½
				Union Carbide	107½	110½	109½
				U.S. Ind. Alcohol	39½	39½	39½
				Allis Chalmers	71½	72½	73½
				General Electric	69½	69½	69½
				Westinghouse	156	157½	157½
2. Utilities and Communications				American Can.	107½	109½	109½
Am. Waterworks	26	25½	26	Addressograph	33½	32½	32½
C'wealth & S'th'm	3½	3½	3½	Caterpillar	96	96½	96½
(Cons. Gas of N.Y.)	42½	41½	41½	Cont. Can.	61½	62½	62
now Cons. Edison	17½	17½	17½	Ingersoll Rand	137	141	139½
Col. Gas & Electric	17½	17½	17½	Int'l. Harvester	103	106½	106½
Elec. Bond & Share	25½	24½	25½	Johns Manville	138½	143½	142½
Nat. Pwr. and Lt.	12½	12½	12½	Am. Radiator	26½	27½	27½
North American	30½	29½	30½	Corn Products	66	67	68½
Pac. Gas. & Electric	33	33	33	J. I. Case and Co.	166	165	166½
Pac. Lighting	68½	46	45½	Glidden	47½	48½	49½
Pub. Service N.J.	48	46½	47½	Gen. Am. Transp.	81½	81	81
Stan. Gas & Elec.	12½	12½	12½	Allied Mills	28½	28½	28½
United Corp.	6½	6½	7	Celanese of America	34½	35	34½
United Gas Imp.	15½	14½	14½	Ind. Rayon New	37½	38½	38
Am. Tel. & Tel.	175½	179½	180	Colgate Palmolive	30½	20½	21
Int. Tel. and Tel.	13½	13½	13½	Eastman Kodak xtd	170	169	168½
Western Union	73	78	79½	Gillette	18½	18½	18½
Radio	11½	11½	11½	Lambert Co.	22½	23½	23
Radio B. Pref. New	77	77½	77½	Loews	74½	80½	80
				20th Century Fox	34	35½	36
				5. Retail Trade and Food			
3. Extractive and Metal Industries				Montgomery Ward	62	66	67½
Am. Rolling Mills	36½	39½	38½	J. C. Penney Co.	97½	102	102½
Beth. Steel	93	102½	102½	Sears Roebuck xtd.	88½	91	92½
Beth. Steel Pref. xtd.	128½	127½	127	United Drug	14½	14½	14½
Republic Steel	35½	38½	38½	Walgreen xtd.	47½	47½	47
U.S. Steel	111½	123½	122½	Woolworth	55½	57	57
U.S. Steel Pref.	145½	146	146	Borden	26½	26½	26½
Alaska Juneau ad.	14½	15½	15	Gen. Foods	43½	43½	43½
American Metal	64½	65½	67	Kroger Grocery	23	23½	23
American Smelting	97½	95½	96	Nat. Biscuit	31½	32½	33
Anaconda	65½	66½	65½	Nat. Dairy	24	23½	23½
Bohn Aluminium	65½	47	47½	Standard Brands	15½	15½	15½
Cerro de Pasco	75½	83½	84½	Am. Tobacco B.	94½	95½	95
Int. Nickel	71½	72½	71½	Liggett Myers B.	110½	111½	111½
Kennecott xtd.	64½	67½	66½	Lorillard	26½	26½	26½
Pattito Mines	20½	19½	19½	Reynolds Tob. B. xtd	55½	56	56
Texas Gulf Sulph.	41	39½	40	National Distillers	29½	30	30
U.S. Smelt	92	93½	96	Schenley Distillers	46	48½	48½
Vanadium Corp.	31½	33½	33½	6. Finance			
Atlantic Refining	32½	33½	33½	Commercial Credit	61½	61½	60½
Phillips Petroleum	53½	54½	54½	Atlas Corp.	18	18½	18½
Shell Union	33½	34½	33½	Comm. Invest. Trust	71	70½	69½
Shell Union Pref.	104½	104½	104				
Socony Vacuum	18½	19½	19				
Stand. Oil Calif.	48	48	48½				
Stand. Oil N.J.	72½	75	74½				
Texas Corp.	52½	53½	53½				

By courtesy of the Standard Statistics Company, Inc., of New York, we print the following index figures of American values calculated on closing prices (1926 = 100):—

	1936		1937		Be- ginning of Year 1937	Feb. 17, 1937	Feb. 24, 1937	Mar. 3, 1937
	Lowest Apr. 29	Highest Nov. 10	Lowest Jan. 6	Highest Mar. 3				
347 Industrials	112.7	145.9	143.2	154.8	143.2	151.7	150.9	154.8
32 Rails	42.8	60.2(b)	54.6	61.2	54.6	58.3	58.2	61.2
40 Utilities	91.2	111.0(c)	108.0(d)	116.4(f)	111.7	110.3	108.0	108.0
Total, 419 Stocks	97.7	125.4	123.5	131.5	123.5	129.5	128.5	131.5
Average yield*	4.50%	2.65%	3.53%	3.20%	3.53%	3.33%	3.38%	3.91%
	High (c)	Low (a)	High	Low (s)				

* 50 Industrial Common Stocks. (b) Oct. 14th. (c) December 23rd. (d) April 8th. (e) February 24th. (f) December 2nd. (g) February 10th. (h) January 13th.

DAILY AVERAGE OF 50 AMERICAN COMMON STOCKS (1926 = 100)

Highest*	Lowest†	Feb. 24	Feb. 25	Feb. 26	Feb. 27	Mar. 1	Mar. 2	Mar.
179.6	161.8	174.3	173.5	174.1	174.4	174.6	177.4	179.6

* March 3rd.

† January 4th.

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TOTAL DEALINGS IN NEW YORK

	Feb. 25	Feb. 26	Feb. 27	March 1	March 2	March 3
Stock Exchange—						
Shares (No. Thous.)	2,230	1,780	1,000	1,660	2,290	3,570
Bonds (Thous. \$) ...	13,820	12,450	6,820	11,490	13,620	19,420
Curb—						
Shares (Thous.)	995	776	422	664	620	687

* Two-hour session.

PARIS

HOME affairs and the foreign exchange market were the pre-dominating factors during February, a quick response to day-to-day events being more noticeable than any actual change in tendency. Rentes were the most sensitive to changes in feeling, but although, as in the previous month, French equities were often resistant, at other times they moved in sympathy with Rentes. After a firm beginning to the month, the fall in the franc soon caused nervousness, and the weaker prices were accentuated by the increase to 30 per cent. in the cover required for bargains for the account. The Finance Minister's statement earlier in the month that exchange dealings would not be controlled brought an immediate improvement in Rentes, but the following sessions were irregular. A setback followed the announcement that the carry-over rate would be raised from 6½ per cent. to 8 per cent., although soon after, rumours of a Government reorganisation and hopes of some change of financial policy caused appreciable gains. The chances of fulfilment of such hopes became more remote after M. Blum's speech at St. Nazaire, and with the exception of Internationals, prices generally were marked down. The month closed more quietly, but for political reasons weakness was again evident at the beginning of March.

Feb. 3, Feb. 15, Mar. 3, 1937 1937 1937			Feb. 3, Feb. 15, Mar. 3, 1937 1937 1937		
3% Perp. Rentes	75.10	73.50	70.85	Royal Dutch	51.420
4% Rentes 1917	74.20	72.80	68.65	Wagons Lits.	119
Banque de France	8,705	8,500	7,900	Mexican Eagle	170
Credit Lyonnais	1,725	1,655	1,539	"Chartered"	255½
Suez Canal	27,525	27,800	27,100	Ford	116
Chargeurs Réunis	594	546	507	De Beers	1,923
Rio Tinto	2,518	2,740	3,240	"Johnnies"	512

BERLIN

The share market in February was dull and irregular, with slightly lower quotations for standard industrials and for the leading shipping issues, but an advance on dividend expectations of most leading commercial banks. The first half of the month witnessed active speculation in Railway Corporation preference, a consequence of the changed status of this undertaking. Raw material securities, minor industrials in the "cash" list, and certain unofficially quoted shares were favoured later. In general, however, dealing in shares was featureless, but increasing public interest was shown in fixed-interest securities, which advanced from week to week. Mortgage bonds and certain new Four Year Plan debentures were heavily bought. Colonials were quiet and irregular, with the exception of Otavi copper, in which a strong market developed late in the month. Certificated dollar bonds had practically no market, but converted bonds, though also dull, were in part slightly higher. Dealing in other foreign-currency securities was checked by uncertainty as to the impending official restrictions; but at the close of the month these securities were heavily sold in the belief (justified by an ordinance of February 27th) that they would be virtually confiscated. The official share index (1924-26 = 100) for January was 106.43, as against 105.40 for December, 1936; bonds index 96.67, against 96.36.

Feb. 3, Feb. 15, Mar. 3, 1937 1937 1937			Feb. 3, Feb. 15, Mar. 3, 1937 1937 1937		
Reichsbank	186.00	184.50	190.25	A. E. G.	38.60
D.D. Bank	117.00	117.50	118.50	Siemens & Halske	200.50
Dresdner	106.90	106.50	105.00	I.G. Farben	52.00
I.G. Farben	170.10	167.10	169.10	Hamburg-Amer.	17.60
Norddeutscher Lloyd (New)	17.90	17.10	17.50		

(a) No quotation.

AMSTERDAM

With business active on the whole, the centre of interest shifted more than once during February. The main feature was the increasing attention paid to industrial shares, to American securities and, in common with other Stock Exchanges, to metals. Royal Dutch were prominent early in the month, and reacted slightly only after touching a new "high." There was at first a good demand for rubber and tobacco shares, but activity slackened as the market turned more to industrials (Dutch Ford in particular) and to metal issues. But when quieter conditions, partly under London influences, prevailed towards the end of the month, rubber securities were an exception, rising quotations resulting from fears of a spot shortage. Expecting some decision on the possible American taxation of foreign investments, the market adopted a waiting attitude in mid-month, but later resumed with a considerable demand for American issues.

CAPITAL ISSUES

ACTIVITY in the new issue market has subsided this week, and there are, in fact, only two public issues to discuss. *Charles Hammerton and Company* has issued £400,000 4 per cent. debenture stock at 99. This company has acquired the brewery undertaking of the same name, and the proceeds of the debenture issue are attributable in large part to cash purchase considerations and for working capital. The stock is redeemable finally in 1965, but the company has reserved a wide option to repay at various prices from 1938 onwards. The debenture is covered for interest and sinking fund some 5½ times by average profits after providing for depreciation. In view of the steady earnings record of the business, the stock is well secured, and its redemption terms have been well devised to meet contemporary investment problems at a period when interest rates appear to be rising. The *Prince of Wales Theatre* 5s. shares, which are issued at par, are of a speculative nature. The company is to acquire a new theatre, when completed, which it will then lease for a term of 35 years, at an exclusive rental, to West End Attractions, Ltd. The shares are thus equivalent to a maximum dividend security, but they are not free from the risks inherent in theatrical finance. In addition to three tender issues, statements for information have been published this week by *Alexandre, Ltd.*, *Evered and Company*, and *Bent and Sons*.

TOTALS OF CAPITAL ISSUES DURING WEEK

Net Sales of National Savings Certificates, Week ended February 27, 1937, Nil.

	Price Feb. 3, 1936	Price, Mar. 3, 1937	Mar. 3, 1937, Eng. Equiv.†		Price, Feb. 3, 1937	Price, Mar. 3, 1937	Mar. 3, 1937, Eng. Equiv.†			Nominal Capital	Conversions	New Money
	168	162½	166½		164	185	19½	To the Public		500,000	£	496,000
Bell Telephone				Cockshutt Plow	110	115	117½	To Shareholders only		352,400	£	618,600
Canadian Car and Foundry	19	17½	18	International Petro- leum	35	39½	40	By Stock Exchange Introduction		817,500	£	1,176,594
Do., pref'd.	29½	27½	28½	Brazil Traction	23½	29½	30½	By Permission to Deal		647,600	£	1,118,486
Power Corporation...	31½	28½	28½	British Columbia Power "A"	37½	38½	39½	Total Capital Raised—				
Dome Mines	49	46	47½	Do. "B"	10½	10½	10½		Including Conversions	Excluding Conversions		
Hollinger	15½	14½	15½								Total offered for Subscription—	
											Including Conversions	Excluding Conversions
McIntyre	40	40	40½	Canada Cement	15½	18½	18½	1937 (New Basis) ...	118,542,773	88,018,391	Whole Year (New Basis)—	
Bank of Canada	58	58½	59½	International Nickel	65½	72	73½	1936 (Old Basis)	64,229,314	35,429,832	1936	642,017,245
Bank of Montreal...	238	211	215½	Massey Harris Com.	8½	14½	14½	1937 (New Basis) ...	127,081,376	83,010,873	1937	698,313,125
Bank of Nova Scotia	333	342½	335	Montreal Light	35	31½	32½	1936 (Old Basis) ...	103,078,128	58,907,625	Whole Year (Old Basis)—	
Royal Bank of Canada	225	225½	230½	Ogilvie Flour Mills	270	287	290	January 1 to date (Old Basis)—			1936	402,470,093
Canadian Bank of Commerce	295	290½	295	Quebec Power	32½	38½	39½	1935	84,813,588	22,785,357	1935	548,351,393
				Chawinking Water	31½	29½	30½	1934	56,274,936	16,741,780	1934	410,880,000
				Steel Co. of Canada	82	90	92	1928	55,555,119	155,555,119	1928	457,921,500
											1928	683,000,056
												369,058,073

LONDON ACTIVE SECURITY PRICES AND YIELDS

In calculating yields on fixed interest stocks quoted below allowance is made for interest accrued since the last date of payment, less income tax at the standard rate. Where stocks are definitely redeemable at a certain date the yield includes any profit or loss on redemption; where stocks are redeemable at or before a certain date the final date of repayment is taken when the stock stands at a discount and the earliest date when the quotation is above par. The return on ordinary stocks and shares is calculated by reference to the latest dividends, account being taken of any enhancement or reduction of interim dividends. Allowance is made for accrued dividends in calculating the yield on "cum div." shares.

Prices, Year 1936				Prices, Year 1937				Prices, Year 1937				Prices, Year 1937				Prices, Year 1937				Prices, Year 1937			
High		Low		High		Low		High		Low		High		Low		High		Low		High		Low	
1936		1936		1937		1937		1937		1937		1937		1937		1937		1937		1937		1937	
1936		1936		1937		1937		1937		1937		1937		1937		1937		1937		1937		1937	
1936		1936		1937		1937		1937		1937		1937		1937		1937		1937		1937		1937	
1936		1936		1937		1937		1937		1937		1937		1937		1937		1937		1937		1937	
1936		1936		1937		1937		1937		1937		1937		1937		1937		1937		1937		1937	
1936		1936		1937		1937		1937		1937		1937		1937		1937		1937		1937		1937	
1936		1936		1937		1937		1937		1937		1937		1937		1937		1937		1937		1937	
1936		1936		1937		1937		1937		1937		1937		1937		1937		1937		1937		1937	
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(a) Interim dividend. (b) Final dividend. (c) Last two yearly dividends. (d) Paid in New Zealand currency. (e) Allowance for rate of exchange. (f) Flat yield.
(g) Yield on 3 1/2% basis. (h) Yield on 4 1/2% basis. (i) Yield on 5 1/2% basis. (j) Yield on 6 1/2% basis. (k) Yield on 7 1/2% basis. (l) Yield on 8 1/2% basis.

(Continued from page 541)

Destination of Capital (Excluding Conversions)

	United Kingdom	British Empire (excluding United Kingdom)	Foreign Countries	Total
January 1 to date—				
1937 (New Basis)	65,242,887	21,622,364	1,153,140	88,018,391
1937 (Old Basis)	32,495,666	2,934,166	Nil	35,429,832

Nature of Borrowing (Excluding Conversions)

	Debentures	Preference	Ordinary	Total
January 1 to date—				
1937 (New Basis)	23,329,587	8,697,130	55,961,674	88,018,391
1937 (Old Basis)	17,281,933	4,368,037	13,782,802	35,429,832
1936 (New Basis)	48,019,573	7,733,290	27,258,010	83,010,873
1936 (Old Basis)	44,424,306	3,773,644	10,709,675	58,907,625

Whole Year (Old Basis):—				
1928.....	212,917,900	45,062,490	111,177,690	369,158,100
1929.....	222,064,300	12,733,701	9,982,500	244,780,501
1934.....	102,769,300	21,461,000	44,878,400	169,108,700
1935.....	167,185,509	31,696,741	37,265,387	236,147,637
1936.....	160,521,116	24,423,647	70,626,230	255,570,993

Whole Year (New Basis):—				
1935.....	193,599,713	48,806,822	115,118,905	357,525,440
1936.....	184,255,833	41,580,731	268,303,201	494,139,765

PUBLIC OFFERS

Prince of Wales Theatre (Properties), Ltd.—Issue of 400,000 5s. ordinary shares at par. Acquires leasehold of West End theatre site at £3,500 annual ground rent. Vendors to erect new theatre (seating 1,450). West End Attractions, Ltd., take 35-year repairing lease at £26,000 exclusive annually. Estimated net annual income £21,300 (or £12,141 for ordinary shares). Interest in lease valued at £247,500. Purchase price, £245,000, payable by £75,000 cash, £20,000 ordinary shares and £140,000 secured on 4½ per cent. mortgage. Company pays expenses, £17,625. Princes Investments receive £2,000 for services. List closed 9.1 a.m. March 3rd.

Charles Hammerton and Company, Ltd.—Issue of £400,000 4 per cent. redeemable debenture stock at 99. Redeemable at par 1938-65 by half-yearly drawings; or on notice at 105 1938-48, at 102 1948-58, or thereafter at par. Acquires two businesses owning a London Brewery and public houses. Combined profits, before interest or depreciation, years to September 30: 1934, £149,697; 1935, £155,774; 1936, £152,371. Combined net assets, £729,955. Purchase prices: Chas. Hammerton and Company, 340,000 5 per cent. redeemable cumulative £1 preference, 921,760 10s. ordinary shares (goodwill, £411,747). Commercial Brewery Company, £375,000, payable by 60,000 preference and 78,140 ordinary shares, and £231,000 cash. Company pays issue expenses, £30,000. List closed 9.15 a.m. March 3rd. Oversubscribed.

BY STOCK EXCHANGE INTRODUCTION

Alexandre, Ltd.—Issued capital, 75,000 6 per cent. cumulative redeemable £1 preference shares, and 540,000 5s. ordinary shares. Preference shares redeemable at 22s. from 1940 by drawings, or on notice. Multiple tailors. Profits after depreciation: 1934, £4,770; 1935, £9,935; 1936, £15,257. Net assets, £101,601. Kenterne Trust, Ltd., take at par 75,000 preference and 100,000 ordinary shares, for commission of 1s. and 3d. respectively.

Evered and Company, Ltd.—Issued capital, 125,000 5½ per cent. cumulative £1 preference and 125,000 £1 ordinary shares. Manufacturers of metal tubes and synthetic mouldings. Profits, before debenture interest, after depreciation: 1934, £27,130; 1935, £25,441; 1936, £38,030. Outstanding debenture stock, £32,428 to be redeemed. (Birmingham Stock Exchange.)

Bent and Sons, Ltd.—Issued capital 200,000 5s. shares. Leicester woollen outerwear manufacturers. Profits (after depreciation): 1934, £6,009; 1935, £11,976; 1936, £17,002. Total assets, £66,491. One managing director receives 5 per cent. on net profits over £4,000; the other, 2½ per cent.

BY TENDER

Plymouth and Stonehouse Gas Light and Coke Company.—Sale by tender of £90,000 ordinary stock at minimum of 173. Net revenue, year, March 31, 1936, £62,468; surplus before bank interest, etc., £11,329. Seymour, Pierce and Company place issue at 1 per cent. underwriting Commission. Proceeds to extend mains, replace cookers, etc.

Luton Water Company.—Sale by tender of sufficient consolidated ordinary stock, 4 per cent. maximum, to realise £30,930 net. Completes issue of authorised stock. Gross water rental: 1934, £46,902; 1935, £47,461; 1936, £50,104. Serves 96,600 estimated population.

Hampton Court Gas Company.—Sale by tender of sufficient 4 per cent. irredeemable preference stock to realise £35,000; minimum, 103½ which yields £3 17s. 3d. Output, 1936, 2,419,461 therms; 15,439 consumers. Net revenue, 1936, £14,996; available for ordinary dividends, £10,010. Dividends paid, 7½ per cent.

BONUS ISSUE

London Brick Company, Ltd.—£200,000 of balance standing to credit of profit and loss is to be capitalised and applied to payment in full of 200,000 unissued ordinary shares to ordinary stockholders registered March 6, 1937, by issue of one fully paid share in respect of each £9 of ordinary stock held.

ISSUES TO SHAREHOLDERS ONLY

Henry Meadows.—Issue of 121,600 5s. ordinary shares at 20s., in the proportion of one for every six ordinary held on February 20th.

A. W. Gamage, Ltd.—Issue of 200,000 10s. ordinary shares at 27s. 6d. each to ordinary shareholders on register February 23, 1937, in proportion of one new for every four ordinary shares held.

Anglo-Java Rubber and Produce.—Issue of 4,440,000 new 1s. shares to holders on February 13th at par.

FORTHCOMING ISSUE

Houndsditch Warehouse Company, Ltd.—Lists will open on Wednesday next, March 10th, for an issue of 800,000 5 per cent. redeemable cumulative £1 preference shares at par and 1,000,000 5s. Ordinary Shares at 15s. The prospectus will show that earnings for the latest full year would cover the preference dividend over 6 times and would leave a balance equivalent to 25.1 on the ordinary capital, or 8.3 per cent. on the issue price.

RESULT OF ISSUE

The Rhodesia Railways, Ltd.—Issue of £21,750,000 4½ per cent. debenture stock. It is understood that the total applications by way of conversion and cash amounted to about £10,850,000, the balance being taken by the underwriters.

LONDON NEW ISSUE PRICES

Stock or Share	Issue price	Paid	Feb. 24, 1937	Mar. 3, 1937
Bradlow's Stores 4/-	4/-	4/-	...	3/10½-4/1½
Do. 6% Pref. 20/-	20/-	10/-	...	par-6d pm
Brilliant Signs 4/-	7/-	7/-	...	6/9-7/-
Do. 6% Pref. 10/-	10/-	10/-	...	9/1½-9/4½
Butlin's Ord. 5/-	6/-	6/-	...	5/10½-6/4½
Do. 5½% Deb.	100/-	25/-	6/0-6/6	1 dis-1 pm
Cochran (Annan) 5/-	6/3	6/3	6/1½-6/4½	6/3-6/6
Coventry Machine 4/-	5/6	5/6	...	5/1½-5/4½
Doxford (Wm.) Ord. 20/-	...	...	...	59/6-59/-
Do. 5% Pref. £1	...	...	...	21/3-21/9
Gilbert (D. M.) 4/-	7/6	7/6	6/0-6/6	6/3-6/9
Hall (Ben) and Son 4/-	5/-	5/-	5/6-6/0	5/6-6/-
Hammerton (Chas.) Ord. 10/-	...	...	...	23/0-23/9
Do. 5% Pref. 20/-	...	...	...	20/3-20/9
Horlicks Ord. 5/-	22/6	22/6	23/6-24/0	24/10½-25/4½
Jays and Campbells 5½% Pref. £1	21/-	11/-	1/3-9d dis	9d-3d dis
Lacrinoid Products 2/-	2/6	2/6	2/0-2/3	2/0-2/3
London Electric Transport 2½% Deb.	92½	32½	3½-3½ dis	1½-1½ dis
Masson Scott 4/-	...	...	4/9-5/0	5/3-5/6
Midhurst White 2/-	...	...	1/10½-2/1½	2/0-2/3
Peerless Kitchen Cabinet Ord. 2/-	2/6	2/6	...	9/3-9/9
Do. 6% Pref. 10/-	10/6	10/6	...	2/4½-2/7½
Premier Metal (S.A.) 2/-	3/-	3/-	2/1½-2/7½	2/4½-2/7½
Rheostatic Ord. 4/-	...	...	8/9-9/3	9/0-9/6
Selmer (Henri) 2/-	...	...	3/4½-3/7½	3/1½-3/4½
Smith and Nephew Ord. 4/-	8/6	8/6	...	9/0-9/3
Thomas (Richard) 4% 1st Debs.	99½	25	4½-3½ dis	4½-3½ dis
Wilson (G.) Ord. 4/-	9/-	9/-	8/9-9/3	8/9-9/3
Do. 5½% Pref. 10/-	10/-	10/-	9/0-9/6	9/3-9/9
Wright Saddle 2/-	...	...	3/10½-4/1½	3/10½-4/1½

COMPANY MEETINGS

LONDON MIDLAND AND SCOTTISH RAILWAY COMPANY

IMPROVED RESULTS FOR FOURTH SUCCESSIVE YEAR

NET RECEIPTS INCREASED BY £1,115,000

ORDINARY DIVIDENDS RESUMED

UNECONOMIC ROAD COMPETITION

INADEQUACY OF EXISTING PROVISIONS

SIR JOSIAH STAMP'S ADDRESS

The fourteenth annual general meeting of the London Midland and Scottish Railway Company was held at Friends House, Euston Road, London, N.W.1, on Friday, February 26, 1937. Sir Josiah Charles Stamp, G.C.B., G.B.E., chairman of the company, presided.

The Chairman: I will now ask the secretary to read the notice convening the meeting.

The secretary (Mr Owen Glynne Roberts) read the notice.

The Chairman: Ladies and Gentlemen,—I now lay on the table the report and accounts for the past year, and as they have been in your hands for some days, I presume you will as usual take them as read.

RESULTS OF THE YEAR

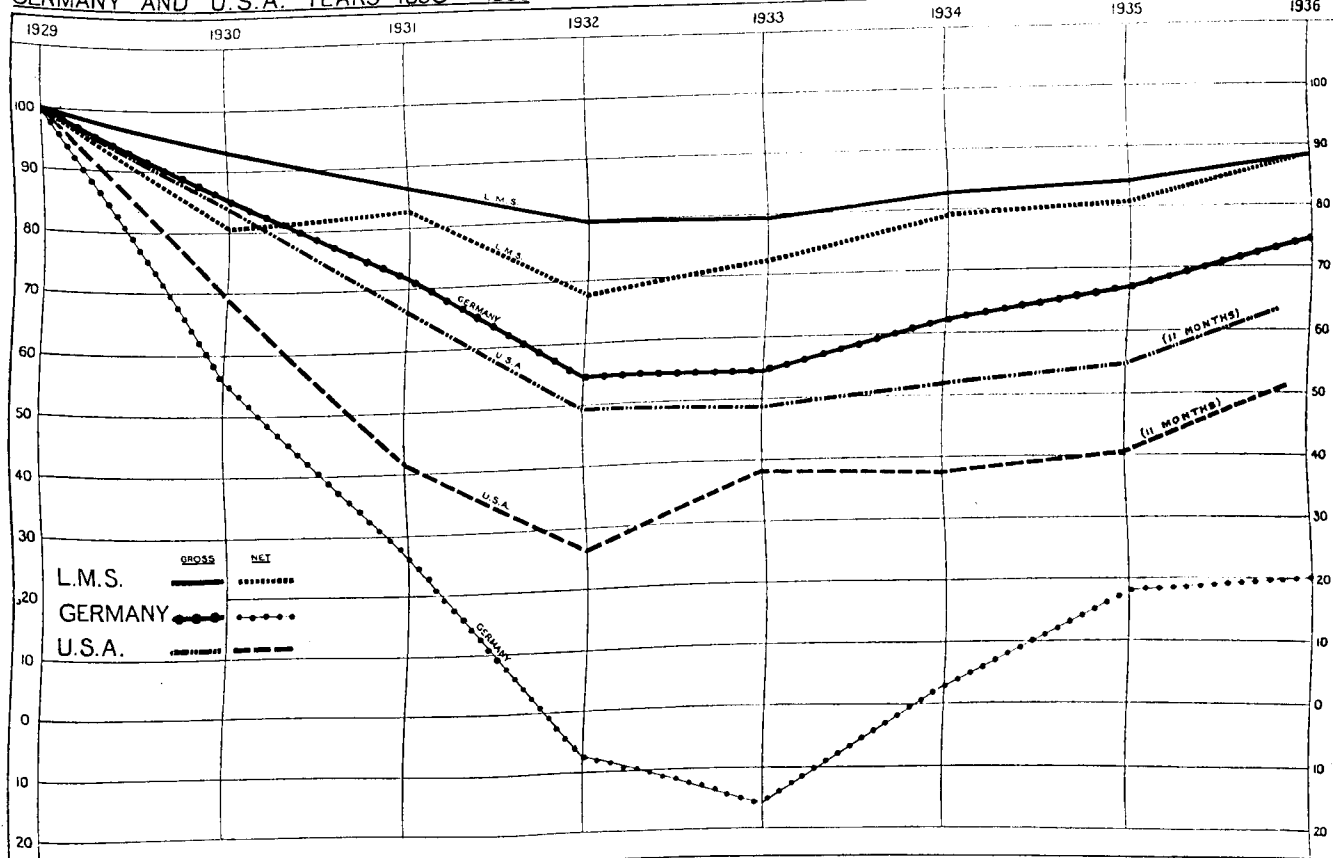
For the fourth year in succession the results of the year show an improvement, for railway receipts expanded by £2,805,000. All traffics contributed to this, and we were assisted by the additional day due to leap year. The increase in first-class passengers of £150,000 brings us back to a higher figure than in any year since 1930. Both this and the increase of £569,000 for

third-class passengers are due largely to a further recovery of long distance traffic and the creation of new traffic. Improved trade conditions were also an important factor, and this is reflected in the increase of £58,000 in workmen's fares. On the other hand, season ticket receipts were £18,000 worse than in 1935, our previous worst year. This is largely an indication of the growth in the use of the private car for short distance residential traffic, but is partly due to a change over from season tickets to the tickets we sell for business firms, under our bulk travel arrangements, which realised £648,000 last year, compared with £573,000 in 1935.

Freight train receipts improved by the substantial amount of £1,932,000, of which £452,000 was from coal and £1,480,000 from other classes of merchandise; the receipts from heavy industries improving appreciably from their recent low levels. A year ago I told you that, compared with 1929, we had suffered a decline of 14 per cent. in passenger receipts and of 18 per cent. in merchandise, the overall decline being 16 per cent. In 1936 the corresponding figures were 11 per cent. passengers, 14 per cent. merchandise and 12 per cent. for all traffics.

STANDARDISED ON 1929

GROSS AND NET RAILWAY RECEIPTS L.M.S. COMPARED WITH RAILWAYS OF GERMANY AND U.S.A. YEARS 1930-1936



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because freedom from all restriction would be an additional safeguard in time of war. The Act should, therefore, he thinks, be revised in the light of war policy. Now a stiff price can properly be paid for war preparation in time of peace. But that price ought to be paid by the right people, and that price for war-time ought never to be chaos in peace-time.

There is no reason why a national war insurance should be paid solely by railway shareholders and the coal and heavy industries and the other road users. Moreover, anything that weakens the railways financially (and, therefore, physically) in time of peace is a far greater risk in time of war than can be made good by a mere surplus of road vehicles.

Sir William Beveridge has the wrong end of the stick in this matter. In an emergency he wishes to invoke the potential surplus of expansion, but though it is of crippling importance in time of peace, it is quite small in relation to the main corpus of 450,000 vehicles in the country (about which little question arises), and the number in question by Sir William would be available by mere deflection from other uses. He has remedy and disease in the wrong proportions.

I do not propose to discuss in public our plans in the event of bridge damage and the allied question of alternative railway routes, except to state that I totally disagree with the suggestions I have read. Neither do I propose to discuss in public the vulnerability of road bridges.

WAR-TIME PROBLEMS

Experience shows that the skeleton emergency service possible for a week of an industrial dispute, teaches us nothing about the full-bodied, long-period requirements of war. Considering the problem from a national aspect, visualise the position if the transport output of the railways, with their great flexibility to meet exceptional demands, were thrown on to the highways. Strings of lorries, with, of course, a driver for each, would attempt to take the place of trains averaging 34 wagons of 12 tons capacity and moving 50,000,000 ton miles of freight a day, while many cars, buses and coaches would attempt to cope with the 60,000,000 passenger miles a day now being dealt with by railway, together with the immense milk, fish, mails and other express traffic carried in passenger trains.

The result would be hopeless congestion, no matter how the road system were vastly extended, and cause a greatly increased demand on man power. Only a railway can provide the capacity and average speed necessary to bear the brunt of the nation's essential traffic requirements, and recollect that in this country it relies on *home-produced* fuel and not imported fuel. It is clear to me that the framework of the country's transport must be formed by the railways if economy and efficiency are the tests, and to me it is also clear that this is of even greater importance in times of war than in times of peace. A policy of sapping the railways in times of peace, whether by legislative or administrative action, will be to the nation's detriment in times of war.

WAGES

In 1935, the three railway unions asked for the restoration of the remaining 2½ per cent. "cut," and for the restoration of the old rates for night duty, overtime, and Sunday duty, which existed prior to 1931.

The negotiations continued till June, 1936, when the N.U.R. and R.C.A. decided to carry their claims to the Railway Staff National Tribunal, but the A.S.L.E. and F. put forward new claims for improved conditions of service for footplate staff and engine cleaners, which included a six-hour day, payment at the rate of time and a half for night duty and overtime, payment at the rate of double time for Sunday duty, and 12 days' instead of six days' annual holiday with pay.

The claims of the N.U.R. and R.C.A. were heard by the Tribunal in July, 1936, the third union not being a party to that hearing. As a result the Tribunal unanimously reduced the 2½ per cent. deduction to 1½ per cent. and increased the overtime payment from time and one-eighth to time and a quarter. The decision applies for at least a year from August, 1936, and was adopted for all the grades affected.

The change from 2½ to 1½ per cent. deduction also applies by agreement to railway shopmen.

The total cost to the company is estimated at £553,000 per annum.

In December, 1936, the Tribunal found against the further claims of the A.S.L.E. and F., who have since considered the decision and intimated that they are not prepared to accept it. Further discussions between the Society and the companies have taken place and have been adjourned until early in March, when the accounts of the four companies will be available.

Our average number of staff employed increased in 1936 as compared with 1935 by 3,100, but at December 31st our staff was 6,841 more than at the same date in 1935. With the growth of work and the increase in the rates of pay, our labour bill for 1936 was a little over £1,000,000 greater than in 1935.

OUTLOOK

I have little time left to consider the future. The year 1936 in the final event was rather better than my restrained optimism a year ago estimated. I see no reason why 1937 should not be a still further advance, and this should reflect itself in our gross receipts. But whereas our receipts per unit of work done do not rise, but may be even still further depressed by competition, our costs per unit of work done are going up.

For example, on material purchases alone we can see three-quarters of a million additional in price advances. Although economies in methods of operation will continue to fructify, and to offset this factor to some extent, it is becoming increasingly difficult for us to get back to a figure of net receipts, compared with 1929, on a gross traffic volume equivalent to that year.

But in the way in which our recovery is taking place we can compare with the railways of any other countries of the world, though many of our difficulties are greater, and our officers and staff deserve the thanks of the shareholders and the public for the zeal with which they have pressed along the road to recovery.

The Chairman concluded by moving the adoption of the report and accounts.

Mr E. B. Fielden (deputy-chairman) seconded the resolution.

CONGRATULATIONS OF STOCKHOLDERS

In the course of a discussion, several stockholders congratulated the directors and management on the improved results, and also expressed their appreciation of the services of the staff in the efficient running of the system.

Mr Wilson felt that the introduction of a penny a mile single fare would enable the companies to regain much of the traffic they had lost to road competitors. With regard to competition from road hauliers, he said it was unfair that their competitors should escape all the obligations of common carriers that the railway bore, and also that the rates laid down for the railways should be open for others to inspect and undercut.

Sir Charles Stuart-Williams, on behalf of the British Railway Stockholders' Union, expressed their pleasure at receiving even a modest dividend once more. He felt it was the wish of all stockholders that the wages question should be settled on terms which would have some permanence for a considerable time, and, if possible, on terms which would bring stockholders and employees together in some common bond. With regard to the vulnerability of railways in times of war, he would guarantee railwaymen to make good any damage long before a county council had begun to think of repairing a road.

Mr Leslie Boyce, M.P., after congratulating the directors on the results, said that it was a great disappointment to him personally that the Road and Rail Traffic Act still left so much to be desired, in view of the part that he had played in getting that measure on the Statute Book.

Lord Lamington urged that measures should be taken to effect the introduction of the 24-hour clock on the railways.

The Chairman said that he was grateful to the stockholders for their remarks. He was afraid that it would not be possible to pay shareholders "in kind," as it were, in lieu of dividends, either in accountancy or in law. As to a 24-hour system on the railways, although they might be ready to make the change, it was no part of their duties to force it upon the public.

With regard to the suggestion that the £3,000,000 refund of rates should have gone to the ordinary stockholders, the profits for the years in question showed that in no year would those payments have made any difference to the holders of ordinary stock.

The resolution was carried unanimously, and the other formal business of the meeting duly transacted.

Orders for the publication in these columns of the reports of Company Meetings should be addressed to:—

*The Reporting Manager,
THE ECONOMIST,
8 Bouverie Street,
Fleet Street,
London, E.C.4.*

REFUGE ASSURANCE COMPANY, LIMITED

ASSETS EXCEED £65,600,000

INCOME £12,900,000

RECORD ORDINARY BRANCH NEW SUMS ASSURED

BONUS £1 16s.

SIGNIFICANT ACCIDENT FIGURES

The seventy-third annual ordinary general meeting of the Refuge Assurance Company, Limited, was held, on the 1st instant, at the chief office of the company, Oxford Street, Manchester.

Mr J. Wilcock Holgate (the chairman of the company) presided.

The Secretary (Mr John W. Moss), having read the notice convening the meeting and the auditors' report,

The Chairman, in moving the adoption of the report and accounts, which were taken as read, said:

Gentlemen,—In the addresses which I have been privileged to make to you in recent years on occasions such as this I have referred to the gradual recovery which has been discernible in the industry of this country; and to-day it is possible to remark not only upon the continuance of this improvement but also upon its accelerated progress during the last twelve months. Progress has been made upon sound lines, with the avoidance so far of those boom conditions which carry within them the seeds of their own dissolution; whilst even those areas most affected by the past depression, and in which recovery has been so serious a problem, may well benefit from the special requirements of the times. A factor of importance is that coupled with a very real revival of our domestic trade we have in these special requirements another energising influence operating in one direction only, and of which, it must be remembered, the lifetime is definitely limited.

The future progress of this recovery is a matter in which, unfortunately, we are hardly the architects of our own fortunes. A great deal now depends upon the future course of events in the sphere of international politics; and it is most fervently to be hoped that with the passage of time there will develop a realisation of the fundamental change which is taking place in world relations through the influence of modern civilisation in drawing closer together the nations of the world, and that as a result not only will the fear of war be removed but also the barriers now obstructing the interchange of goods and commodities will be lowered, to the universal good.

In the enlarging prosperity of the present day your company has continued to play its part. Our new sums assured in the ordinary branch were greater than in any previous year in our history; whilst in the industrial branch not only did our premium collection percentage emerge at a figure higher than we have ever yet recorded, but also the number of policy-holders falling out of benefit through the non-payment of premiums showed a further gratifying decrease as compared with the corresponding figure for 1935. This decrease, which has been a feature in each of the last four years, is one which I regard with particular satisfaction since, although no doubt attributable in part to the increase in prosperity consequent on trade revival, yet it is at the same time evidence of the success we are securing in one of our deliberate aims—that is, by a careful selection of business and by constant service to play our part in encouraging our policy-holders to maintain their contracts in force until the due emergence of the claim, whether by death or maturity. It is true, of course, that if a policy-holder falls out of benefit after his contract has been in force, even for so short a period as two years, or in many cases one year, he is automatically entitled to a free policy for a reduced amount; and in the nature of things, the issue of such free policies must be anticipated. Nevertheless, the loss of any portion of the original assurance benefit is always to be regretted, and we exert every effort to avert it.

COMBINED RESULTS

Turning now to the results of the year's working, our total premium income for the year amounted to £10,289,775, showing, as compared with the previous year, an increase of £305,111. The net interest income was £2,584,875, showing an increase of

£31,776 over the corresponding figure for the preceding year. The amount paid in claims by death or maturity during the year was £6,732,764, including £3,848,051 by way of maturities alone, the total figure representing the payment of over £22,000 each working day; and the total sum paid under this head since the inception of the company is now £103,054,088. The aggregate surplus shown by the valuation of the two branches of the company was £2,061,962, and the total assets now stand at £65,628,156, having increased by £2,661,224 during the year.

MORTALITY

During 1936 our experience as a whole, though not so favourable as in the rather exceptional twelve months which preceded it, was satisfactory.

The total sum paid in death claims during the year was £2,884,697, and the value of this very large sum in the homes amongst which it was shared can readily be imagined. More particularly perhaps, would this be the case where accident, sudden and unexpected, was the cause of death, perhaps of the breadwinner of the family; and in this connection I would refer to the distressing number of fatalities which arise as the result of road accidents and to which our attention is so often called by the Press. It will be of interest to you to know that in this matter your company plays a part of some importance in that during the period from June to December last, in the course of which no less than 372 of our policyholders lost their lives on the highways, we paid out in claims thereunder a sum aggregating over £13,800.

ORDINARY BRANCH

Turning now to the results for the year in the ordinary branch, I desire again to draw your attention to the new business secured by way of policies subject to renewal premiums. The number issued was 56,191 at annual premiums of £487,586, showing an increase of £6,234 as compared with the previous year, the sums assured thereunder amounting to £8,562,134, a figure greater than we have ever previously been able to record. In addition there were issued during the year 1,005 single premium contracts, the premiums applicable thereto amounting to £176,459, an increase of £43,183 over the corresponding figure for 1935. It is again interesting to observe that of the total of £8,766,070 new ordinary branch sums assured issued last year 32 per cent. represented individual assurances of £500 and over. The point is, of course, that too many people are apt to have regard only to the sum assured by their policies and to overlook the consideration that their dependents will depend for financial support not upon their capital, but upon the income from it. Expressed in this way, a sum assured of £1,000 assumes a very different aspect.

It has been said with truth that life assurance ranks with the greatest of modern inventions in that it has revolutionised the old method of provision for dependents. No longer is it necessary to rely upon years of individual saving, with the ever present fear that death may interrupt the process before it is completed. On the contrary, the payment of the first premium creates immediately an estate, secure from all depreciation; and how much this contributes to the peace of mind of the individual can hardly be overestimated. That the mental condition of man has a direct influence on his physical well-being is a matter beyond dispute; and by taking over from him his anxiety regarding the future of his dependents, or his own old age, a life office relieves him of at least one influence inimical to health, and so makes a definite contribution towards the increase in longevity so noticeable a feature of our national statistics. A noteworthy example in this connection is the class of annuitants, which experiences a rate of mortality the lightness of which is proverbial and which is undoubtedly attributable in no small measure to freedom from care regarding their income—a freedom due entirely to the confidence

universally, and justifiably, placed in the stability of the life offices which issue such contracts.

The ordinary branch premium income for the year was £4,598,791, showing an increase of £152,096 over that of the previous year. The net interest amounted to £1,502,423, showing a net yield of £4 3s. 11d. per cent. on the assurance fund. The expense ratio was slightly lower than that of the previous year, being 14.89 as against 15.05 in respect of 1935, and the life assurance fund now amounts to £37,015,908, showing an increase of £935,988 during the year, in addition to which there is an investments reserve fund of £1,750,000.

ORDINARY BRANCH BONUS

The annual valuation was again made on a 3 per cent. basis, and the resulting surplus was £1,710,039, which includes £640,136 brought forward from the preceding year. It is proposed to declare a reversionary bonus at the rate of £1 16s. per cent. on with-profit policies, absorbing £912,606, to allocate £101,401 to the shareholders, and to carry forward unappropriated the sum of £696,032.

I need not recall to your minds my remarks on previous occasions regarding the effect on the net yield on our funds of the low rates which have constituted for some years a distinguishing feature of the financial picture. A further point of importance is, of course, the increase in the rate of income tax during the year, and possible future developments in this connection; and the Board has given due weight to these considerations in their decision as to the allocation of the surplus.

INDUSTRIAL BRANCH

In the industrial branch our premium income amounted to £5,690,983, showing an increase of £153,014 over that of the previous year. The net interest income was £1,082,452, representing a net yield of £4 14s. 2d. per cent. on the life assurance fund, which increased during the year by £1,703,864, in addition to which there is an investments reserve fund amounting to £1,700,000.

It is interesting to record once again an increase in the average duration of the premium-paying contracts on our books, which is now eleven years and ten months, whilst another point of importance is a further small decrease in the expense ratio, which is now 34.27 per cent., this figure having shown a continuous decrease during the last ten years. Another feature to which I might draw your attention is the fact that in the industrial branch the number of free policies on our books is now 1,168,701, having increased by 74,447 during the year. Contracts of this character are to-day accepted as natural features of the business, a fact which affords yet another indication of the growing approximation of industrial branch conditions of assurance to those ruling in the ordinary branch; and though naturally the sums assured individually are small, it is our experience that the policies are retained and produced when the claim emerges. It is, in fact, an instruction to our representatives to inquire of any claimant as to whether or not any free policies are in existence; and our valuation records show that during 1936 this company paid out the sum of £193,911 by way of death benefits and surrenders for cash under free policies, together with a further sum of £53,093 in respect of similar contracts which matured by survivance of the endowment terms.

INDUSTRIAL BRANCH VALUATION

As indicated in the report, the valuation basis has again been strengthened, and is materially more stringent than any previously employed by the company in this branch. The rate of interest assumed is 3 per cent., except in respect of whole-life assurances under tables 1, 2 and 3, which are valued on a 2½ per cent. basis.

The resulting surplus is £351,923, which includes £132,282 brought forward from the preceding year. After the transfer of £50,000 to the investments reserve fund, it is proposed to set aside £133,027 for allocation amongst the policyholders in this branch, and from the remainder to allocate to the shareholders the sum of £48,599, the amount carried forward being £120,297.

As last year, the profit allocated to policyholders will be applied in favour of premium-paying contracts under tables which are not permanently increased to the latest and best scales of benefit, for the purpose of paying according to the latest scale of benefit claims under these tables arising by way of death within the coming twelve months.

SIGNIFICANT ACCIDENT FIGURES

I referred last year to the number of claims under policies of short duration in the ordinary branch which inevitably arise

through death by accident or sudden illness. To-day I would like to draw your attention to another aspect of the same subject in its relation to the industrial branch, and this I can do most easily by referring you to the following figures showing the number of policies becoming claims by death due to accident or other violent cause during the past year:—

Classification.	Age at death.				Total.
	0 to 15 years.	16 to 65 years.	66 years upwards.		
Falls at home or in the street	11	175	1,074	...	1,260
Motor and road accidents	71	492	428	...	991
Accidents at work	...	9	458	73	540
Fire	...	44	78	164	286
Drowning	...	29	118	54	201
Other causes	...	61	823	428	1,312
	225	2,144	2,221		4,590

The total amount paid by the company in respect of these claims was £64,565, and the record will repay careful study. It emphasises a truth regarding which many of us, unconsciously perhaps, seek to deceive ourselves—that no age is free from the onset of the unexpected, nor is any one place secure. The figures—which are in no way exceptional and represent the experience of a normal year—show that accident is no respecter of person or place; and since so often it is a result of human fallibility, the details I have given may serve a useful purpose as a reminder of the risks from which nobody is immune.

INVESTMENTS

Referring to the balance sheets, I have already drawn your attention to the fact that the assets of the company now amount to £65,628,156, having increased during the year by £2,661,224.

The principal change as regards the amounts appearing against the various classifications is a further addition of £978,666 to our holdings of British Government securities and securities guaranteed by the British Government, now amounting to £23,945,567, constituting 36.49 per cent. of our total assets and 45.90 per cent. of our total stock exchange securities. With regard to the latter I am able to state that during 1936, in the aggregate, considerable further appreciation occurred, the margin between the book values and the market values of the securities at the end of last year being greater than on any similar occasion. In addition there exist our investments reserve funds of £3,450,000, including £50,000 which has been added during the year.

The geographical distribution of our investments shows little variation from last year, as follows:—

	Per cent.
Great Britain	82.75
Indian and Colonial	12.09
Foreign	5.16

As already stated, the net interest received during the year amounted to £2,584,875, against £2,553,099 in 1935. With respect to the yield which this interest produced, I need hardly remind you that the year under review witnessed a further extension of the cheap money period which commenced in 1932. This has been the dominating factor with respect to the rate of interest obtainable on funds available for investment, either by way of new money, the proceeds of repayments, or conversions. Under these circumstances and having in mind the increase in the rate of income tax during the year, you will, I hope, regard with satisfaction the fact that our net yield on the combined assurance funds is £4 7s. 11d. per cent., as against £4 10s. 3d. per cent. in 1935, the corresponding gross yields being £4 18s. 4d. per cent. and £4 19s. 4d. per cent. respectively.

NATIONAL HEALTH INSURANCE

Dealing now with another branch of the company's activities, I have to report that on behalf of the National Amalgamated Approved Society, we administer the national health insurance of a membership of 660,000. During the year 1936, payments of benefit were made amounting to £675,840, including £74,603 in respect of maternity benefits. In addition, the further considerable sum of £61,564 was received by "Refuge" members by way of non-cash benefits. The number of new members admitted during the year in the "Refuge" section of the Society was 47,493.

TRIBUTE TO STAFF

Before I close I wish to pay a tribute to the efforts made by the company's staff, in the field and at chief office, during the

year to which the accounts refer, which have resulted again in substantial progress being made in both branches of the company's business. The work, both indoor and outdoor, has once more been performed with that efficiency which we are accustomed to expect and to receive, and I have pleasure in expressing my thanks to all concerned. The company's relations with the staff organisations which represent its employees, both at chief office and in the field, remain cordial, and I confidently expect that this feeling, founded on a basis of mutual understanding and respect, will always be maintained as an asset of real value both to staff and company.

CONCLUSION

Gentlemen, I have now much pleasure in moving the adoption of the annual report and accounts.

The report and accounts were adopted.

Messrs James Proctor-Pearson and John W. Moss were re-appointed directors.

Messrs. Walton Watts and Co. were reappointed auditors.

The meeting closed with a vote of thanks to the chairman.

SELFRIDGE AND COMPANY, LIMITED

RECORD YEAR—INCREASED DIVIDEND

The twenty-ninth annual ordinary general meeting of Selfridge and Company, Limited, was held, on the 26th ultimo, at the company's store, Oxford Street, W. Mr H. Gordon Selfridge (chairman and managing director) presided.

The Chairman, in moving the adoption of the report, said: I am glad to be able to point, for 1936, to record results in many directions. The net profits for this store for the past several years are as follows:—1936, £485,086; 1935, £414,190; 1934, £375,139; 1933, £355,644; and the profits for the past year are the highest this store has been able to show. Furthermore, the increase over the preceding year is also a record in itself of increase.

These figures refer only to this individual store, but if we wish to compare our figures with similar groups of distributing houses here in England, in France and the United States, we must include the results of Wm. Whiteley, Limited, and the Selfridge Provincial Stores. The Selfridge group, therefore, shows a total net profit for the year of approximately £830,000, which represents an increase over 1935 of about £107,000.

The balance sheet which has been before you for some days pretty well tells its own story—the chief differences from that of last year being the increase in the net profit of £70,000 and the increase of the dividend on the ordinary shares from 10 per cent. to 15 per cent.

I may be excused for mentioning several interesting facts concerning our business for 1936. The net profits are the best on record. The expense per cent. is the lowest for many years. The cash discounts are the highest on record.

An increase over figures of 1935 is shown in 165 departments; the greatest annual returns were shown in 75 departments; the greatest yardage, poundage and number of transactions have been placed to our credit; the greatest number of customers have been served; the greatest number of letter orders and telephone orders; the greatest amount of returns in the bargain basement; the greatest number of transactions in the bargain basement; the greatest number of employees are on our payroll; the greatest amount has been paid on average to each employee per week.

Our increase in profits is attributable to a handsome increase in our annual returns, but perhaps most of all to a more nearly universal recognition of the London shopping public of the obvious advantages of this great centrally located store as a regular supply centre for the weekly requirements of the family and the individual. Absolute confidence in and dependability upon Selfridge's are growing more evident all the time.

There have been during the last six months of last year some few advances in the cost of goods. Our profits have not seriously been advantaged by these few changes, but everything now points to a general increase of costs of merchandise all along the line.

The greatest item in our expense account (which includes nearly 250 individual items) is, of course, the pay roll. This, in money, is the highest we have ever shown. We feel that our staff, as a whole, or even individually and in detail, are perhaps more wisely experienced and finely intelligent in their work than at any time since the business was opened nearly twenty-eight years ago.

We begin this new year with utmost confidence.

Mr Herbert J. Clarke seconded the resolution, which was carried unanimously.

SCOTTISH WIDOWS' FUND AND LIFE ASSURANCE SOCIETY

PREMIUM INCOME OVER £2,000,000

LORD KINROSS ON YEAR'S PROGRESS

The one hundred and twenty-third stated annual meeting of the Scottish Widows' Fund and Life Assurance Society was held, on the 2nd instant, in the society's head office, Edinburgh.

The Rt. Hon. Lord Kinross, K.C. (chairman of the Ordinary Court of Directors), presided.

In moving the adoption of the report and accounts, the Chairman said:—The new business again shows a substantial increase and for the first time exceeded £5,000,000 before deducting the amounts reassured with other offices. The net new sums assured, less reassurances, reached the record total of nearly £4,850,000—an increase of £380,000 over the corresponding figure of 1935.

ADVANTAGE OF LIFE ASSURANCE

A life assurance policy is not only a first-class investment; it is also the only investment which will secure for a man's dependants, in event of his early death, a sum many times greater than the amount he has invested. In other words, it is the only investment which can give adequate cover, and the fact that every year we have to report the death of 700 or 800 members is a vivid reminder of the importance of this cover. Not the least advantage of life assurance is that it helps to convert into a fixed habit that good intention so many people have to save money every year.

In the revenue account our large new business is reflected by an increase of £100,000 in the premium income, bringing the total over £2,000,000 for the first time.

The amount paid in claims by death was slightly larger, and the total—almost 1½ million pounds—is a substantial testimony to the service which the society performs for its members and their dependants. Our mortality experience was again favourable as compared with the standard on which we base our calculations, and resulted in a satisfactory contribution to surplus. Claims by survivance were higher, but these merely represent payments for which full provision has been made.

Despite the fact that claims by death are a mixture of policies of short and long duration, the excellent results under with-profit assurances are clearly brought out by the statement in our report that the claims paid under such policies in 1936 were on the average £161 for each £100 originally assured. This figure over the past ten years has varied but little, for it has never been less than £154 16s. and has been as much as £164 19s. During the same period in over 2,300 cases the amount paid has been more than double the original sum assured, and in some cases it has been more than treble. In 1936 there was one claim paid of more than 3½ times the original face value.

A sign of better times is to be seen in a further reduction in the amount of surrenders of policies, which had increased considerably during the years of depression.

Our interest income shows an increase corresponding to the growth of the funds, and the average gross rate yielded was £5 4s. 10d. per cent., which is 10d. greater than the rate in 1935. An addition of 3d. was made to the rate of income tax in the last Budget and, largely as a result of this, the net rate of interest, after deduction of income tax, was 5d. lower at £4 6s. 10d. per cent., but this is actually larger than the corresponding figure of three years ago—the year following the conversion of War Loan to a 3½ per cent. base.

ADDITION TO FUNDS

By the operations of the year nearly £700,000 has been added to the funds, bringing the total to nearly 33 million pounds, and the balance sheet shows how these funds are invested.

You will see appended to the balance sheet the customary statement that the Stock Exchange securities stand at or under their market selling prices at December 31, 1936. Once again there has been an increase in the substantial margin between the market and book values of the investments which forms such a comfortable buffer against adverse changes in the future. The advantage of such a margin is illustrated by the fall in prices which has taken place since December 31st.

The management of our large funds is never an easy task, but we can regard the outcome with satisfaction in view of the surplus value of our investments at December 31st and the high level at which our interest income has been maintained.

The directors' report, and the accounts as audited, were adopted unanimously.

THE STANDARD LIFE ASSURANCE COMPANY

BONUS OF 42s. PER CENT. ANNUAL AND COMPOUND

DECLARED FOR THE TENTH SUCCESSIVE YEAR

RECORD NEW BUSINESS

NET INTEREST RATE EARNED OVER 4½ PER CENT

The hundred and eleventh annual general meeting of the Standard Life Assurance Company was held in Edinburgh on Tuesday, March 2, 1937, Mr George W. Blackwood in the chair.

The manager and actuary having read the auditors' report, The chairman, after referring to general trade conditions, said:

IMPROVED NEW BUSINESS RESULTS

The improvement in trade has naturally had a favourable effect on our business. If you will turn to the directors' report you will see that the new ordinary life business effected during the year, after deduction of reassurances, amounted to £4,074,000, and I am glad to be able to state that for the fourth successive year the total of the net ordinary life business constitutes a record in the history of the company; moreover, on this occasion for the first time the four-million pounds mark has been passed. Our branch in Canada has contributed materially to this excellent result, the new business department there having taken full advantage of the improved economic conditions in that country. In addition to ordinary life assurance, the Standard, as you know, transacts group life assurance for industrial firms and other bodies, and last year, as you will see, the amount of this class of business effected was £502,000, so that our aggregate net new assurances amount to over £4,576,000.

The revenue account of the life assurance and annuity fund shows that our premium income is now £1,784,000, representing an increase of over £120,000 for the year. Our other main source of income, namely interest revenue is £1,150,000; it also shows a considerable increase over the comparable figure of last year. I commented last year on the fact that the yield on money continued to rule at very low levels and pointed out the difficulty which all insurance companies had in finding new investments, attractive both from the point of view of security and interest yield. Notwithstanding the continuance of these conditions throughout 1936 and the fact that during the year the rate of income tax in this country was raised from 4s. 6d. to 4s. 9d. in the £, I am glad to be able to report that our net rate of interest has again exceeded 4½ per cent. The surplus income of the guarantee fund which has been transferred to the credit of the life assurance and annuity fund amounted to over £38,800. Most members are no doubt aware of the fact, but the point is so important as to deserve repeated emphasis, that not only does the surplus income from the guarantee fund swell the income of the life assurance and annuity fund, but the amount of the guarantee fund, £1,700,000, is available as additional security for our life assurance and annuity contracts over and above that afforded by an exceptionally strong life assurance and annuity fund.

As regards the company's assets set out in the balance sheet I need only say that the very considerable appreciation to which I referred last year in the market value of our investment holdings has materially increased during 1936; in other words, there was a still greater margin between the market and balance sheet figures. As is our custom no credit whatever has been taken in the accounts for any capital appreciation.

STRENGTH OF THE VALUATION BASIS

In valuing the actuarial liabilities the manager and actuary made use of the same bases as in the previous year. The mortality table employed was the most up to date available, being based on the experience of lives assured with British offices during the six years 1924-29 and known technically as "The A. 1924-29 Experience." As regards the rate of interest entering into his calculations the exceptionally low rate of 2½ per cent. was again adopted and the usual special reserves were also set up.

After making this very ample provision for liabilities and making the transfers of £100,000 out of revenue to which I have already referred, the directors were able to declare an annual compound reversionary bonus of £2 2s. per cent. with corresponding bonuses in respect of policies issued under our minimum premium or cash bonus plan of assurance. The company has now completed its 111th year of existence, and I would remind you that when it was 100 years old its constitution was changed from that of a company owned and controlled by shareholders to a company owned and controlled by its policyholders. The success of the company

under mutual principles has, I think I may claim, been striking, and it is worth stressing that for each of the past ten years the directors have been able to declare a compound bonus at the high rate of £2 2s. per cent.

NECESSITY OF ADEQUATE LIFE ASSURANCE COVER

There is one subject to which I would allude in concluding my remarks on the year's work. Time after time it comes to our notice that a man has insufficiently insured his life. I am informed that the amount of life assurance per head of the population in certain other countries such as the United States of America is considerably greater than in this country; whether that be the case or not it seems to me that very few men in this country sufficiently provide by way of life assurance for their dependants. The matter is one of greater importance than ever in these days when investment yields are not what they were say ten years ago. A much larger sum is now needed to produce a given income and the toll of death duties has not diminished. I would suggest to our members the necessity of giving this subject very careful consideration. I may point out that the Standard exists solely for the purpose of rendering service to its members, and the officials of the company at head office and branches are always ready to help a member in the choice of the type of assurance best suited to the circumstances of his case.

The report was unanimously adopted.

BRITISH ASSETS TRUST, LIMITED

DIVIDEND INCREASED—FAVOURABLE OUTLOOK

MR A. W. ROBERTSON DURHAM'S REVIEW

The thirty-ninth ordinary general meeting of the British Assets Trust, Limited, was held, on the 3rd instant, in Edinburgh, Mr A. W. Robertson Durham, Chairman of the Company, presiding.

In moving the adoption of the report and accounts,

The Chairman said: I now submit for your approval the report and accounts for the year ended January 15, 1937, which have been in your hands for some time now and which, with your approval I propose to hold as read.

You will see from the accounts that the gross income for the year amounted to £309,925, as against £286,104 last year, which shows an improvement of approximately £24,000, and we are glad to be able to recommend a dividend for the year of 7½ per cent. on the ordinary stock, as against 3 per cent. last year. In this figure of £309,925 no arrears of dividends or underwriting commissions have been taken into account.

As you are no doubt aware, many American companies paid out by way of dividend during 1936 the greater part of their earnings for the year, with a view to avoiding the new tax which they would otherwise have had to pay on undistributed earnings. Wherever possible, we have earmarked any special dividends which appeared to have been declared for this purpose, and these have not been included in the revenue account.

INCOME RESERVE FUND

As you will see from the report, the directors have decided to open an income reserve fund and have transferred sums thereto amounting to £75,000. Of this sum approximately £25,000 is made up of arrears of dividend, underwriting commissions and the special dividends on American investments referred to above received during the current year. A sum of about £16,600 representing arrears, underwriting commissions, etc., for the previous year has been transferred from contingent fund, and the balance has been transferred from the carry forward. It is our intention to invest this fund in a separate account with a view to its being readily available to help maintain the dividend during times when the revenue is falling, and the board has no doubt this will meet with the approval of the stockholders.

On the payments side of the accounts the management expenses show a slight increase, partly due to the fact that during the year we opened an office in New York. We have taken this step in view of our large interests in the United States, and feel that it will prove beneficial to the company. Income tax has increased by approximately £8,600, due to the larger gross income and also the increase in the rate of income tax compared with the previous year.

VALUATION SURPLUS

From the balance sheet you will see that the investments, after deduction of the capital reserve fund and contingent fund, amounted to £7,395,576, which shows an increase of approximately £470,000 as compared with last year. We have again taken advantage of

LONDON AND LOMOND INVESTMENT TRUST, LIMITED

INCREASED REVENUE

The sixth ordinary general meeting of the London and Lomond Investment Trust, Limited, was held, on the 4th instant, in London.

The Hon. W. B. L. Barrington (the chairman of the company) presided.

The notice convening the meeting having been taken as read, Mr Ian Wright, of Messrs Grahams, Rintoul, Hay, Bell and Company (the secretaries), read the auditors' report.

The Chairman, in moving the adoption of the report and accounts, said:—

PROFIT AND LOSS ACCOUNT

The income received during the year ended January 31, 1937, amounted to £73,636, as compared with £61,709 in the previous year. It has to be borne in mind that the issue of share capital and debenture stock during the year contributed towards the increase in the income. A full year's revenue was, however, not derived from the investments made with the new money. The net revenue, after charging expenses of management, interest, and income tax, amounted to £33,999, the figure for the previous year being £27,858.

THE DIVIDENDS

The directors recommend payment of a dividend of 3½ per cent. actual on the original £200,000 ordinary stock, making 5½ per cent. thereon for the year and a dividend of 3½ per cent. actual on the additional £40,000 ordinary stock created last August. The unappropriated surplus revenue for the year, amounting to £1,834, added to the balance of £5,484 brought forward, makes a total of £7,318, which the directors propose should be carried forward to next year.

Your board considered whether they should recommend the distribution to the ordinary stockholders of a larger portion of the net revenue for the year. However, having regard to the unsettled state of world politics, notwithstanding the increased prosperity in this country and in America, and having in view the desirability of providing as far as possible for stability of dividends in less prosperous times, it was decided to continue to conserve the revenue position of your company. The unappropriated surplus revenue for the year is equivalent to approximately 20 per cent. of the income received. The dividend on the ordinary stock in the previous year was 5 per cent.

INVESTMENTS

The value of the investments increased further during the year, and at January 31, 1937, showed an appreciation of £427,912 over the balance-sheet figure. The following is a summary showing the surplus of assets over liabilities and capital as compared with the corresponding figures as at January 31, 1936:—

	1937.	1936.
Appreciation in investments	£427,912	£250,447
Capital Reserve	80,000	50,000
General Reserve	30,000	20,000
Carry forward	7,318	5,484
	£545,230	£325,931

The net improvement during the year is thus £219,299, and your company is now well placed to withstand any recession in values of securities which may take place in the future.

A full list of the investments is, as usual, attached to the report and particulars of their distribution, based upon the valuation at the end of the year are shown as before.

CURRENT YEAR'S PROSPECTS

The outlook for the current year is somewhat clouded by the probability of increased taxation both here and in the United States of America. A further complication which makes it difficult to form an estimate of our revenue is the practice adopted by some American corporations of paying what are termed extra dividends. While it is possible that such dividends may continue to be received during the current year we have no assurance that this will be so. Your board hope, however, that should these unfavourable factors in maintaining the stability of your company's revenue materialise they may be offset by general increases in dividends which may reasonably be expected.

The report and accounts were unanimously adopted.

The retiring director, the Hon. W. B. L. Barrington, and the auditors, Messrs Moores, Carson and Watson, Chartered Accountants, were re-elected.

the low rates of interest prevailing by further increasing our short-term indebtedness, and the deposits and loans have risen by about £200,000, and the terminable debentures by £165,000.

The increase in both sundry debtors and sundry creditors as compared with last year is accounted for by increased amounts being due to and by stockbrokers on account of investments purchased and sold as at the closing date of the accounts. With regard to the valuation, this again shows a surplus over the figure at which the investments appear in the balance sheet. After valuing our holding of Second British Assets Trust, Limited, ordinary shares at the same conservative figure as last year, this surplus amounted to approximately 19 per cent.

With regard to revenue, a careful estimate has been prepared which leads us to expect that in ordinary circumstances the income for 1937 should be not less favourable than it has been in the past year.

An analysis of the investments, based on the market values but excluding our interest in the Second British Assets Trust, Limited, shows that we have about 39·6 per cent. in Great Britain, 17·3 per cent. in British Dominions and Colonies, 37·6 per cent. in the United States of America, and 5·5 per cent. in other countries. The proportion in bonds, debentures and preference stocks amounted to 27·8 per cent. and in ordinary stocks to 72·2 per cent.

Last March the Marquess of Linlithgow intimated his retirement from the board on his appointment as Viceroy of India. The directors accepted his resignation with great regret as he had rendered valuable services to the company and had always taken a very keen interest in its affairs. I feel sure you will join with me in extending to him our best wishes in successfully fulfilling the great task for which he has been chosen.

The Chairman completed his remarks by moving the adoption of the report and accounts and the payment of the dividend recommended therein.

The motion was seconded and adopted.

PADANG LANGKAT RUBBER ESTATES, LIMITED

STRONG FINANCIAL POSITION

The fourth annual ordinary general meeting of this company was held, on the 26th ultimo, in London.

Mr H. A. Barrett (the Chairman) said that the balance sheet showed a strong financial position, investments showing an increase of some £3,000 and cash £2,000. Nearly all of their investments had definite redemption dates, and stocks of that description had been less seriously affected than "undated" stocks in the decline which had recently taken place in the values of all gilt-edged and fixed interest stocks.

Instructions had been given for the replanting of some 400 acres of the older rubber areas, the programme being to fell and replant 200 acres this year and 200 acres next year.

The company's standard of assessment under the restriction regulations had been provisionally fixed for 1937 at 1,598,436 lbs., and for the financial year which ends September 30, 1937, their export allowance should approximate 1,100,000 lbs., of which they had sold spot and forward 536,800 lbs. at an average price equivalent to 8½d. per lb., London landed terms.

Of the immediate future of rubber one could speak almost with confidence, and he thought that next year they might reasonably expect to have before them accounts which would be even more pleasing than those under consideration.

The report and accounts were unanimously adopted, and the dividend as recommended declared.

OFFER TO NEW READERS

Any reader who makes his first acquaintance with this journal with this week's issue is invited to fill up the attached:

To Publisher, "The Economist Newspaper Ltd.,"
8 Bouverie Street, E.C.4.

In order to test the value of your publication I should like you to forward this to me by post for the next four weeks. If I then decide to become a subscriber, it is understood that there will be no charge for the copies thus received, but otherwise I shall be willing to pay 4s. to cover their cost.

Name

Address

BORAX CONSOLIDATED, LIMITED

INCREASED PROFITS—ENCOURAGING OUTLOOK

The thirty-ninth ordinary general meeting of Borax Consolidated, Limited, was held, on the 3rd instant, at Southern House, Cannon Street, E.C.

Col. J. W. Reid (vice-chairman) presided in the absence of the Rt. Hon. the Earl of Leven and Melville, K.T. (the chairman of the company), owing to indisposition, and read the speech which had been prepared by him.

Lord Leven's address first referred to the loss the company had sustained by the death of Mr R. C. Baker (the managing director), and continued: Ladies and gentlemen,—The net profits are £384,526, or £45,630 more than in the previous year, when they were £338,896. Our carry-forward from last year is £232,459, hence we have to deal with a total of £616,985. The first and second debenture stock interest amounted to £112,500, the dividends on the preference shares to £44,000, and the sinking fund on the first debenture stock to £5,825. We have placed £60,000 to buildings and plant depreciation reserve, and the total of these items amounts to £222,325. Deducting this sum from the total of £616,985, there remains a balance of £394,660. We propose to deal with this amount by the payment of a dividend of 6 per cent. for the year on the preferred ordinary shares, to pay a dividend of 1s. 6d. per share, or 7½ per cent., on the deferred ordinary shares, to place to income tax reserve £20,000, and to pensions and grants fund £5,000. This will leave £236,160, or £3,701 more than last year, to carry forward.

BALANCE SHEET FEATURES

Referring to the balance sheet you will notice that the issued capital of deferred ordinary shares now stands at £1,300,000, the increase representing the issue made on May 11, 1936, of 150,000 deferred ordinary shares. These were issued at 27s. per deferred share, the offer being confined to our preferred and deferred shareholders, and the issue was considerably over-applied for. The premium, less expenses of the issue, has been added to the share premium account. We have written off to the buildings, plant, etc., depreciation reserve the sum of £59,369 after allocating £60,000 to the reserve.

Our buildings and plant are always maintained in good repair out of revenue, but owing to the cost of additional plant we deemed it only prudent to provide a larger sum this year for depreciation.

The capital amortisation fund shows an increase of £15,817, bringing the figure now to £360,032, representing the present value of the Sun Life Assurance policies for the redemption of the first debenture stock.

There is an increase of £3,611 in the mines and deposits account, represented by additional acquisitions of mining properties. There is also an increase of £17,564 in capital invested in subsidiary mining and trading companies. The item of freehold land, buildings, plant, etc., shows an increase of £64,790, representing mainly improvements in plant and sundry extensions in the United States. Stocks are about £10,700 higher than the previous year, but are all of a liquid nature, readily disposable. Our holdings in British and foreign Government securities and cash at bankers and in hand represent a total of £476,481—an improvement, compared with the figures of the previous year, of £220,000, which I am sure you will agree represents a very satisfactory position.

The reduction in "Advances to and current accounts with subsidiary companies" is of an ordinary trade nature. Shareholdings in associated companies figure at £571,887. In the previous account this item included advances which have now been paid off.

TRADING CONDITIONS

Our business, as you know, is world wide and subject to the trading and financial conditions prevailing in various countries. During the year under review five foreign countries exercised their right to devalue their currencies, causing disturbing reactions at first. Buyers and sellers, however, soon adapt themselves to the new conditions, and it is to be hoped that under the present international understandings the very delicate question of exchange between the various countries has now reached a more permanent and stable basis so necessary to international trade.

In general, a steady demand for our goods has continued throughout the year. The use of our products is spread over so wide a variety of industries that we can count on participating wherever there is an improvement in trade. There are still a number of foreign countries whose trading capacity is limited by

all kinds of restrictions, mainly due to lack of the necessary foreign exchange, and until there is an improvement in this connection, the interchange of commodities with those countries is severely handicapped.

We have derived certain advantages from plant additions and improvements in our processes, and contemplate further expenses in this direction which we feel confident will yield a profitable return and still further strengthen our position.

CURRENT YEAR'S OUTLOOK

So far as the current year is concerned, as you know, I always hesitate to assume the rôle of a prophet, since conditions throughout the world are still far too unsettled to permit of any long view. There is no doubt that the trend of costs throughout the world is in an upward direction, but any consequences thereof must apply equally to our competitors and are therefore unlikely to disturb our connection.

Our orders booked for the five complete months of the new financial year are fully equal to last year's figures. I refer to the orders booked advisedly, since on account of the shipping strike which prevailed on the whole Pacific Coast of the United States for fourteen weeks and was not settled till February 5th, it was only possible to ship by indirect routes, such as Canadian or Gulf ports, involving substantial additional expenses. Consequently, heavy arrears have been accumulating, while reserve stocks in Europe have been severely depleted. We are endeavouring to overtake these arrears as fast as shipping opportunities from the Pacific Coast permit.

THE USE OF BORON IN AGRICULTURE

Since I made a passing reference at our last meeting to a new development in the borax industry, you will be interested in any progress I have to report. I refer to the rôle played by boron—the active principle of borax—in the healthy growth of a number of plants. Investigations are being conducted by agricultural research institutes and by Government experimental stations with the object of discovering to what extent deficiencies in minor elements are the cause of diseases in plants. In the work that has been done and is still being carried on there are strong indications that the absence of available boron in the soil is responsible for certain diseases to which sugar-beets, swedes and turnips are liable, particularly in dry seasons. I understand that last year well over 100,000 acres were treated with a very small amount of borax. According to reports received from various countries, its application is being substantially extended. However, it is important to remember that the proportion of borax added at best is necessarily a small one and that agricultural experiments have to be repeated a number of times for results to become accepted generally. Research continues, and if confirmation is obtained it may prove highly desirable to include a small proportion of borax in fertilisers normally applied to a number of crops.

THE UNITED STATES POTASH COMPANY

As announced in our report, we received a small maiden dividend on our holding of common shares in the above during the past financial year, which has already been followed by a further interim dividend of like amount during the current year. The consumption of potash throughout the world is steadily increasing, and since the company in which we enjoy a holding is excellently equipped both in resources and processes for producing the highest grades, we have every reason to be well satisfied with this investment.

Assuming that you approve our proposals, dividend warrants will be posted at once, but I wish to make it clear that exactly as in the past year and for the same reason it is not proposed to pay dividends on the preferred or ordinary shares on account of the current year until the accounts are made up.

The pleasant task remains to record our appreciation of the services of our staff in all countries, and I should like to add how much I appreciate their loyalty and excellent work. (Applause.)

The Chairman concluded by moving the adoption of the report and accounts.

Mr J. Gerstley, in seconding the motion, also referred to the great loss the company had sustained by the death of the late managing director, Mr Baker, and said that he had been deputed by their managers and staffs in Europe and overseas, and especially by his many friends in America—a country which he visited so often—to express their admiration of his sterling qualities. He was a source of inspiration to all of them, and he had left behind him a magnificent tradition which it would be their pride to try to maintain.

The resolution was carried unanimously and the dividends as recommended were approved.

MIDLAND COUNTIES ELECTRIC SUPPLY

FURTHER PROGRESS

The twenty-fourth ordinary general meeting of the Midland Counties Electric Supply Company, Ltd., was held on the 3rd instant, at Winchester House, Old Broad Street, London, E.C.

Mr George Balfour, J.P., M.P. (the chairman), said: Regarding our last year's activities, business has been satisfactory in all departments, and progress made in both transport and electricity supply undertakings. I have, for several years past, been able to report an improvement in our transport business and that our transport services earned a satisfactory return on the capital employed. Last year we still further improved our position, and I can say with confidence that at the present time the transport undertakings are on a very sound commercial basis. We command a fleet of buses which are well maintained—the latest type of vehicles being regularly employed to replace older types. We again left all revenue from this source in the reserves of the transport companies to provide still further for the full value of our statutory rights. If the business continues as at present we should feel free to bring into this company's accounts revenue from this branch of our business in the future. After paying all operating, management and other expenses, including taxation, we provided £29,797 for depreciation and earned a surplus of £44,636.

Turning now to the electricity supply business, during the year we again extended our services and reduced charges in many districts, at the same time continuing our policy of consolidation.

The total units sold were 363 millions compared with 324 millions for the previous year, and deducting large bulk and special commercial contract the units sold for the whole of our miscellaneous power and domestic consumers amounted to 262 millions compared with 220 millions, or an increase of 19 per cent. Our export to the Central Board was 98½ million units, for which the Board consider we are only entitled to receive 10d. per unit or even less as a contribution to our outlay for coal and other running costs.

EXTENSION OF SERVICES

We still continue to make rapid progress with the extension of our services, and last year connected 15,972 consumers compared with 16,734 during the previous year, making the total number of consumers connected at the end of last year 108,266. The intensity of our development can be best illustrated in our last four years' growth. At January 1, 1933, the total consumers connected was 51,533, and at January 1st last 108,266. You will therefore see that in four years we have more than doubled the total number of consumers connected. It is too much to expect such a high rate of connection to continue, but I am glad to say that it is certainly being maintained at present, and it will be many years before we reach saturation point.

Last year we again increased the mileage of main transmission lines and distribution cables, and have now in service 1,516 miles of high-tension lines or cables and 1,746 miles of low-tension distribution. Many additional sub-stations were installed during the year, and we now have 1,075 sub-stations of various sizes in addition to sub-stations on consumers' premises. We have also added to our two street lighting supplies, and now provide street lighting in two street lighting boroughs, 16 urban districts and 124 rural parishes. Our electricity services were carried into 27 parishes hitherto unserved, and we now supply in three boroughs, 31 urban districts and 549 parishes.

We made reductions in prices affecting a large number of consumers as from June 30th last. Here is a picture of what we have done for our consumers last year by price reductions. We reduced on bulk supply charges to local authorities to the extent of £25,600, and to our domestic consumers we made reductions from June 30th last, that is, for a half-year, amounting to £26,200, or a reduction for a full year of £52,400. In addition, we benefited our industrial consumers to the extent of £24,450 by waiving charges payable by these consumers for increased cost of coal under their coal clause.

There is available sufficient to pay a final dividend of 5½ per cent. on the ordinary shares, making 8 per cent. for the year, an increase of ½ per cent., and to carry forward £11,647 to the next account. Regarding the outlook for the current year, you can judge from what I have already said that we have started well, and I see no reason why we should not look forward to a continuation of increased output, and I hope with growing consumption we may still further reduce certain charges. Your directors are pleased to be able to recommend a small increase in the dividend on the ordinary shares of half of one per cent.

The report and accounts were unanimously adopted, and a resolution increasing the capital of the company to £6,500,000 was unanimously approved.

ANGLO-FRENCH EXPLORATION COMPANY, LIMITED

INCREASED PROFITS

The forty-seventh ordinary general meeting of the Anglo-French Exploration Company, Limited, was held, on the 3rd instant, at Winchester House, London, E.C.

Mr F. A. Robinson (the chairman) said that the year had been one of great mining activity and expansion in South Africa, and the company had participated to no small extent in the prosperity which had prevailed. The balance sheet showed that the cash at bankers was the satisfactory amount of £128,620, while the net cash assets, Government securities, and other liquid assets, less current liabilities, amounted to £124,093, as compared with £57,893 last year.

The gross profit was £153,325 and the net realised profit £132,714, as compared with £122,235 and £93,796 respectively last year. The net profit constituted a record for many years. They had written off £11,948 for depreciation, transferred £15,000 to the newly established reserve fund, proposed to vote £15,000 to the staff fund, and to pay a dividend of 10 per cent. It was the fourth year in succession that they had paid 10 per cent., and this year it should be remembered they were paying it upon the increased capital of £750,000.

As to the reserve fund, this year they proposed to add the premium received on the recent issue of shares, £35,000, and to transfer £15,000 from profit and loss, thereby bringing up the reserve fund to £100,000.

VALUATION OF INVESTMENTS

The report, as usual, gave the classification of their investments, together with a list of the companies in which their chief interests lay. The customary valuation had been made at the close of the year, when the net value had amounted to £1,610,433, showing a surplus of £860,433, as compared with £444,626 last year—in fact, the surplus had nearly doubled. Of course, the dividend they proposed to pay had to come off, but against this there had been an increase in value since the end of the year. The auditors' certificate stated the proportion of their holdings having quoted prices. It was no less than 96 per cent., against 94 per cent. last year. Their main interests were, of course, in South Africa, as they had always been.

With regard to Apex (Trinidad) Oilfields, the temporary setback referred to in his speech last year had been more than made up, and the prospects for the current year were favourable. In January last the company had made an issue to its shareholders of 200,000 shares at 20s. The issue was underwritten, free of commission, jointly by their friends the British-Borneo Petroleum Syndicate, Limited, and themselves. The issue had been well subscribed, and very few shares were left for the underwriters. The Apex company, from small beginnings, under its very able management in London and in Trinidad, was again the largest producer in Trinidad last year, a position which it had maintained for some years past.

COMPANY'S TIN INTERESTS

The Anglo-Burma Tin Company had not done so well during their year ended June 30, 1936. There was a falling off in profits of about £9,000, which was mainly owing to the average price of tin being £13 less, which in itself accounted for over £6,000. The outlook for tin had improved; the demand had increased considerably and was now about 154,000 tons per annum. The restriction agreement had been renewed for five years as from January 1st last. The developments on the Ward and Newbery Areas would make an important addition to the company's ore reserves.

In addition to their tin interests in Burma, they had considerable holdings in some of the best mines in the Malay States. Practically the whole of those investments showed a substantial appreciation in capital value during the year, and they were paying satisfactory dividends. Their tin investments had done well and might be expected to do even better.

It would be seen from the list of their holdings that they had interests in copper. The demand for copper was still increasing and the restriction of output was terminated in January, whilst the price had doubled within the last twelve months. In those circumstances a further increase in output and profits might be confidently expected.

Unless something unforeseen happened he saw no reason why the improved position of the company should not be maintained. He thought they might look back upon the year with satisfaction and look forward to the future with confidence.

The report was unanimously adopted.

GOVERNMENT RETURNS, &c.

NATIONAL ACCOUNTS

The total ordinary revenue for the week ended February 27, 1937, amounted to £26,113,000, against ordinary expenditure of £19,060,000. After allowing for an increase in Exchequer Balances of £215,786, the operations for the week, as shown below, decreased the gross National Debt by £6,612,000, to approximately £7,926 millions.†

(000's omitted)	
Public Department Advances ...	+ 4,370
Treasury Bills ...	9,582
P.O. and Teleg. (Money) Acts ...	500
Other debt (War Loan Acts) ...	130
British Shipping (Assistance) ...	790
+ 4,370	10,982

† Including £375 millions on Account of Exchange Equalisation Fund and Borrowing for Statutory Sinking Fund.

A complete analysis of the approximate position of the National Debt at December 31, 1936, appeared in *The Economist* for January 2, 1937.

REVENUE	Estimate for the year 1936-37	Total Receipts into the Exchequer			
		April 1, 1935, to Feb. 29, 1936	April 1, 1936, to Feb. 27, 1937	Week ended Feb. 29, 1936	Week ended Feb. 27, 1937
ORDINARY REVENUE					
Inland Revenue—					
Income Tax	259,000,000	207,468,000	219,271,000	14,147,000	16,298,000
Sur-tax	56,500,000	38,030,000	38,800,000	2,220,000	2,250,000
Estate, etc., Duties	89,000,000	79,960,000	78,480,000	2,260,000	2,130,000
Stamps	27,000,000	19,570,000	23,190,000	720,000	960,000
Excess Profits Duty and Corporation Profits Tax	750,000	500,000	500,000	...	...
Land Tax and Mineral Rights Duty	750,000	650,000	570,000	70,000	60,000
Total Inland Revenue	433,000,000	346,178,000	360,811,000	19,417,000	21,698,000
Customs and Excise—					
Customs	207,525,000	178,975,000	190,372,000	3,188,000	4,059,000
Excise	110,000,000	99,800,000	101,800,000	1,100,000	1,000,000
Total Customs and Excise	317,525,000	278,775,000	292,172,000	4,288,000	5,059,000
Motor Vehicle Duties (Exchequer Share)	5,000,000	4,851,000	5,150,000	21,000	Dr202,000
Post Office (Net Receipts)	11,250,000	14,250,000	13,850,000	Dr150,000	Dr850,000
Crown Lands	1,350,000	1,320,000	1,320,000	90,000	80,000
Receipts from Sundry Loans	5,000,000	4,845,521	4,480,768	...	...
Miscellaneous Receipts	25,250,000	17,369,016	17,020,189	257,253	388,229
Total Ordinary Revenue	798,381,000	667,588,537	694,803,957	22,923,253	26,113,229
SELF-BALANCING REVENUE					
Post Office	69,344,000	58,950,000	63,500,000	2,450,000	2,400,000
Motor Vehicle Duties apportioned to Road Fund	26,500,000	25,220,000	27,189,000	91,000	483,000
Total Self-balancing Revenue	95,844,000	84,170,000	90,689,000	2,541,000	2,883,000
Total	...	751,758,537	785,492,957	24,464,253	28,996,229

EXPENDITURE	Estimate for the year 1936-37	Total Issues out of the Exchequer to meet payments			
		April 1, 1935, to Feb. 29, 1936	April 1, 1936, to Feb. 27, 1937	Week ended Feb. 29, 1936	Week ended Feb. 27, 1937
ORDINARY EXPENDITURE					
Interest and Management of National Debt	224,000,000	199,771,888	200,039,867	288,171	258,886
Payments to Northern Ireland Exchequer	7,500,000	5,300,585	6,242,032	385,538	414,108
Other Consolidated Fund Services	3,200,000	2,981,891	2,859,023	31,034	37,116
Post Office Fund	600,000	1,126,817	420,529	...	...
Total	235,300,000	209,181,181	209,560,451	704,743	710,110
Total Supply Services (excluding Post Office)	578,025,000	463,059,400	502,717,044	18,156,000	18,350,115
Total Ordinary Expenditure	813,325,000	672,240,581	712,277,495	18,860,743	19,060,225
New Sinking Fund (1928) (Finance Acts, 1928 and 1936)	...	7,336,935	7,596,236	...	225,000
Total (excluding Self-Balancing Expenditure)	813,325,000	679,577,516	719,873,731	18,860,743	19,285,225
SELF-BALANCING EXPENDITURE					
Post Office	69,344,000	58,950,000	63,500,000	2,450,000	2,400,000
Road Fund	26,500,000	25,220,000	27,189,000	91,000	483,000
Total Self-balancing Expenditure	95,844,000	84,170,000	90,689,000	2,541,000	2,883,000
Total	...	763,747,516	810,562,731	21,401,743	22,168,225

† Estimated Expenditure as per Financial Statement (H.C. 77)... 797,887,000
Add:—
Supplementary Estimates 41,028,000
Less:—Provision made in the Budget 25,600,000
813,325,000

The aggregate revenue from April 1, 1936, to February 27, 1937, is shown below:—

(000's omitted)	
Expenditure	712,277
Increase in balances	121
Revenue	694,804
Gross Lending	£25,190
New Sinking Fund* ...	7,596
Net borrowing	17,594
712,398	712,398

* Authority will be sought in the Finance Bill to meet the Statutory Sinking Funds in 1936 by borrowing.

POSITION OF THE FLOATING DEBT

Ways and Means Advances Outstanding:	Feb. 29, '36	Mar. 31, '36	Feb. 27, '37	Feb. 27, '37
Advances by Bank of England	£	£	£	£
Advances by Public Department	33,165,000	19,055,000	40,160,000	+ 4,370,000
Treasury Bills outstanding	774,135,000	763,115,000	679,365,000	- 9,560,000
Total Floating Debt	807,300,000	782,170,000	719,525,000	- 5,190,000

* Includes £4,000, the proceeds of which were not carried to the Exchequer within the period of the Account.

TREASURY BILLS BY PUBLIC TENDER

Tenders for £40,000,000 Treasury bills were opened on February 26, 1937. The amount applied for was £74,175,000. Tenders were accepted for Treasury bills at three months dated Monday to Friday at £99 17s. 4d., about 48 per cent. and above in full; Saturday at £99 17s. 5d. and above in full. The average rate per cent. was 10s. 5-19d. The amount allotted was £40,000,000.

Date	Amount Offered	Total Applications	Amount Allotted	Average Rate %
January 4, 1935	30,000,000	49,560,000	27,500,000	0 8 1-64
July 5, 1935	40,000,000	60,905,000	40,000,000	0 12 4-32
January 3, 1936	35,000,000	68,075,000	35,000,000	0 10 1-72
July 3, 1936	50,000,000	72,750,000	50,000,000	0 12 1-72
February 19, 1937	40,000,000	75,450,000	40,000,000	0 12 5-63
February 19, 1937	40,000,000	73,690,000	40,000,000	0 11 3-65
February 28, 1937	40,000,000	74,175,000	40,000,000	0 10 5-19

NATIONAL SAVINGS CERTIFICATES

Total Sales of Savings Certificates	No. of Certificates	Value
Week ended February 13, 1937	732,352	£549,264
Week ended February 20, 1937	657,332	£492,999
February, 1936, to February 20, 1937	1,285,839,224	£1,010,817,256

At the end of January 1937, the amount remaining to the credit of investors in Savings Certificates, excluding interest, was £390,340,230.

The OCEAN

Accident & Guarantee Corporation, Limited

Head Office : 36-44 Moorgate, London, E.C.

FOR ALL CLASSES OF INSURANCE

THE BANKERS' GAZETTE	
BANK OF ENGLAND	
RETURN FOR WEEK ENDED WEDNESDAY, MARCH 3, 1937	
ISSUE DEPARTMENT	
Notes Issued—	£
In Circulation	460,954,385
In Banking Department	52,706,276
Total	513,660,661
Government Debt	11,015,100
Other Government Securities	186,651,827
Other Securities	2,323,305
Silver Coin	9,568
Total	200,000,000
Amount of Fiduciary Issue	313,660,661
Gold Coin and Bullion	513,660,661
BANKING DEPARTMENT	
Proprietors' Capital	£14,553,000
Reserve	3,693,490
Public Deposits*	15,174,718
Other Deposits—	£
Bankers	93,767,777
Other Accounts	37,700,079
Total	131,467,856
Notes	26,237,412
Gold and Silver Coin	52,706,276
Total	78,943,688
Total	160,411,544

* Including Exchequer, Savings Banks, Commissioners of National Debt, and Dividend Accounts.

OVERSEAS BANK RETURNS

NOTE.—The latest return of the Bank of Spain appeared in *The Economist* for August 15. Denmark, Portugal, in February 6. International Settlements, Federal Reserve Reporting Members in February 13. Canada, Czechoslovakia, Hungary, New Zealand, in February 20. Bulgaria, Danzig, Estonia, Finland, Greece, Japan, Latvia, Lithuania, Poland, and Turkey in February 27.

U.S. FEDERAL RESERVE BANKS.—In \$'s (000's omitted)

U.S.F.R. BANKS	Mar. 5, 1936	Feb. 11, 1937	Feb. 18, 1937	Feb. 25, 1937	Mar. 4, 1937
RESOURCES					
Gold Certificates on hand and due from the Treasury	7,669,330	8,848,380	8,847,880	8,847,380	8,847,400
Total reserves	8,022,740	9,138,210	9,144,250	9,129,489	9,125,260
Total cash reserves	338,510	277,090	284,440	270,620	266,400
Total bills discounted	5,710	2,580	3,040	4,110	7,340
Bills bought in open market	4,670	3,080	3,070	3,080	3,080
Total bills on hand	10,380	5,660	6,110	7,190	10,420
Industrial advances	31,450	23,580	23,230	23,350	23,110
Total U.S. Govt. securities	2,430,840	2,430,230	2,430,230	2,430,230	2,430,230
Total bills and securities	2,472,860	2,459,470	2,459,570	2,460,770	2,463,750
Total resources	11,127,740	12,270,680	12,463,940	12,385,100	12,355,280
LIABILITIES					
Federal Reserve notes in actual circulation	3,735,070	4,165,840	4,160,200	4,167,930	4,195,440
Aggregate of excess member-bank reserves over requirements	3,040,000	2,180,000	2,190,000	2,100,000	1,310,000
Deposits—Member-bank—					
Government deposits	5,813,240	6,770,850	6,767,740	6,705,290	6,660,140
Total deposits	379,300	132,150	162,360	179,880	216,470
Capital paid in and surplus	6,514,010	7,213,130	7,230,180	7,187,180	7,156,870
Total liabilities	302,680	305,280	305,290	305,290	305,320
Ratio of total reserves to deposit and F.R. note liabilities combined	11,127,740	12,270,680	12,463,940	12,385,100	12,355,280
U.S.F.R. BANKS	78 - 3%	80 - 3%	80 - 3%	80 - 4%	80 - 4%
TREASURY COMBINED					
RESOURCES					
Monetary Gold Stock	10,167,000	11,387,000	11,403,000	11,425,000	11,443,000
Treasury and National Bank Currency	2,506,000	2,531,000	2,530,000	2,532,000	2,535,000
Money in Circulation	5,848,000	6,360,000	6,351,000	6,372,000	6,407,000
Treasury Cash and Deposits with Federal Reserve Banks	2,898,000	2,695,000	2,737,000	2,782,000	2,836,000

BANK OF FRANCE.—In francs* (000's omitted)

ASSETS	Feb. 28, 1936	Feb. 5, 1937	Feb. 12, 1937	Feb. 19, 1937	Feb. 26, 1937
Gold	65,788,994	57,358,742	57,358,742	57,358,742	57,358,742
Advances on Gold Coin	1,222,284	1,147,495	1,147,538	1,140,484	1,140,484
Commercial Bills	9,950,583	9,615,412	9,446,023	9,494,164	10,527,485
Bills bought abroad	1,111,213	1,294,635	1,294,635	1,294,635	1,294,635
Advances on securities	4,182,327	4,870,488	4,583,199	4,474,725	4,467,483
Loans to State without interest: (a) general (b) provisional	3,200,000	3,200,000	3,200,000	3,200,000	3,200,000
Negotiable Bonds	5,707,677	5,639,771	5,639,771	5,639,771	5,639,771
Sinking Fund Dept.					
Other assets (excluding forward exch.)	3,769,738	4,048,011	3,911,398	3,823,507	3,909,358
LIABILITIES					
Notes in circulation	81,238,997	86,896,864	85,929,958	85,390,429	87,062,088
Public deposits	2,850,787	2,213,898	2,455,311	2,600,740	2,314,920
Private deposits	8,541,598	15,045,104	15,233,551	15,555,221	15,278,476
Other liabilities	2,298,270	2,790,783	2,734,580	2,661,730	2,314,920
Ratio of gold reserve to sight liabilities	70.9%	55.0%	55.3%	55.4%	54.7%

* The gold stock is based on the franc at 49 milligrams on and after Oct. 2, 1936.

THE REICHSBANK.—In Reichsmarks (000's omitted)

ASSETS	Feb. 29, 1936	Feb. 5, 1937	Feb. 12, 1937	Feb. 19, 1937	Feb. 26, 1937
Gold	71,675	66,940	67,082	67,128	67,128
Of which deposited abroad	20,294	18,031	18,067	18,067	18,067
Reserve in foreign currencies	5,419	5,813	5,553	5,592	5,592
Bills of exchange and cheques	4,068,957	4,409,788	4,213,405	4,811,553	4,811,553
Silver and other coin	153,373	238,776	288,157	288,157	288,157
Advances	72,392	46,117	48,333	101,738	101,738
Investments	663,312	524,800	524,204	523,679	523,679
Other assets	706,861	874,673	930,576	879,605	879,605
LIABILITIES					
Reserves	471,184	473,561	473,561	473,561	473,561
Notes in circulation	4,176,670	4,460,663	4,328,424	4,815,801	4,815,801
Other daily maturing obligations	652,497	731,306	781,980	781,980	781,980
Other liabilities	292,785	364,957	343,315	344,454	344,454
Cover of note circulation	1.85%	1.62%	1.68%	1.60%	1.60%

NATIONAL BANK OF BELGIUM.—In belgas (000's omitted)

ASSETS	Feb. 27, 1936	Jan. 28, 1937	Feb. 4, 1937	Feb. 11, 1937	Feb. 18, 1937	Feb. 25, 1937
Gold	3,358,569	3,688,990	3,683,699	3,683,699	3,683,699	3,683,699
Silver and other coin	65,765	57,502	55,213	54,749	57,946	56,951
Securities	1,201,135	1,369,593	1,359,593	1,359,593	1,359,593	1,359,593
Advances	84,444	53,001	40,127	32,446	33,140	33,697
LIABILITIES						
Notes in circulation	4,072,471	4,479,636	4,512,659	4,493,282	4,460,804	4,477,399
Deposits: Govt.	23,449	82,689	62,705	17,212	29,450	25,309
Other	806,311	793,291	749,902	804,818	826,281	828,214

NETHERLANDS BANK.—In florins (000's omitted)

ASSETS	Mar. 2, 1936	Feb. 1, 1937	Feb. 8, 1937	Feb. 15, 1937	Feb. 22, 1937	Mar. 1, 1937
Gold	680,268	869,578	869,578	869,578	878,620	878,620
Silver	20,348	19,301	18,533	19,167	19,533	18,651
Home bills discounted	28,278	21,497	21,653	21,543	21,438	19,869
Loans and advances in current account	129,851	177,401	174,261	173,306	172,651	177,636
LIABILITIES						
Notes in circulation	783,693	802,940	780,536	772,234	774,965	814,336
Deposits	99,157	304,949	323,065	330,723	336,851	298,994

SWISS NATIONAL BANK.—In francs (000's omitted)†

ASSETS	Feb. 29, 1936	Jan. 30, 1937	Feb. 6, 1937	Feb. 13, 1937	Feb. 20, 1937	Feb. 27, 1937
Gold	1,445,182	2,717,115	2,717,280	2,717,457	2,717,532	2,717,567
Of which held abroad	265,316	629,732	629,732	629,732	629,732	629,732
Discounts	164,208	20,253	20,755	21,185	21,846	12,756
Confederation Bills	76,231	20,400	18,800	17,700	17,200	17,200
Advances	69,417	40,590	41,398	40,482	40,234	40,274
Securities	44,886	17,308	17,679	18,122	18,131	18,131
LIABILITIES						
Notes in circulation	1,273,859	1,385,008	1,349,834	1,319,492	1,319,090	1,375,639
Deposits	465,609	1,429,605	1,446,594	1,491,321	1,480,834	1,411,747

† Gold revalued from Oct. 7, 1936. N.B.—Exchange Equalisation Fund and assets included in returns Dec. 31, 1936, onwards at 538,583,653 francs.

BANK OF SWEDEN.—In kronor (000's omitted)

ASSETS	Feb. 29, 1936	Feb. 6, 1937	Feb. 13, 1937	Feb. 20, 1937	Feb. 27, 1937
Gold reserve	429,745	459,961	469,405	460,544	460,530
Government securities					
Swedish	28,500	29,426	28,945	28,945	28,945
Foreign	68,400	7,454	13,692	16,574	16,574
Gold abroad not included in the gold reserve	10,462	69,699	69,632	69,611	69,613
Bills payable in Sweden	10,583	11,236	11,038	10,938	10,893
Bills payable abroad	318,936	403,491	421,491	439,311	439,485
Balance abroad	205,279	317,392	296,517	336,146	361,580
Advances	27,265	23,928	23,332	23,049	22,433
LIABILITIES					
Notes in circulation	756,160	795,312	788,894	762,558	841,532
Government deposits	174,086	167,700	153,131	158,782	150,501
Private deposits	253,191	524,795	535,887	625,708	684,632

BANK OF NORWAY.—In kroner (000's omitted)

ASSETS	Feb. 29, 1936	Feb. 6, 1937	Feb. 13, 1937	Feb. 20, 1937	Feb. 27, 1937
Coin and bullion (gold reserve)	118,841	118,852	118,852	118,851	118,851
Balance abroad and foreign bills	40,909	82,167	82,007	80,769	78,806
Funds provisionally placed in gold, not included in the gold reserve	66,287	96,211	96,211	96,211	96,211
Norwegian and foreign government securities	41,541	72,703	73,184	73,533	74,385
Discounts and loans	202,591	176,826	173,247	170,668	168,801
LIABILITIES					
Notes in circulation	346,373	393,437	391,491	390,556	398,980
Deposits at sight	82,780	104,256	104,609	102,843	91,698

AUSTRIAN NATIONAL BANK.—In schillings (000's omitted)†

ASSETS	Feb. 23, 1936	Jan. 31, 1937	Feb. 7, 1937	Feb. 14, 1937	Feb. 21, 1937
Cash reserve	242,523	242,807	242,813	242,817	242,819
Gold coin and bullion	218,590	202,260	201,679	202,179	200,494
Other foreign exchange	624,444	620,152	620,152	620,152	620,152
LIABILITIES					
Notes in circulation	838,403	895,498	838,812	825,822	793,347
Deposits	313,760	244,872	303,464	309,568	342,948

† 5.976-26 schillings = 1 kg. fine gold, Dec. 31, 1936, and after.

CENTRAL BANK OF ARGENTINA

In paper pesos (000,000's omitted)

ASSETS	Jan. 31, 1936	Nov. 30, 1936	Dec. 15, 1936	Dec. 31, 1936	Jan. 15, 1937	Jan. 31, 1937
Gold at home	1,224	1,224	1,224	1,224	1,224	1,224
Gold abroad and foreign exchange	130	166	256	303	300	291
Non-interest bearing Government Bonds	119	119	119	119	119	119
Treasury Bonds	150	399	399	399	399	399
LIABILITIES						
Notes	987	1,038	1,039	1,094	1,093	1,106
Government deposits	241	140	131	121	118	119
Bankers' deposits	383	385	473	426	428	407
Certificates against Treasury Bonds	—	349	349	399	399	399
Ratio of gold and foreign exchange to note and sight liabilities	83.8%	88.5%	89.8%	92.8%	92.7%	92.4%

NATIONAL BANK OF JUGOSLAVIA

In dinar (000's omitted)

ASSETS	Feb. 22, 1936	Feb. 8, 1937	Feb. 15, 1937	Feb. 22, 1937
Cash reserve	1,476,558	1,633,339	1,635,428	1,692,197
Gold at home and abroad	314,209	681,256	681,256	692,210
Other foreign exchange	1,682,011	1,679,826	1,668,929	1,686,580
Bills and advances against security	1,671,731	1,648,825	1,648,825	1,648,847
Government advances	4,615,879	5,275,077	5,224,810	5,198,727
LIABILITIES				
Notes in circulation	1,622,429	1,949,745	1,900,095	2,045,918
Sight deposits	126,830	50,000	50,000	50,000

NATIONAL BANK OF ROUMANIA.—In lei (000's omitted)†

ASSETS	Feb. 1, 1936	Jan. 9, 1937	Jan. 16, 1937	Jan. 23, 1937	Jan. 30, 1937
Gold and gold exchange	10,893,489	15,579,626	15,582,681	15,618,746	15,643,785
Commercial bills	5,160,706	6,087,946	6,040,712	6,140,224	6,095,805
Agric. and urban advances	2,715,018	2,427,462	2,424,938	2,423,751	2,422,805
Treasury bills issued against losses on credit	5,190,309	5,818,477	5,820,555	5,820,912	5,821,247
State debt and advances to Treasury	5,638,745	3,624,386	3,624,386	3,624,385	3,624,386
LIABILITIES					
Notes in circulation	21,972,174	25,063,519	25,011,525	24,993,325	24,897,689
Other sight liabilities	8,745,405	10,766,436	10,964,325	11,219,934	10,980,063
Long-term liabilities	4,518,223	4,501,954	4,585,916	4,689,497	4,720,451

† First return after decree of November 7, 1936, was November 14th.

NATIONAL BANK OF EGYPT.—In £E (000's omitted)

Banking Department:—	Jan. 31, 1936	Nov. 30, 1936	Dec. 31, 1936	Jan. 31, 1937
LIABILITIES				
Capital	2,925	2,925	2,925	2,925
Reserves	2,925	2,925	2,925	2,925
Government deposits	8,647	6,931	7,712	20,928
Other deposits	22,427	20,667	20,770	3,233
Other accounts	3,233	3,820	3,140	1,464
ASSETS				
Cash: Notes	1,284	1,350	1,782	734
Gold, silver, etc.	712	693	688	2,111
Money at call and short notice	3,052	1,248	1,150	23,497
Investment	24,240	22,753	11,520	5,836
Advances	6,225	6,484	6,748	2,068
Bills	2,087	1,865	2,069	5,029
Other accounts	2,577	2,874	2,134	1,500
LIABILITIES				
Notes issued	23,500	24,200	24,900	23,400
ASSETS				
Gold	6,241	6,241	6,241	6,241
British Treasury Bills	8,047	8,744	9,445	7,944
British War Loan at par	7,713	7,715	7,715	7,715
Egyptian Government securities at market price	1,500	1,500	1,500	1,500

BANK OF JAVA.—In florins (000's omitted)

ASSETS	Feb. 29, 1936	Jan. 30, 1937	Feb. 6, 1937	Feb. 13, 1937	Feb. 20, 1937	Feb. 27, 1937
Gold and silver	101,790	107,660	107,840	107,660	107,080	107,900
Discounts, advances and other investments	75,490	80,710	78,640	77,020	79,480	76,100
Foreign bills	2,990	1,930	1,930	1,700	1,880	2,180
Other assets	11,350	40,250	49,170	55,330	56,940	61,400
LIABILITIES						
Notes in circulation	155,540	176,580	180,490	179,120	176,600	178,470
Deposits and bills payable	22,270	40,450	43,540	49,200	55,060	55,380

MONEY AND EXCHANGE RATES

LONDON MONEY RATES

	Feb. 25, 1937	Feb. 26, 1937	Feb. 27, 1937
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SOUTH AFRICAN EXCHANGE RATES

(BUYING RATES PER £100 STERLING)					
	T.T.	Sight	30 days' sight	60 days' sight	90 days' sight
London on:—					
Rhodesia.....	£100 5 0	£100 17 6	£101 7 6	£101 17 6	£102 7 6
South Africa.....	£100 17 6	£101 7 6	£101 17 6	£102 7 6	£102 17 6

(SELLING RATES PER £100 STERLING)					
		Sight	Telegraphic		
London on:—					
Rhodesia.....		£ s. d.	£ s. d.		
South Africa.....		99 15 0	99 15 0		
		100 2 6	100 2 6		

CENTRAL AND SOUTH AMERICAN EXCHANGE RATES

THE BANK OF LONDON AND SOUTH AMERICA, LTD., issues the following details relative to quotations for certain of the South and Central American exchanges. All these exchanges, with the exception of that of Bolivia, are related to the United States dollar, and the approximate sterling rates may be obtained by applying the dollar-sterling exchange rate:—

Bolivia.*	"Official" commercial rate was 50.60 bolivianos per £ on December 18, 1936.
Colombia.*	Sight selling rate 175½ pesos per 100 United States dollars on January 12th. This rate applies to holders of permits buying in the "open" market.
Ecuador.*	Sight selling rate on New York was maintained up to January 15th at 10.50 sucres per United States dollar.
Guatemala.	Sight rate on New York is maintained at 1 quetzal per United States dollar, but a commission of 1 per cent. is charged by the Banco Central for the sale of drafts.
Nicaragua.*	Official buying rate was 110 cordobas per 100 United States dollars on January 14th. Open market rate for 70 per cent. of export exchange negotiable to importers is around 2 cordobas per United States dollar.
Salvador.	Sight rate on January 9th was 2.49½ colones per United States dollar.
Venezuela.	Sight rate on New York was 3.93 bolívares per United States dollar on January 2nd.

* Exchange controls are operative in these countries.

OVERSEAS DOMINION RATES

COMMONWEALTH OF AUSTRALIA AND DOMINION OF NEW ZEALAND

		London on Australia and New Zealand *				Australia and New Zealand on London *			
		Buying		Selling		Buying		Selling	
		Australia	New Zealand	Australia (any Mail)	New Zealand (any Mail)	Australia	New Zealand	Australia (any Mail)	New Zealand
T.T.	Air	Ord.	125	124	125	124	125	124	
	Mail	Ord.	125	124	125	124	125	124	
Sight	126	126	125	124	125	124	125	124	
30 days	126	126	125	124	125	124	125	124	
60 days	127	127	126	125	124	125	124	125	
90 days	127	127	126	125	124	125	124	125	

* All rates (Australian and New Zealand) now based on £100.—LONDON.

* All rates (Australian and New Zealand) now based on £100.—LONDON.

GOLD AND SILVER

The following statistics of imports and exports of gold and silver for the week ended March 4, 1937, are issued by the Statistical Department of H.M. Customs and Excise.

IMPORTS AND EXPORTS OF GOLD
(Into and from United Kingdom)

Imports		Exports	
From	Bullion* Coi†	To	Bullion* Coi†
British S. Africa...	1,191,887	Channel Islands...	1,100
Tanganyika.....	6,500	Sweden.....	8,450
Kenya.....	4,770	Syria.....	5,460
Uganda.....	6,280	Switzerland.....	10,000
British India.....	270,585	Jugoslavia.....	51,763
British Malaya.....	23,671	Turkey.....	300,960
Australia.....	88,448	Morocco.....	3,000
New Zealand.....	22,333	U.S.A.....	5,955,825
British Guiana.....	6,619	Other countries...	791
Germany.....	29,827		
Netherlands.....	13,201		
Belgium.....	66,408		
France.....	2,062,211		
Switzerland.....	2,286		
Venezuela.....	2,351		
Other countries...			
Totals.....	3,807,377		6,318,889

* At current market value. † Coin which is of legal tender in the United Kingdom is entered at face value and shown in italics. Other coin is entered at current market value.

IMPORTS AND EXPORTS OF SILVER

Imports		Exports	
From	Bullion* Coi†	To	Bullion* Coi†
British S. Africa...	274	Aden and Depend-	1,800
British India.....	15,240	encies.....	
Australia.....	963	Bombay, via other	
Canada.....	27,145	ports.....	3,929
Germany.....	10,658	Sweden.....	585
Netherlands.....	11,724	Norway.....	1,065
France.....	899	Switzerland.....	3,630
Japan.....	10,593	U.S.A.....	172,090
Mexico.....	17,000	Other countries...	1,440
Argentina.....	4,399		
Other countries...	216		
Totals.....	98,129		182,739

* At current market value. † Coin which is of legal tender in the United Kingdom is entered at face value and shown in italics. Other coin is entered at current market value.

GOLD MOVEMENTS: BANK OF ENGLAND

1937	ARRIVALS	1937	WITHDRAWALS
Feb. 26	Nil	Feb. 26	Nil
Mar. 1	Nil	Mar. 1	Nil
Mar. 2	Nil	Mar. 2	Nil
Mar. 3	Nil	Mar. 3	Nil
Mar. 4	Nil	Mar. 4	Nil
Total.....	Nil	Total.....	Nil
Movement, February 26 to March 4, 1937 (inclusive).....			
Movement during 1937 (January 1 to March 4, inclusive).....			
Movement, April 29, 1925, to March 4, 1937 (inclusive).....			
Movement, September 21, 1931 (gold standard suspended) to March 4, 1937 (inclusive).....			

GOLD MARKET

Messrs Samuel Montagu and Company write on March 3, 1937:—
The Bank of England gold reserve against notes amounted to £313,660,661 on February 24, 1937, showing no change as compared with February 17th. In the open market about £1,075,000 of bar gold was disposed of at prices which showed a small premium over dollar parity at the time of fixing. The main proportion of the supplies available continue to be secured for shipment to the United States of America.
The s.s. "Mooltan," which sailed from Bombay on February 27th, carries gold to the value of about £262,500. The Southern Rhodesian gold output for January, 1937, amounted to 65,572 fine ounces, as compared with 64,106 fine ounces for December, 1936, and 66,178 fine ounces for January, 1936.

SILVER MARKET

The expectation of the Indian Bazaars of an increase in the duty on imports of silver into India proved to be justified, the Budget presented to the Indian Legislative Assembly on February 27th, proposing to raise this duty from 2 annas to 3 annas an ounce. There was some Indian re-selling following the announcement, but there has since been forward buying by the Bazaars, this demand being instrumental in causing a rise in prices to-day of ½d. As a result of bear carrying operations, the difference between the quotations for the two deliveries widened, silver for cash delivery being quoted at a premium of ½d. since March 1st.
The tendency of the market for the near future is not well-defined, and the maintenance of the present level of prices depends upon continued support from India, as American interest is only in evidence at lower rates. Quotations for gold and silver are shown below:—

1937	Price of Gold per Fine Ounce	Equivalent Value of £ sterling	Price of Bar Silver in London per ounce standard	Price of Silver New York per ounce .999 fine
			Cash	Two Months
Feb. 25	142 2½	11 11.37	20½	20½
" 26	142 3	11 11.33	20½	20½
" 27	142 3	11 11.25	20½	20½
Mar. 1	142 3½	11 11.29	20½	20½
" 2	142 2½	11 11.37	20½	20½
" 3	142 2½	11 11.37	20½	20½
Average	143 0	11 11.33	20.229	20.104
Mar. 4	142 4	11 11.25	2½	21

The highest rate of exchange on New York recorded during the period from February 25th to March 3rd was \$4.89½, and the lowest \$4.88½. Statistics for the month of February, 1937:—

Cash delivery		Two months' delivery		Bar Gold per oz. fine	
Highest price.....	20 ½d.	20½d.	142s. 4d.		
Lowest price.....	19 ½d.	19½d.	141s. 11d.		
Average.....	20-0833d.	20-0469d.	142s. 1.27d.		

Mr Ian Fairbairn has been appointed a director of White Drummond and Company, Ltd.

Mr Herbert Strickland has been appointed managing director of Boulton Paul Aircraft, Ltd., and Mr J. D. North, chief engineer, retaining his seat on the board. Mr S. W. Hiscocks has resigned from the company.

Mr Emil Pusch has decided to retire from the board of Lazard Brothers & Company, Ltd., owing to reasons of health. Mr P. Horsfall has been appointed a managing director.

Vickers, Ltd., announce that General Sir Herbert A. Lawrence wishes to be relieved of his duties as chairman from the conclusion of the forthcoming annual general meeting. He will retain his seat on the board for the time being. Mr A. A. Jamieson will succeed Sir Herbert Lawrence as chairman.

Mr J. Oxley Parker has joined the board of the Equitable Life Assurance Society.

COMPANY NEWS

WEEKLY TRAFFIC RETURNS
RAILWAYS OF GREAT BRITAIN AND IRELAND

		Gross Receipts, week ended Feb. 28, 1937 (£'000)						Aggregate Gross Receipts, compared with 1936 (8 weeks) (£'000)					
(b) Week ended Feb. 26, 1937.	(c) Week ended Feb. 27, 1937.	Miles Open	Passen- ger, etc.	Merch- andise, etc.	Coal and Coke	Total Goods	Total Receipts	Passen- ger, etc.	Merch- andise, etc.	Coal and Coke	Total Goods	Total Receipts	
Great Western	1937	3,738	162	201	118	319	481	1,250	1,515	941	2,456	3,706	
(c) L. & N. Eastern	1936	3,746	154	193	112	305	459	1,231	1,465	934	2,399	3,630	
L. M. & Scottish	1937	6,332	265	365	278	643	908	2,006	2,593	2,117	4,710	6,716	
Southern	1936	6,336	257	324	259	583	840	1,968	2,537	2,167	4,704	6,672	
	1937	6,877	402	497	297	794	1,196	2,997	3,302	2,319	6,121	9,118	
	1936	6,901	387	470	278	748	1,135	2,932	3,062	2,338	6,000	8,932	
	1937	2,153	253	64	42	106	359	1,981	450	285	735	2,726	
	1936	2,154	244	68	44	112	356	1,910	470	323	793	2,703	
Total	1937	19,007	1,082	1,127	735	1,862	2,944	8,214	8,360	5,682	14,022	22,266	
	1936	19,137	1,042	1,055	693	1,748	2,790	8,031	8,134	5,762	13,896	21,937	
(b) Belfast & Co. Down	1937	80	1-5	...	...	0-6	2-1	13-4	...	...	3-9	17-3	
(b) Great Northern	1936	80	1-6	...	...	0-6	2-2	14-7	...	...	4-5	19-2	
(b) Great Southern	1937	543	7-5	...	...	9-5	17-0	59-3	...	...	71-7	131-1	
	1936	543	7-5	...	...	10-4	18-1	61-6	...	...	78-9	140-5	
(b) Great Southern	1937	2,076	25-7	...	...	41-0	66-7	205-7	...	...	331-6	537-3	
	1936	2,124	26-3	...	...	40-2	66-5	211-0	...	...	327-5	538-6	

COMPARISONS WITH CORRESPONDING PERIODS, 1935 AND 1936
(000's omitted)

	Great Western	L.M.S.	L.N.E.R.	Southern
First half-year 1936, compared with first half-year, 1935:—				
Gross increase or decrease.....	+ 283	+ 937	+ 534	+ 85
Second half-year 1936, compared with second half-year, 1935:—				
Gross increase or decrease.....	+ 491	+ 1,575	+ 751	+ 878
First half-year 1937, compared with first half-year, 1936:—				
8 weeks to February 27, 1937	+ 76	+ 186	+ 44	+ 23
Weekly average first half 1937	+ 9½	+ 23½	+ 5½	+ 2½
Latest week 1937 compared with 1936.....	+ 22	+ 61	+ 68	+ 3

LONDON TRANSPORT

	Week ending February 27, 1937.	Aggregate 35 weeks to February 27, 1937.
*Takings (before pooling)	564,200	19,566,300
Compared with corresponding period of last year	+ £25,500	+ £576,600

* For an explanation of the manner in which the figures are made up, see The Economist, March 17, 1934, page 610.

OVERSEAS RAILWAY RECEIPTS

Name		Weeks Ending	Present Mileage	Gross Receipts for Week	Gross Aggregate Receipts
				1936	+ or -
INDIAN					
				Rs.	Rs.
Assam Bengal	46	Feb. 10	1,330	15,44,700	+ 16,423
Barsi L. Ry.	44	Jan. 31	297	12,13,410	+ 55,997
Bengal & N. Western	21	Feb. 10	3,268	123,81,000	+ 38,403
Bombay, Bar. & C.I.	46	Jan. 31	3,072	38,39,000	+ 73,000
Bombay & S. Maharashtra	44	Jan. 31	3,229	23,88,000	+ 1,68,826
Rohilk'd & Kunapur	21	Feb. 10	3,572	2,65,965	+ 2,978
South Indian	44	Jan. 31	2,532	116,02,750	+ 1,50,378

		1937	1936	1935	1934
Canadian National	8	Feb. 28	2,356,4	4,028,534	+ 141,574
Canadian Pacific	8	Feb. 28	17,223	2,632,000	+ 93,000

		1937	1936	1935	1934
Antofagasta (Chili and Bolivia)	9	Feb. 28	834	£22,080	+ 11,330
Argentine N.E.	35	Feb. 27	753	*£119,100	+ 4,600
B.A. and Pacific	35	Feb. 27	2,860	*£2,003,000	+ 263,000
B.A. Central	33	Feb. 27	13	*£124,256	+ 22,083
B.A. Gt. Southern	35	Feb. 27	5,084	*£126,000	+ 38,700
B.A. Western	35	Feb. 27	1,930	*£126,000	+ 38,700
Central Argentine	34	Feb. 27	3,760	*£126,000	+ 38,700
Central Uruguayana	34	Feb. 27	273	*£126,000	+ 38,700
C. U. (East Ext.)	34	Feb. 27	311	*£126,000	+ 38,700
C. U. (W. Ext.)	34	Feb. 27	211	*£126,000	+ 38,700
Cordoba Central	35	Feb. 27	1,218	*£126,000	+ 38,700
Entre Rios	35	Feb. 27	810	*£126,000	+ 38,700
G. Westn. of Brazil	9	Feb. 28	1,082	*£126,000	+ 38,700
Leopoldina	9	Feb. 28	1,918	*£126,000	+ 38,700
Leopoldina Termi.	9	Feb. 28	397	*£126,000	+ 38,700
Nitrate	35	Feb. 27	274	*£126,000	+ 38,700
Paraguay Central	35	Feb. 27	100	*£126,000	+ 38,700
San Paulo	8	Feb. 21	153	*£126,000	+ 38,700
United of Havana	35	Feb. 27	1,353	*£126,000	+ 38,700

B.A. and Pacific	35	27	2,860	{ 2,003,000 + 263,000	50,572,300 + 2,957,300
B.A. Central	33	13	...	{ *124,256 + 22,083	3,036,147 + 239,043
B.A. Gt. Southern ..	35	27	5,084	{ \$126,000 + 36,700	4,781,100 + 939,200
				{ \$3,693,000 + 1066000	82,709,000 + 6,135,000
				{ *229,094 + 74,837	4,980,415 + 482,197
				{ 129,000 + 28,000	27,677,000 + 1,499,000

DIVIDEND ANNOUNCEMENTS

FIELD, SONS AND COMPANY.—Profit for 1936, £45,367. 7 reserve £11,475. Preference dividend £4,800. Final ordinary dividend 10 per cent., making 15 per cent., and absorbing £20,749, and bonus 24 per cent. £3,458. Preferred ordinary dividend at 10 per cent., £65,249. Carry forward £39,947.

(a) Includes Jubilee Bonus, 2½ per cent. (c) Includes a Jubilee Bonus of 2½ per cent. tax free. (d) Paid on a larger capital. (e) Also bonus of one share for each £9 ordinary stock held. (f) Free of South African normal income tax.

FIRST PROVINCIAL FIXED TRUST "RESERVES" SERIES.—Second distribution on series "Reserves" certificates will be at the rate of 4.404625d. net per sub-unit. This includes 2.22875d. net per sub-unit realised on sale of rights, etc.

FOREIGN GOVERNMENT BOND TRUST.—Dividend for half-year to February 26, 1937, at rate of £6 15s. 6d. gross per cent. per annum on initial price of 20s. The managers have issued a review covering the Trust's working since its inception in 1934. Copies may be obtained from the Managers, Municipal and General Securities Company Ltd., 9, Cloak Lane, London, E.C.4.

LONDON BRICK.—Final dividend 7½ per cent., making 22½ per cent. for 1936, before. Also bonus of one share for 49 ordinary stock held.

SHELL UNION DIVIDEND.—The Shell Union Oil Corporation has declared quarterly dividend of \$1-37½ on its \$38,816,800 of 5½ per cent. cumulative convertible preferred stock, payable on April 1st to holders on March 10th.

OTHER COMPANY RESULTS.—The four brewery results available this week (including those of CANNON BREWERY, MEUX'S BREWERY and TAYLOR WALKER), show comparatively little change. It would seem that marked expansion in brewery profits occurred mainly in the industrial areas. DAVIS AND TIMMINS' profits of £33,517 are more than doubled, and although the dividend is increased from 8 per cent. to 17½ per cent., it again absorbs less than half the available earnings. Among the seven stores reports, WILLIAM WHITELEY, LTD., shows slightly lower profits at £82,086; PETER ROBINSON, LTD., reduce their dividend from 3½ per cent. to 2½ per cent.; A. W. GAMAGE, LTD., make the same 15 per cent. distribution, although profits are 20 per cent. higher at £100,375, while HARRODS show a substantial increase from £729,431 to £800,321. The progress made by BRITISH HOME STORES continues, but at a reduced rate. Net profits of £100,149 compare with £93,483. The directors maintain their policy of making substantial bonus share issues, although earnings are not increasing at the same rate. Although the 5 per cent. dividend is unchanged, I. AND R. MORLEY, LTD., profits are 14 per cent. higher at £113,294. Another remarkable recovery is the rise from £34,028 to £72,417 in the profits of WOLSEY LTD. The small WOOLCOMBERS' setback is a disappointing exception to textile recovery, but the 26½ per cent. tax free dividend is unchanged. Further investment trust results include the results of the first year's working of BAY HALL TRUST and GREENFRIAR INVESTMENT. GAINSBOROUGH PICTURES (1928), who have converted a 9 per cent. dividend and a profit of £12,283 into a £98,182 loss, point out that costs

were the highest in the company's history; moreover, losses on a valuation of films in stock at the end of the previous year are provided for in the accounts. Trading profits of H.P. SAUCE continue to advance at a rapid rate; the 1927/203 compare with 1918,065 exclusive of the profit on the sale of securities. A marked improvement in all branches is reported by TELEGRAPH CONSTRUCTION AND MAINTENANCE, who have resumed dividends with a 7½ per cent. distribution out of earnings of £29,115.

TEMPERANCE PERMANENT BUILDING SOCIETY.—The report for 1936 shows an amount at credit in the share department of £2,823,163, and in the deposit department £1,995,240—an increase of £544,616. £1,284,408 was advanced to purchasers of house property, or £176,189 more than was advanced in the preceding year. Total mortgage asset, £5,518,909, an increase of £552,682. Total assets, £5,707,477, an increase of £497,279.

THE HALIFAX BUILDING SOCIETY.—The income for year to January 31, 1937, was £37,885,893. Advances made were £20,488,752. The amount owing on mortgage securities has increased by £6,253,600, and now stands at £92,195,988, and the average amount owing on all the Society's mortgages is only £407 each. Share and deposit funds increased by £5,931,541, and total shares and deposits is now £109,306,258. Total assets increased by £6,240,109 to £114,327,576.

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COMMERCE AND TRADE

SURVEY OF COMMODITY MARKETS

AN event of considerable importance this week was the removal of the 33½ per cent. duty on imported pig iron, and the reduction from 20 to 10 per cent. of the duty on iron and steel products imported with a quota certificate and certificate of origin. Consumers of these materials are accordingly anticipating some relaxation of the present stringency in the near future. Meanwhile, however, open-market supplies of iron and steel are scarce and prices are hardening. Certain sorts of coal are also in short supply. Many of the collieries are fully booked for some time ahead and are frequently unable to take advantage of export inquiries. In the circumstances, interest attaches to the statement of the Minister of Mines in the House of Commons on Tuesday that the Whitehaven (Cumberland) pits are to be re-opened.

The strength of the non-ferrous metal markets was a feature of the week. Copper, tin, lead and spelter were all dearer, rising to the highest level since 1930, 1928, 1926 and 1927, respectively. The volume of speculation in copper is now abnormally heavy. Interest was centred on Friday's meeting of the International Tin Committee, but the quota decision for the second quarter of the year had not been announced when we went to press.

Among textile raw materials, cotton showed a hardening tendency under the influence of a growing demand, while a strong tone was displayed at the Coleman Street wool auctions. Jute was also dearer, with other textiles about unchanged. The rubber market staged another advance, a further decline in United Kingdom stocks being accompanied by a moderately active trade demand. The market in oilseeds and their products showed an improving tone, although business was rather limited. Wheat was a little dearer after last week's decline, and raw sugar was also a firmer item.

Prices again moved upwards in the United States. Thus, on Wednesday last, Moody's daily index of staple commodity prices (December 31, 1931 = 100) stood at 211.9, against 207.3 a week earlier, 206.1 a month ago and 169.7 on the corresponding day last year.

COAL

SHEFFIELD.—There is considerable pressure for supplies both on home and export account, but outputs were larger during February, with the result that demand was more satisfactorily met. Encouragement has been given to shippers and exporting collieries by the intimation that South Yorkshire pits have secured a share in important contracts for locomotive coal for the Swedish State Railways. Collieries are booking well for export forward delivery for all qualities. Home demand for industrial coal is expanding and prices are tending to advance. Small coal is well sold forward on inland account and quotations are very firm. There is a heavy demand for blast furnace coke, and foundry coke requirements are growing. On the other hand, gas coke has quietened to some extent.

NEWCASTLE-ON-TYNE.—Consumers abroad are now turning their attention to covering their requirements over next year, large quantities having been bought at full current prices; but collieries are now less inclined to sell, believing that still better prices will be obtained by waiting. The current position gives no indication of any ease. Northumberland collieries are fully sold, and a similar position exists among Durham coking and gas collieries. Patent oven coke is becoming more difficult than ever to obtain, there being every indication—owing to the scarcity of this commodity on the Continent—that prices will further appreciate.

GLASGOW.—Conditions of stringency are still general in the Scottish coal market, and there seems little likelihood of an early improvement. The collieries are fully booked for some time ahead, and as regards export are unable to take advantage of the steady inquiry coming forward. Shippers on occasion find difficulty in obtaining even contract supplies. The bulk of the output is, of course, absorbed in the home market, where demand remains exceptionally keen; orders cannot be covered until after a waiting spell. Much inconvenience continues to arise through unofficial labour stoppages, which are happening at a time when the resultant reduction in output cannot be made good elsewhere.

CARDIFF.—The pressure of demand for prompt shipment is not quite as great as it was earlier in the year, but the collieries at work are fully employed under their contract commitments, and there is a scarcity, particularly of the washed and sized grades, for spot positions. For most classes prices are firm at their recently improved levels, except for washed dry nuts, which are slightly easier. Shipments continue to improve. Last week they were 70,000 tons greater than in the corresponding period last year, and the increase for the nine weeks ended February 28th just exceeds 400,000 tons. The Executive Board under the District Regulation Scheme has applied for a supplementary quota of 750,000 tons for the current quarter. Coke is firm and patent fuel steady, but Portuguese pitwood is a shade easier. The report of the joint accountants for the three months ended January last shows a credit balance of £276,825. These are the first profits made since the corresponding period ended January, 1936; for the past twelve months the trading results record a loss of over £70,000.

IRON AND STEEL

LONDON.—Business in the iron and steel markets has been on a restricted scale owing to consumers' difficulty in placing fresh orders, says the official report of the London Iron and Steel Exchange. The situation is further complicated by the normal seasonal expansion of consumption.

Already most of the steelworks have orders sufficient for three or four months, and they are usually reluctant to accept new business. All pig iron producers are concentrating upon making deliveries against contracts, and overtaking arrears. Some producers have temporarily withdrawn from the market, and it is impossible to place fresh orders for certain brands of pig iron. The position in semi-finished steel is becoming increasingly stringent, and consuming works are hard pressed to maintain operations; outputs are insufficient to meet the demand. All the makers of this class of material are inundated with orders; but many of them are only able to accept business for unspecified delivery. Demand for finished steel appears to be increasing; but many manufacturers have the whole of their production earmarked for some time to come against existing contracts. It is difficult to arrange export business in these circumstances, but efforts are being made to retain old-standing connections in foreign markets.

MIDDLESBROUGH.—Shipments of pig iron from the River Tees to foreign destinations during February amounted to 5,203 tons, whilst coastwise shipments amounted to 1,785 tons. Shipments of manufactured steel during February amounted to 33,474 tons, of which 21,108 tons went abroad. Imports of foreign ore into the Tees during February amounted to 233,040 tons. A number of steamers on passage, which should have arrived before the end of January, were delayed by bad weather, so that the quantity imported during January was only 124,860 tons.

Market conditions are unchanged. Producers of Cleveland foundry pig iron and East Coast hematite are rationing home users, and are still able to supply small quantities for shipment either coastwise or abroad. Prices are maintained, the official figures being: No. 3 Cleveland foundry pig iron, 81s. per ton; East Coast hematite mixed numbers, 97s. 6d. per ton, subject to a rebate of 5s. per ton; all for delivery in this area. It is, however, impossible to arrange new business.

The announcement of the removal of the import duty, and the restoration of pig iron to the free list, will, it is hoped, enable Continental producers to ship some iron to this country, and thus relieve the pressure for supplies. Supplies of semi-manufactured steel have diminished considerably of late, and re-rollers are suffering inconvenience. The pressure for all classes of finished steel continues. It is expected that steel prices will be revised at the end of May. Meanwhile, the price of iron bars has been advanced by 27s. 6d. to £11 17s. 6d. per ton. So far, no official figures have been announced for heavy melting steel scrap, but it is understood that transactions are taking place at 67s. per ton, delivered at the works.

SHEFFIELD.—The reduction of the tariff on imports of pig iron, and the cutting to 10 per cent. of the duty on iron and steel, which came into effect on Wednesday, will do much to ease the shortage of raw materials which has been hampering work in this area for some time. Pig iron producers are finding it difficult to maintain full deliveries under existing contracts, and do not welcome new business in foundry and basic. In forge pig, conditions are less stringent, but orders are not easily placed. Only a few small parcels of material have been on the market this week. With regard to hematite, the position shows very little alteration. Conditions all round, however, are expected to become easier. Finished iron prices have been advanced 27s. 6d. for all grades, for England. Crown bars now stand at £11 17s. 6d.; No. 3 at £10 5s., and No. 4 at £10 15s. Iron strip is quoted up to £12 15s. The price of marked bars is as yet unaltered, but that it will shortly be raised is fairly certain. The scheme to control iron and steel scrap supplies, allowing the export of certain classes only by permit, and stabilising home prices, does not appear to have been unanimously welcomed by merchants. What the actual official quotations will be is not yet known, and this week merchants have been dealing at last week's prices. With the production of basic steel billets at a record level, it is still impossible fully to cope with orders, and the position is becoming decidedly difficult. As to acid billets, although the pressure is not quite so great, the position is becoming less easy every week. Stainless steel sheets, and bars and strip, are all in heavy demand, as is structural steel. High-speed steel is in active request, and an increase in quotations is expected.

GLASGOW.—For a number of weeks past the situation in the West of Scotland iron and steel trades has been one of considerable anxiety, both for steel makers and steel users, on account of the uncertainties regarding deliveries of raw materials. The announcements made on Wednesday regarding the withdrawal of the duty on imported pig iron and the reduction of duty on imported iron and steel have given reason to hope that supplies of imported material will soon be available. While steel-makers have so far been able to keep their plants fully employed, the position as regards re-rollers has been less fortunate; in several branches it was found necessary in recent weeks to reduce the number of mills in operation. There has been no falling off in demand, and steel makers, makers of semis and producers of finished steel have all well-filled order books. If hopes regarding supplies of material are realised, makers should be able to find employment to capacity for all plant for some months to come.

CARDIFF.—There is a temporary scarcity of tinplates for prompt supply, and premiums on the scheduled cartel f.o.b. price of 19s. 9d. per basis box have further increased to 2s. and 2s. 6d. per box. The output quota remains unchanged. Shipments are still active, and last week they totalled 6,308 tons compared with 3,473 tons in the corresponding period last year. Galvanised sheets are comparatively quiet but firm at the recently increased minimum prices, while steel bars are unchanged at £6 2s. 6d. per ton. The action of the Government in suspending the 33½ per cent. import duty on pig iron and reducing the duty on cartel steel from 20 per cent. to 10 per cent. is welcomed in South Wales, but normally the local steel furnaces consume more than twice as much steel scrap as pig iron, and the scarcity of scrap remains very acute.

OTHER METALS

COPPER.—After an early reaction the price of copper recovered sharply and closed on Wednesday at £70 15s., a gain of £3 17s. 6d. on the week, and the highest level since 1930. The basic position has not changed very much this week. Consumers are still engaged in increasing their holdings and, at the same time, speculative buying is heavy. The speculative bull account is believed to be now over 200,000 tons, against the normal figure in recent years of about 50,000 tons. There is still not the slightest evidence of Government buying. Any major reaction in prices will be dependent on an increase in production and stocks; this will certainly take some time, although reports from all important mining centres are quite encouraging.

Sales on the London Metal Exchange: 5,600 tons on Monday, against 12,400 tons last week; 4,800 tons on Tuesday, against 8,000 tons last week; 4,750 tons on Wednesday, against 5,050 tons last week. Domestic spot was quoted at 16-12½ cents per lb. in New York on Wednesday, against 15-2½ cents a week ago and 12-72½ cents a month ago. Wednesday's official closing price for standard cash in London was £70 15s. to £70 17s. 6d., compared with £66 17s. 6d. to £67 a week ago. Stocks of refined copper in British official warehouses at the end of last week, at 34,933 tons, showed a decrease of 1,308 tons, while stocks of rough copper, at 607 tons, were 100 tons smaller.

LEAD AND SPELTER.—After early fluctuations, both metals staged a sharp recovery on Wednesday, and closed the week on the highest levels since 1926 and 1927, respectively. Turnovers on the London Metal Exchange have been smaller this week, but demand is still large and offerings are not substantial. The scarcity of high-grade zinc helps to keep spelter prices very strong, and the difference between lead and spelter prices has now contracted to slightly more than £1. From a technical and statistical point of view, these metals are in the soundest position of the "big four" and further rises in prices are quite probable if demand is maintained.

HONGKONG AND SHANGHAI BANKING CORPORATION

(Incorporated in the Colony of Hongkong. The liability of members is limited to the extent and in manner prescribed by Ordinance No. 6 of 1929 of the Colony.)

ONE HUNDRED AND TWENTY-FIRST REPORT OF THE BOARD OF DIRECTORS to the Ordinary Yearly General Meeting of Shareholders, held at the Offices of The Hongkong and Shanghai Banking Corporation, 1, Queen's Road Central, Hongkong, on Saturday, the 27th February, 1937, at 11.30 a.m.

TO THE PROPRIETORS OF THE HONGKONG AND SHANGHAI BANKING CORPORATION

GENTLEMEN,—The Directors have now to submit to you a General Statement of the affairs of the Bank, and Balance Sheet for the year ending 31st December, 1936.

The net profits for the year, together with \$3,327,060-03, balance brought forward from last account, after paying all charges, deducting interest paid and due, and making provision for bad and doubtful accounts and contingencies, amount to \$18,434,235-22.

The Directors recommend writing off Bank Premises Account the sum of \$1,000,000.

After deducting \$1,000,000, the Interim Dividend of £2 10s. 0d. per share, paid on 10th August last, viz.:—£400,000 at 1/3 3/4 = \$6,269,387-78, and remuneration to Directors, there remains for appropriation \$11,085,327-66 out of which the Directors recommend the payment of a final Dividend of £3 per Share, viz., £480,000, which, at 1/2½, the rate of the day, will absorb \$7,744,537-82.

The Balance \$3,340,789-84 to be carried to New Profit and Loss Account.

ABSTRACT OF ASSETS AND LIABILITIES			
31st December, 1936			
LIABILITIES	Sterling Equivalent	Dollars	
Authorised Capital:—	£	s.	d.
400,000 Shares of \$125 each	\$50,000,000		
Issued and Paid-up Capital:—	1,239,583	6	8
160,000 Shares of \$125 each	20,000,000-00		
Reserve Liability of Proprietors:—			
\$125 per Share on 160,000 Shares issued	\$20,000,000		
Sterling Reserve	6,500,000	0	0
Hongkong Currency Reserve	619,791	13	4
Notes in Circulation:—			
(Authorised and Additional Issue against Securities deposited with the Crown Agents for the Colonies, and their Trustees, and Hongkong Government Certificates of Indebtedness for Surrendered Bullion totalling \$197,590,762) ...	7,910,790	5	5
Current Accounts	40,244,894	18	5
Fixed Deposits	11,690,168	15	4
Bills Payable:—			
(Including Call Loans and Short Sight Drawings on London Office and Drafts on London Bankers)	918,632	16	7
Acceptances on Account of Constituents	204,934	14	9
Profit and Loss Account	749,038	10	9
Liability on Bills of Exchange re-discounted, £2,615,936 18s. 8½., of which £2,544,488 14s. 1d. have since run off.			
	£70,077,833	1	3
	\$1,130,667,558-61		
ASSETS	Sterling Equivalent	Dollars	
Cash (including Hongkong Government Certificates of Indebtedness for Surrendered Coin amounting to \$141,487,039-49 against authorised and/or excess note circulation)	12,238,729	6	9
British Government, Indian, Colonial and other Securities	18,681,747	2	3
Bills Discounted, Loans and Credits	30,606,091	4	4
Bills Receivable and Balance of Remittances and Drafts in Transit	6,996,887	7	7
Liabilities of Constituents for Acceptances, Per Contra	204,934	14	9
Bank Premises	1,349,443	5	7
	£70,077,833	1	3
	\$1,130,667,558-61		

Sterling Exchange taken at 1/2½.

The sterling equivalents of the Assets and Liabilities are shown at 1/2½, the rate ruling on the last day of the year.

DIRECTORS

Mr. G. MISKIN has been elected Chairman for the year 1937, and Mr. M. T. JOHNSON has been elected Deputy Chairman.

The Hon. Mr. S. H. DODWELL, The Hon. Mr. J. J. PATERSON and Mr. A. H. COMPTON retire in rotation, but being eligible for re-election, offer themselves accordingly.

Messrs. W. H. BELL, C. C. KNIGHT and J. A. PLUMMER, on leaving the Colony, resigned their seats, and Messrs. J. K. BOUSFIELD, J. R. MASSON and K. S. MORRISON joined the Board.

AUDITORS

The Accounts have been audited by Mr. JOHN FLEMING, C.A., and Mr. H. R. FORSYTH, C.A., who offer themselves for re-election.

J. J. PATERSON, Chairman.

HONGKONG, 9th February, 1937.

GENERAL PROFIT AND LOSS ACCOUNT

Dr.	31st December, 1936	Dollars	Dollars
To Interim Dividend:—			
Paid on 10th August, 1936, of £2 10 0 per Share on 160,000 Shares = £400,000 at 1/3 3/4 =			6,269,387-76
To Remuneration to Directors £5,000			79,519-80
To Balance to be Appropriated:—			
To Final Dividend:—			
Of £3 per Share on 160,000 Shares = £480,000 at 1/2½ =		7,744,537-82	
Transfer to Bank Premises Account		1,000,000-00	
To Balance forward to next year		3,340,789-84	
			<u>\$18,085,327-66</u>
Cr.			
By Balance of Undivided Profits, 31st December, 1935 ...	3,327,060-03		
By Amount of Net Profits for the Year ending 31st December, 1936, after making provision for bad and doubtful debts and contingencies, deducting all Expenses and Interest paid and due	15,107,175-19		
			<u>18,434,235-22</u>
			<u>\$18,434,235-22</u>

STERLING RESERVE

Dr.	Sterling
To Balance	£6,500,000 0 0
Cr.	
By Balance 31st December, 1935	£6,500,000 0 0

HONGKONG CURRENCY RESERVE

Dr.	Dollars
To Balance	\$10,000,000-00
Cr.	
By Balance 31st December, 1935	\$10,000,000-00

V. M. GRAYBURN, Chief Manager. A. MORSE, Chief Accountant. J. J. PATERSON, G. MISKIN, M. T. JOHNSON, Directors.

We have audited the above Balance Sheet with the Books, Vouchers and Securities at the Head Office and with the certified Returns from the Branches and Agencies made up to 31st December, 1936, with the exception of certain distant offices where the year is closed on 31st October or 30th November. In our opinion such Balance Sheet is full and fair, and properly drawn up so as to exhibit a true and correct view of the Corporation's affairs according to the best of our information and the explanations given to us and as shown by the Books of the Corporation.

JOHN FLEMING, H. R. FORSYTH, Chartered Accountants, Auditors.

HONGKONG, 9th February, 1937.

WHOLESALE COMMODITY PRICES

UNITED KINGDOM: LONDON, March 3rd.

The prices in the following are revised with the assistance of an eminent firm in each department

CEREALS AND MEAT				POTATOES—				Wool—			
GRAIN, Etc.—				English King Edward				English Southdown, greasy, per lb.			
Wheat—				per cwt.				Lilac hog, washed			
No. 2, N. Man. 496 lb.				s. d. s. d.				18			
Eng. Gaz. av., per cwt.				9 0 9 6				Dry and Drysalted Cape			
Barley, Eng. Gaz. av. ...				SPICES—				Market Hides, Manch'...			
Oats, ...				Pepper, per lb.—				Best heavy ox and heifer			
Maize, La Plata, landed				Black Lampong				Best cow			
480 lb. ...				White Muntok				Best calf			
Flour, Lon. stan. ex mill,				Cinnamon—1st sort, per lb.				INDIGO—			
280 lb. ...				Cloves—Zanzibar, per lb.				Bengal, gd. red. vio. to			
Rice, No. 2 Burma, per cwt.				Ginger—per cwt.—				fine			
MEAT—				African				s. d. s. d.			
Beef, per 8 lbs.—				Jamaica, ord. to good				Cape			
English long sides				Mace				Dry and Drysalted Cape			
Argentine chilled binds				Nutmegs, 65's				Market Hides, Manch'...			
Mutton, per 8 lbs.—				SUGAR—				Best heavy ox and heifer			
English wethers				(Duty, 11/8 per cwt.)				Best cow			
N.Z. frozen				Centrifugals, 96", rpt.				Best calf			
Lamb, per 8 lbs.—				shipp., c.f. U.K./Cont.				INDIGO—			
N.Z. frozen				B.W.I., crystallised				Bengal, gd. red. vio. to			
Pork, English, per 8 lbs.				Java, white, c. & f. India				fine			
OTHER FOODS				Oct.-Dec.				s. d. s. d.			
BACON—				Nominal.				Cape			
English, per cwt.				REFINED—				Dry and Drysalted Cape			
Irish				Yellow Crystals				Market Hides, Manch'...			
Danish				Cubes				Best heavy ox and heifer			
Dutch				Crushed				Best cow			
HAMS—				Granulated				Best calf			
Canadian				Home Grown				INDIGO—			
United States				TEA—				Bengal, gd. red. vio. to			
BUTTER—				Indian—per lb.—				fine			
Australian				Pekoe				s. d. s. d.			
New Zealand				Broken Pekoe				Cape			
Danish				Orange Pekoe				Dry and Drysalted Cape			
CHEESE—				Broken Orange Pekoe				Market Hides, Manch'...			
Canadian				Ceylon—per lb.—				Best heavy ox and heifer			
New Zealand				Pekoe				Best cow			
English Cheddars				Broken Pekoe				Best calf			
Dutch				Orange Pekoe				INDIGO—			
COCOA—				Broken Orange				Bengal, gd. red. vio. to			
Duty, British grown,				TOBACCO—				fine			
11/8; foreign, 14/- cwt.				(Duty, 9/6-10/8 per lb.)				s. d. s. d.			
Accra, f.f., per cwt.				Empire growth, 7/5½				Cape			
Trinidad				8/4 per lb.)				Dry and Drysalted Cape			
Grenada				Virginia leaf—				Market Hides, Manch'...			
COFFEE—				Common to fine				Best heavy ox and heifer			
Duty, British grown,				Rhodesian leaf				Best cow			
4/8; foreign, 14/- cwt.				Nyasaland leaf				Best calf			
Santos sup. c. & f. cwt.				COTTON—				INDIGO—			
Colombian, good				Mid-American				Bengal, gd. red. vio. to			
Costa Rica, med. to good				Sakellaridis, f.g.f.				fine			
East Indian				Yarns, 32's twist				s. d. s. d.			
Kenya, medium				13½				Cape			
EGGS—				FAX—				Dry and Drysalted Cape			
English				Livonian ZK				Market Hides, Manch'...			
Danish				Pernau HD				Best heavy ox and heifer			
FRUIT—Oranges—				Slanetz Medium 1st sort				Best cow			
Valencia				HEMP—				Best calf			
Jaffa				Italian P.C.				INDIGO—			
Lemons, Malaga				Manilla, Jan.-Mar. "J2"				Bengal, gd. red. vio. to			
Sicilian				34 10				fine			
Apples: Amer. (var.) brls.				26 0 29 0				s. d. s. d.			
(var.) boxes				JUTE—				Cape			
Australian				Native 1st mks.				Dry and Drysalted Cape			
Onions—				c.f. H.A.R.B.				Market Hides, Manch'...			
Valencia, case				Daisee 2/3 c.f. Dundee				Best heavy ox and heifer			
Egyptian, bags				Mar.-Apr.				Best cow			
Grapes, Almeria, barrels				SILK—				Best calf			
Grapefruit, Jaffa				Canton				INDIGO—			
Amer.				Tussah				Bengal, gd. red. vio. to			
LARD—				Japan				fine			
Irish finest bladders				Japan—raw, fr. Milan				s. d. s. d.			
U.S.				s. d. s. d.				Cape			
per cwt.				8 0 9 6				Dry and Drysalted Cape			

† These prices are for fuel oil for inland consumption—other than for use in Diesel-engined road vehicles—and do not include the Government tax

UNITED STATES

New York quotations unless otherwise stated

	Mar. 4, 1936	Feb. 3, 1937	Feb. 24, 1937	Mar. 3, 1937		Mar. 4, 1936	Feb. 3, 1937	Feb. 24, 1937	Mar. 3, 1937
Wheat, No. 2, Winter, nearest	100½	131½	131½	133½	Sugar, Cuban Centrifugals, 96	11-20	13-30	13-18	13-87
future, Chicago, per bushel	61½	105½	103½	104½	deg., spot, per lb.	15½	20½	21½	21½
Maize, nearest future, Chicago,	28½	50½	47½	45½	Cotton, middling, spot, per lb.	104	116	116	116
per bushel	57½	111½	107½	106	Rubber, smoked sheet, spot,	8-72½	12-72½	15-72½	16-12½
Oats, nearest future, Chicago,	(a)	86	82	82	per lb.	8-95	12-95	15-95	16-35
per bushel	6½	9½	9½	9½	Petroleum, Mid-continent crude	4-90	6-00	6-80	7-00
Rye, nearest future, Chicago,	9½	11½	11½	11½	33 deg., to 33-90, at well, per	4-60	6-00	6-50	7-00
per bushel	5-14	10-50	10-12	10-90	barrel	48-25	51-00	54-35	56-87½
Barley, nearest future, Chicago,					Copper, "Electrolytic," Domestic,				
per bushel					spot, per lb.				
Coffee, Rio No. 7, cash, per lb.					Copper "Electrolytic," Export				
" Santos No. 4, cash, per lb.					prompt, per lb.				
" Santos No. 4, cash, per lb.					Spelter, East St. Louis, spot,				
Cocoa, Accra, nearest future,					per lb.				
per lb.					Lead, spot, per lb.				
					Tin, " Straits," spot, per lb.				

(a) Nominal.

THE ECONOMIST

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recognised this forthwith by substituting MR EDEN for SIR SAMUEL HOARE as Foreign Secretary; and though the latter was subsequently reinstated in the Cabinet as First Lord of the Admiralty, he would be a bold Prime Minister who, two months or so from now, decided to pursue a foreign policy with which MR EDEN—and a vast number of voters in the country—were not fully in accord.

MR CHAMBERLAIN during the past three critical years has sometimes seemed like a circus acrobat, with one foot on the back of an isolationist pony, the other on the back of a League mount. But he is certainly aware how much of the present support for the Government's rearmament programme in the country is dependent upon the widespread conviction that arms should be used primarily to implement, and be governed in their scale by, our League obligations. MR EDEN still stands as a symbol of that belief. The Government have asked for political unity in face of grave dangers. Once again the country has responded. But nothing could be more calculated to destroy national unity than an abrupt *volte face* in the foreign policy which British armaments must subserve. MR CHAMBERLAIN's choice of his Foreign Secretary will be regarded as a test whether he still stands in spirit, as well as in the letter, by the pledges of 1935.

Other appointments will have a home political flavour rather than international importance. It is believed that MR CHAMBERLAIN desires as far as possible to preserve the "National" character of the Government, and that, therefore, the Chancellorship of the Exchequer is, if possible, to go to the National Liberals. But the tipsters cannot make up their minds between MR RUNCIMAN and SIR JOHN SIMON. The plain man would have supposed that if appointments were to be made in accordance with fitness, the lawyer should go to the

Woolsack and the man of affairs to the Exchequer. But our recent history contains examples of lawyers who have done notable things with our finance—witness the late LORD OXFORD and MR LLOYD GEORGE. It may well be that the decision may be influenced by opinion among the National Liberal and National Labour members of the House.

If MR RAMSAY MACDONALD goes upstairs to the Lords, and VISCOUNT HAILSHAM retires, there will be chances of promotion for younger men. But who are the Government's promising candidates? MR HORE-BELISHA has made his mark with energy; and he is also a National Liberal. So is MR ERNEST BROWN; but his handling of labour problems has been cramped by the Government's vacillations in policy. Presumably MR W. S. MORRISON will stay at the Ministry of Agriculture, where he has just been installed, though he may be cast for higher things. MR MALCOLM MACDONALD, MR ELLIOT and MR DUFF-COOPER may stay where they are; but EARL DE LA WARR—MR M. MACDONALD's National Labour colleague—may find a place in the New Cabinet. Two older candidates for high office, who command general respect and whose presence in any Cabinet would greatly strengthen it, are SIR AUSTEN CHAMBERLAIN and MR WINSTON CHURCHILL. These, says Dame Rumour, are non-starters in the new Cabinet stakes.

Whoever wins those stakes, any Government in the next two or three supremely critical years must appeal for the widest support in the country. A refurbished National Government may present a good enough face to enable the appeal to be made. But they will only secure that response if they base their foreign policy on clear-cut principles, if they do everything to preserve democratic institutions at home, and if they use all the means at their command to strengthen democracy in the world.

The Next Budget

THE ominous rise in defence expenditure has lent an unusual significance to the discussions of public finance which, at this season of the year, make their annual appearance in the limelight of public attention. The estimates for the defence services have made it abundantly clear that, in spite of the Defence Loan, more money must come from taxes. Until Budget Day, which is still at least a month away, the individual citizen will be anxious to glean any indications that are available from the published figures of the demands that will be made of him in the coming year. The process of forecasting the task which the CHANCELLOR OF THE EXCHEQUER will have to face when he opens his Budget is thus of more than usual interest this year.

The starting-point for any discussion of the prospects for next year must necessarily be the figures for the present year. In his Budget last April MR NEVILLE CHAMBERLAIN estimated the year's revenue at £798,400,000 and expenditure at £797,900,000. Up to the present, with three and a half weeks of the year still to go, the revenue has been coming in very satisfactorily. Over nine comparable weeks of the present quarter, 1937 tax revenue has exceeded that of 1936 by an average of £3,850,000 a week. Moreover, the increase in comparison with last year shows no signs of falling off. The remaining period between the latest weekly return and the end of the year is one calendar day longer this year than last, but (owing to the inter-vention of Easter) one working day shorter. If the present rate of increase in comparison with last year continues, the total tax revenue should be about £4½ millions more than the estimate. If the non-tax revenue

exactly equals the estimate (it may be more) the total revenue will be about £803 millions.

On the expenditure side, the provision made for the Consolidated Fund services can be taken as fixed, since its largest item, the service of the National Debt, must, by law, absorb the whole of the provision made for it. Expenditure on the Supply Services is more difficult to estimate. The average increase over last year since January 1st has been £1,800,000 a week. If this rate of increase is continued to the end, the total expenditure on Supply Services will be £564 millions, or only £1½ millions more than the original Budget estimate. This would give a surplus of about £3,000,000. But in each of the last two weeks, expenditure on the Supply Services has been in excess of £18 millions. If we have suddenly come to the period of heavy expenditure on re-armament, this rate of expenditure may continue throughout March. If it does, the surplus of £3,000,000 may be converted into a deficit of £17 millions.

For the present, however, and subject to this proviso, we can estimate that 1936-37 will close with a small surplus and with Supply Service expenditure at about £565 millions.

We are now in a position to turn to the prospects for next year. With the appearance of the Air Estimates (discussed in detail on page 579), the Supply Service Estimates are complete. In the following table they are compared with the original Estimates of a year ago, which are much smaller than the actual expenditure, and smaller even than the Budget estimate, since MR CHAMBERLAIN allowed a margin of £25.6 millions for Supplementary Estimates.

ORIGINAL ESTIMATES, 1936 AND 1937

	(£ millions)		
	1936	1937*	Change
Civil Services	365.3	408.1	+ 42.8
Revenue Departments (exc. Post Office)	13.5	13.9	+ 0.4
Navy	69.9	105.1	+ 35.2
Army	49.4	82.1	+ 40.8
Ordnance Factories		8.1	
Air Force	39.0	82.5	+ 43.5
Total	537.1	699.8	+ 162.7

* Gross totals, including amounts to be borrowed.

From this increase of £162.7 millions several deductions have to be made. In the first place, the actual expenditure of the current year will be, as estimated above, about £28 millions more than the original Estimates. Secondly, the Estimates for 1937-38 include £22,500,000 of expenditure on roads which has hitherto been met out of the autonomous Road Fund. The revenue of the Road Fund will be brought into the main Budget next year. These two deductions reduce the increase to about £112 millions. Finally, from this still very impressive total, £80 millions has to be deducted, so far as the taxpayer is concerned, in respect of the money to be raised by the Defence Loan, divided more or less equally between the three Services.

The net increase of estimated expenditure that has to be provided out of revenue, compared with the probable expenditure of the present year is thus reduced to £32 millions. Provision will, however, once more have to be made for Supplementary Estimates. In some cases, such as the Special Areas and the shipping subsidy, items have been omitted from the Estimates because Parliament has not yet sanctioned the expenditure. Moreover, it is doubtful whether estimating for the needs of the defence forces is more exact this year than it was last year, when £20 millions had to be allowed in the Budget for defence Supplementaries. The nearest that we can get to the exact position is to say that in 1937-38 the yield of taxation will have to increase by something more than £32 millions, and possibly by as much as £60 millions, above its amount for the current year.

We have now surveyed the present year and the estimated expenditure for the coming year. Following the traditional pattern of a Budget speech, we must now turn to the prospects for revenue in 1937-38. We must first of all take account of the fact that the tax increases made in the last Budget do not produce their full effect in the current year. From this source an automatic increase of revenue of £3.7 millions can be looked for in 1937-38. What can be expected from the natural buoyancy of the revenue in a period of expanding trade? After making all adjustments for the effects of changes in the rates of taxation, 1934-35 produced £23.1 millions more revenue than 1933-34; the increase in the next year was £38.9 millions, and if the estimate given above of revenue for the current year is realised, the "adjusted" increase will be £36.0 millions. What can be expected for next year? The yield of Customs and Excise will, of course, depend upon the course of trade in the twelve months beginning on April 1st. The commodities most important from the point of view of yield are tobacco, beer, spirits and petrol. The guess may be hazarded that the consumption of these articles will continue to increase at about the rate recently experienced. If so, the increased revenue from this source will be between £10 millions and £12 millions, say £11 millions. Death duties depend partly upon the death-rate among millionaires, partly upon the course of security values. This is always a difficult item to estimate, and it is perhaps best to leave the figure unchanged. The same

applies to stamps, though it is unlikely that the long series of increases in this item will be interrupted next year. An increase of £1,000,000 may perhaps be allowed.

The yield of income tax should be more susceptible of estimation, since the tax to be collected in 1937-38 will be assessed on incomes already earned. In the case of companies, the profits to be taxed will be those earned in the companies' financial years ending between April 6, 1936, and April 5, 1937. This means that the period in which the profits have been earned is an earlier one than April, 1936-April, 1937, perhaps six months earlier (i.e. October, 1935-September, 1936). But *The Economist's* statistics of profits are compiled, not according to the period in which the profits are earned, but according to that in which they are declared, which is some months later. On balance the correct period to examine for the trend of profits would seem to be the calendar year January to December, 1936. According to our figures, profits declared in 1936 were 12.7 per cent. higher than in 1935, while those of 1935 were 15.9 per cent. higher than in 1934. In other words, the rate of increase of profits has declined and the yield of income tax, so far as profits are concerned, can be expected to show a smaller proportionate increase next year than it is showing this year.

Company profits, however, are by no means the only source of income-tax returns. We must also attempt an estimate of the yield from tax on other incomes, which include not only salaries but also professional earnings and the profits of businesses other than joint-stock companies. Here again a time-lag must be allowed for, since the instalment of tax on salaries payable on July 1st next is the second half of the tax on the incomes of 1935-36. On the whole, the calendar year 1936 would again seem to be the most relevant period for comparison. The total of other incomes might be expected to fluctuate very roughly in proportion to business activity in general and, according to *The Economist's* Index of Business Activity, 1936 showed a considerably greater increase in comparison with 1935 than 1935 did in comparison with 1934. This part of the yield of income tax should, accordingly, show a larger increase next year than this. Offsetting the one result against the other we may guess that the yield of income tax as a whole, irrespective of changes in the rate of tax, will increase next year in the same proportion as this, that is by about £17 millions. A similar rough estimate for surtax would seem to justify an increase of £4 millions, which is considerably less than the increase estimated by the CHANCELLOR for the current year.

In this way we have accumulated increases of about £37 millions, each item being conservatively estimated. One further item can be added. The income of the Road Fund in the present year already amounts to £27.2 millions, and, in view of the speed with which the number of motor vehicles is increasing, it does not seem extravagant to put it at £28.5 millions for the whole of next year. But the road expenditure appearing in the Estimates amounts to only £22.5 millions. The death of the Road Fund will therefore benefit the Exchequer to the tune of about £6 millions.

It is thus possible, on perfectly reasonable assumptions, to foresee an increase in the revenue next year, without any increase in taxation, of about £43 millions. This would make it possible to allow £11 millions for Supplementary Estimates, over and above the expenditure already foreshadowed. Whether this will be sufficient margin we shall have to wait until Budget Day to discover. But even if increases in taxation are necessary, it does not seem likely that more than £10 millions or £15 millions extra revenue will be required. For this, a further 3d. on the standard rate of income tax would be fully sufficient. It looks as if the taxpayer can breathe again. He may not even have to bear any new burden.

Britain and India

THE first series of Indian provincial elections under the new Constitution, which are now complete, have provided a triumph for the Congress and its organisation. That such an inclusive judgment is possible is itself significant; for the Congress is an all-India organisation, with an all-India platform centring round the demand for full national autonomy, while the elections were for provincial assemblies and councils, concerned only with provincial affairs. There must thus necessarily be a certain contrast between the polling results and their consequences in actual government; for a party calling itself Congress or Muslim in Bengal, faced with practical problems of government or opposition, may find itself adopting a very different policy from that of a party calling itself by the same name in Bombay. Yet the projection of national groupings and national issues upon the provincial plane was as inevitable as the projection of the Conservative-Labour conflict upon the plane of local government in England. The success of the Congress is to be largely ascribed to the very fact that it had a national appeal and a national organisation, complete with slogans, funds, and constituency machines.

Its success was much greater than had been anticipated even by its own optimistic adherents. Evidently it obtained the support of a high percentage of the newly franchised voters, who number 120 millions against the 7 millions previously entitled to the vote. The Congress has secured absolute majorities in the single or lower chambers of Bihar, Orissa, the United Provinces, the Central Provinces, Madras, and Bombay. It also forms the largest single party in Bengal and Assam, and is the largest party with any real cohesion in the North West Frontier Province. Only in Sind and the Punjab does it take a minor place. A proper estimation of the results, however, requires a review province by province.

In the Frontier Province, either the Independent Muslims (23 in a House of 50) or the Congress (19) could on paper form a Government with the support of the Hindu-Sikh Nationalists (7). But a number of the Muslims are doubtless sympathetic towards the Red-Shirt brand of Congress ideas, and a Congress Government is therefore on the cards. In the Punjab, the Unionist Party (all communities) has an absolute majority of 99 seats out of 175, and SIR SIKANDER HYAT KHAN has already formed a Government. The Opposition includes 30 Congress supporters. In the Sind Assembly, with 60 seats, there is a possibility of an alliance of the Sind United Party (18) with the Sind Muslim Party (4) and Independent Muslims (9), or with other minor groups. In Bombay the Congress, while filling exactly half the 26 seats in the Council, just failed to secure a majority of the 175 seats in the Assembly; but the acceptance of its whip by other members has since brought up its pledged support to the required 88. Local Congress leaders are already bickering over the question who is to head the Government. In Bengal, Congress supporters fill 55 seats out of 250, the Proja Party 40 and the Muslim League 39. The Proja Party is a Muslim peasant group opposed to the Communal Award, and therefore has much in common with the Congress, but its leader, MR FAZL-UL-HUQ, has accepted an invitation to form a Government with the assistance of the more communally-minded Muslim League. The position in the Council will be similar to that in the Assembly. In Assam, the Congress holds 35 Assembly

seats out of 108, and most of the other groups are individually very small; but they seem likely to bind sufficiently well for a moderate Government to have a fair prospect of maintaining itself. On the Council, Congress is unrepresented.

In the United Provinces the Congress has only 8 seats out of 52 in the Council, but 133 out of 228 in the Assembly, its nearest rivals being the Muslim League (27) and Independent Muslims (29). In the Central Provinces the Congress secured 71 seats in an Assembly of 112, the remainder being scattered among independents and small groups. In Bihar, with 95 Assembly seats out of 152, the Congress will be able to fill a large number of the 12 Council seats reserved for election from the Assembly; and in Orissa they have 36 seats out of 60 in the single chamber. Madras gave them a majority in both the Council and the Assembly (159 seats out of 215); the Justice Party was a bad second with 21 seats, and the People's Party had only one of its 55 candidates returned. Nowhere was the supremacy of the Congress machine more strikingly displayed. In these five central and southern provinces a Congress Government is the only alternative to the complete nullification of the reforms.

These figures give the measure of the responsibility that lies upon the shoulders of the Congress leaders in their decisions whether or not to take office, and, if they do, how they will interpret their duties. They have it in their power to make democratic government impossible in most of the Indian provinces, either by refusing office and blocking the work of the Ministries, or by accepting office and acting in such a way as to compel the Governors to exercise their reserve powers. Both the Governors themselves and British opinion (which is the ultimate sanction of the Governors' authority) would be reluctant to see those powers enforced. They would be even more reluctant to restore the authoritarian regime under which India was governed before the Montagu-Chelmsford reforms and to which India would revert if the present provincial constitutions were made unworkable. Responsible opinion in Great Britain will applaud the declaration of SIR HYDE GOWAN, Governor of the Central Provinces, that his advice, energies and good offices will always be at the disposal of Ministers, no matter to what political party they may belong, provided their object is the same as his—the good government of the Province. It is in India's, no less than Great Britain's, interest that the new system should be given a fair trial; that it should be a mile-stone rather than a mill-stone.

It is in such a spirit that the results of the provincial elections can best be reviewed. The campaign was a test of the working of the new electoral machinery, and of the political feeling of the enlarged electorate. Its results are the beginning of a test of the realism of Congress policy and the capacity of Congress leaders for practical leadership and government. The programme they presented to the electors may have owed some of its success to its evasions and its appeal to popular generalisations. But it was a realistic programme in the sense that it struck boldly at the great problems of India to-day—agricultural debt and land tenure, working conditions in industry, untouchability and communalism. By their actions in these matters, now that the opportunity and the responsibilities of office are within their grasp, the leaders of Congress will be judged, both by the people of Great Britain and by the people of India.

The Great Cities of Britain—VI

The Tradition of Sheffield

THE industrial development of Sheffield falls, broadly speaking, into two periods. Until the beginning of the nineteenth century its economic life was centred mainly in the cutlery trades, for which it had been renowned since the Middle Ages. In 1811, when Sheffield had a population of 53,000, the manufacture of cutlery provided employment for about 7,000 workers; a further 800 were employed in the allied silverplate trade, introduced in 1743, but the steel industry, though long established, as yet employed only a few hundred workers. As the century advanced the extended use of machinery, the development of railways and the many other technical changes of the period, combined to create a rapidly increasing demand for iron and steel; and Sheffield's steel industry expanded at a phenomenal rate in response to this stimulus. By the beginning of the present century the heavy steel trades had drawn level with the cutlery trades as regards numbers employed, and to-day they occupy first place amongst the city's industries.

At the Census of 1931 Sheffield had a population of 511,757, of whom 245,977 were gainfully occupied. The various metal industries employed 98,981 workers, just over 40 per cent. of the total; of this group the most important sections were smelting, converting, refining and rolling of iron and steel (39,401), cutlery and small tools (27,712), silver, electro-plate, etc. (9,705), various branches of engineering (9,992), and founding and other secondary processes (6,074). The only other primary industry of any importance is coal-mining and quarrying, employing over 11,000 persons. The lighter metal trades provide considerable employment for women on actual processes, there being a tendency, in fact, for women to displace men. The heavy trades and coal-mining, on the other hand, naturally offer very little scope for the woman worker except on the clerical side. Secondary industries—commerce and finance, public administration and defence, personal service, transport and communications, public utilities, building and so on—account for the bulk of the remainder of the occupied population.

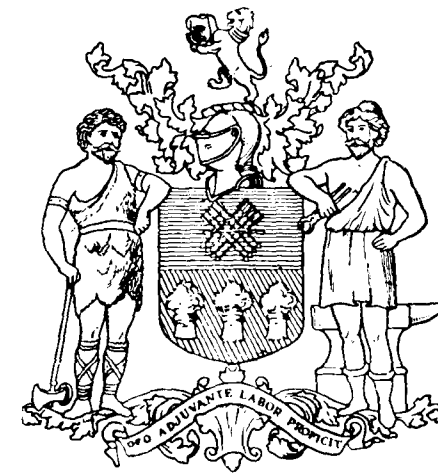
Of the leading English cities none is so predominantly industrial, in the narrow sense of the term, as Sheffield. Relatively to population Sheffield has fewer people engaged in commercial, financial and professional activities than any of the other five towns with populations exceeding 350,000 (i.e. Birmingham, Liverpool, Manchester, Leeds and Bristol). The result is that Sheffield has a smaller middle class than any other large town. It has been estimated that of the 134,000 heads of families in Sheffield in 1934, some 4 per cent. received over £10 a week, 15 per cent. between £4 and £10, and 81 per cent. under £4. The middle group accounts for a smaller proportion of the total than in any other town with a population of 150,000 and upwards, with the exception of Stoke and Coventry.

The preponderantly industrial character of Sheffield's population is to be explained primarily by the somewhat isolated geographical position of the city. Enclosed on three sides by hilly or mountainous country, Sheffield

had for centuries only one outlet for trade with the outside world, the Don valley *via* Rotherham. It was not until 1870, for instance, that Sheffield obtained a main-line connection by rail with London; until then it had been served by a branch from Rotherham. Hence, lying off the main trade routes of the country, the town never acquired importance as a commercial centre. To-day, despite the possession of excellent transport facilities, Sheffield differs from such towns as Manchester, Leeds and Birmingham in that it is not the focal point of a densely populated urban area with similar industrial interests. With the exception of Rotherham, there are no towns of any size within twelve miles of Sheffield, and, moreover, the main industry of the surrounding district is not steel but coal.

The steel and cutlery trades of Sheffield present a most interesting contrast in organisation, scale of production and location. The former are for the most part conducted on a large scale, and include a number of huge integrated concerns turning out every conceivable type of steel product. They are located in the Don valley east of the city, with easy access to the main-line railways. In the cutlery trades, on the other hand, there is a curious mixture of ancient and modern forms of organisation. Four types of firms can be distinguished: (i) large-scale firms owning their own factories and carrying through all the processes of manufacture, but sometimes also giving out materials to be partially or completely worked up by outworkers; (ii) merchant firms giving out materials to outworkers; (iii) outworkers, who are either sub-tenants of manufacturing firms or tenement occupiers in public factories; (iv) little masters, small-scale craftsmen working on their own materials. There is no very hard and fast line between the little master and the outworker working up materials for other firms. The premises of the cutlery firms are to be found mainly in the back streets in the centre of the town. Mechanised large-scale production is extending at the expense of the smaller craftsmen, but the transition to factory production is proving a slow process; the better qualities of cutlery are still made largely by handicraft workers. The development of the factory system is likely to be accelerated by the establishment in 1933 of a Trade Board for the cutlery industry, since it was the smaller firms on the whole which formerly paid wages below the minimum rates fixed by the Board.

During the post-war years Sheffield suffered severely in common with other steel-producing areas. The war demand for munitions had led the local firms hastily to expand their productive capacity and induced a large influx of labour into the city; Sheffield is estimated to have turned out 70 per cent. of the privately produced munitions used during the war. After the collapse of the post-war boom the steel industry found itself burdened with surplus capacity, and confronted with intensified foreign competition and a low level of domestic demand. At no time since 1921 has Sheffield had fewer than 20,000 registered unemployed, i.e. about 12 per cent.



of the insured population. Even in such comparatively good years as 1928 and 1929 an average of 25,000 were out of work; and in the worst years, 1921, 1931 and 1932, the total sometimes exceeded 60,000, over one-third of the insured population. The unemployment situation has been mitigated by a steady migration from Sheffield, estimated at about 40,000 between 1921 and 1931; in consequence the census population was practically the same in the latter year as in the former, despite the excess of local births over deaths.

In spite of the prolonged slump, the leaders of industry in Sheffield retained a confident belief in the inevitability of revival; their firms had survived many slumps in the past and would do so again. The ruthless writing down of capital, scrapping of obsolete plant and modernisation of equipment, especially in the later years of the depression, have enabled the firms in the heavy industries to emerge from a difficult period with restored finances and the most up-to-date technique. At the present time Sheffield is undoubtedly enjoying boom conditions; its output of steel in 1936 is estimated at 1,600,000 tons, 14 per cent. of Britain's output, and the highest on record. Sums running into several millions have been and are being spent on extensions. Many sections of the industry are working to full capacity, and already there is a scarcity of labour in certain branches, especially machine tools. The unemployed, however, still number over 20,000.

Three main factors are responsible for this boom: the

expanding demand for capital equipment which normally characterises a period of recovery, re-armament, and the steel tariff. Of these, by far the most important is the first, which alone would have been sufficient to create boom conditions; re-armament is an accentuating factor which is likely to increase in importance in the next year or two; the steel tariff probably counts for little at the present juncture, since foreign competitors are also enjoying a boom in their own markets. Local opinion leans to the view that the combined effect of general trade recovery and re-armament will keep the boom going, so far as Sheffield is concerned, for another four or five years at least. Monetary policy and the movement of interest rates, as factors bearing closely on the short-run prospects of Sheffield's industries, are being carefully watched.

Long-run prospects are much more difficult to evaluate. So far as the bulk production of the cheaper qualities of steel is concerned, Sheffield is probably rather less well placed than some other areas, such as Lincolnshire, as all its pig iron has to be imported from other districts. But, thanks largely to the discoveries of its own research workers, Sheffield has acquired a world-wide reputation for its special steels, particularly stainless steel; and it seems safe to prophesy that Sheffield will concentrate to an increasing extent on the production of these high-grade steels, in which it has the advantages of knowledge, experience and a goodwill not possessed by any of its rivals.

Railway Wagon and Train Loads

FEW countries possess more detailed railway statistics than Britain, and it is regrettable that more widespread use is not made of them. It is true that caution is indispensable before reaching conclusions about the bearing of the figures on questions of progress and efficiency. Properly interpreted, however, the figures throw valuable light on certain tendencies in railway evolution which are of wide public interest to-day. In the following article we propose to discuss one of the most important of these tendencies—namely, the loading-factor and its bearing on economical working, as illustrated by the figures of certain key years since the amalgamation of the railways into four large groups.

It is often claimed that railway companies ought continually to strive to obtain bigger train and wagon loads, since obvious economies are realised by carrying freight in bulk and increasing the "paying load" per train-mile worked. The cost of working a train is not seriously enhanced either by the addition of a few wagons to a train or by the better loading of a given number of wagons. This contention is well-founded; but, in the absence of a railway monopoly, commercial as distinct from cost considerations may suggest that regularly booked freight trains should be despatched at relatively frequent intervals. Such a policy obviously must militate against a good train load; for trains must be despatched to preserve duly advertised regularity and speed, whether they are fully loaded or not. To avoid delay, again, "through wagons" must be worked from point to point, despite the fact that better average wagon loads might be obtainable by the transshipment of freight with a view to "bulking" consignments intended for similar destinations. What is right or wrong, in any given instance, depends upon circumstances. The eternal conflict between high quality of service at high cost, or a low quality at low cost, takes on a new importance in these days of road competition.

For this reason, special interest attaches to the official figures of the average wagon load carried on British railways. These figures are based on two statistical measurements. The first is the number of tons of each traffic multiplied by the number of miles over which they

were transported, i.e. the total ton-miles. The second, similarly, is the product of the number of wagons and their mileage, i.e. the total wagon-miles. When ton-miles are divided by wagon-miles, we have the average wagon load, which varies considerably for separate groups of traffic. Very different results are obtained from (say) merchandise traffic on the one hand and coal traffic on the other. The average wagon load for *all* traffic, therefore, varies on each of the four railways, according to the proportions of each class of traffic carried. Fortunately, however, average wagon-loads are available for the following classes of traffic: (i) Merchandise (excluding Classes 1-6, which comprise certain of the heavier traffics like iron ore, steel, etc.) and Livestock; (ii) Minerals and Merchandise (Classes 1-6); (iii) Coal, Coke and Patent Fuel.

Broadly, traffics in category (i) are mainly high-grade merchandise and those in category (ii) low-grade merchandise. In Tables I, II and III, on the opposite page, we show the average wagon loads, on each railway, for the three categories, respectively. We have inserted figures for 1924, to give an approximate picture of conditions shortly after the amalgamations of 1923, although the returns are not strictly comparable with those of subsequent years, owing to the re-classification of goods traffic in 1928. Annual figures go only to 1935; for the Ministry of Transport complete statistics for 1936 are not yet available, and the Ministry's monthly returns, regrettably, do not give cumulative figures. We show, however, the figures for November, the latest month available.

Reference to Table I will show that in the Great Depression, which produced a drastic fall in railway goods traffic, there was a substantial fall in the average wagon-load for the higher grades of merchandise, the most noticeable declines occurring, as might be expected, on the two Northern lines. On the London, Midland and Scottish the figure fell from 2.91 to 2.68 in 1932; and on the London and North-Eastern from 3.01 to 2.75, respectively. To what extent have the figures been improved since 1932? By 1935, the Northern lines and the Great Western all showed a rise,

but the improvement was slight, and left the returns still well below the pre-depression level. If we turn, however, to the heavier traffics, shown in Table II, the picture is more encouraging. On the L.M.S. there appears to have been a steady rise as between each of the periods taken. If we regard 1924 as approximately comparable, for this purpose, we find that a figure of 8.47 in that year had risen to 8.92 in 1929, and despite the depression, to 9.38 in 1935. The L.N.E.R. suffered a setback between 1929 and 1932, but has subsequently well exceeded the 1929 figures. As regards coal traffic (shown in Table III) a slight improvement has occurred since 1929, both on the L.M.S. and the G.W.R.; the former having a return of 9.00 for 1935 as compared with 8.80 for 1929, and the latter of 10.42 against 9.87. The L.N.E.R. shows a very slight fall from 9.97 to 9.92.

Altogether, the available evidence suggests that the extent of changes in the average wagon load, effected since amalgamation, has not been particularly striking. The figures, indeed, may disappoint those who are impressed with the immense technical possibilities of increasing wagon capacity and the average wagon load in Great Britain, and who believe that costs and charges—particularly for coal destined for industry or for export—might consequently be substantially reduced. The figures suggest, indeed, that the railway companies have not seen their way to embark upon any far-reaching or effective policy of change in this respect. In the case of minerals and merchandise, progress, though more noteworthy, can hardly be regarded as dramatic in view of the time that has elapsed since amalgamation. In the case of the higher grades of merchandise, the average load has fallen, whether comparison be made with 1929 or 1924.

So much for the trend of average wagon load. We may next examine the statistics relating to the average train-load, i.e. the number of wagons per train. Table IV gives the necessary figures for all wagons, whether loaded or empty, while Table V is concerned with loaded wagons only. At the time of amalgamation it was generally expected that the new grouping would afford opportunities both of avoiding wasteful duplication of services and of combining streams of traffic destined for common destinations; and that better train loads would produce

more economical working conditions. Later on, it was further hoped that the Pooling Schemes of 1932-33 would have similar results. What, in fact, has happened?

It will be seen from Table IV that during the period following amalgamation, from 1924 to 1929, only one of the companies—the G.W.—showed an improvement in the average train load (including all wagons). Between 1929 and 1932, there was a falling off on every line, although the decline on the L.M.S. was commendably slight, in view of the heavy fall in traffics. Since 1932 there has been some recovery on three of the four lines, but only on the L.M.S. is the position better than in 1929. On all four companies the figure is lower than in 1924. Table V, which sets out average wagons per train, excluding "empties," shows very similar results.

The same general trend is also reflected in Table VI, which shows the average net train load over the same periods. On each of the four lines, the average net train load was lower in 1935 than in 1929, the pre-depression year. The decline was greatest on the L.N.E., where the figure fell from 138.07 to 130.81 tons. On the G.W. the figures were 138.47 in 1929 and 131.77 in 1935; on the L.M.S. 126.64 and 123.76, and on the Southern 107.66 and 104.41.

Clearly, hopes of substantial economies have been disappointed. There has been no obvious, substantial and uniform increase either in the average wagon load or the average train load. To some extent this must be attributed to the need of giving high quality and frequency of service to the trading public, to the effects of road competition, so far as competition has increased the need for attracting and retaining demand by giving high quality and frequency of service. It is significant that the least satisfactory showing, from the railways' point of view, is made by the load figures for those traffics which are most vulnerable to attack by road transport. But it remains a moot point whether the companies might not have benefited themselves as well as industry had they concentrated on increased effort on better loading and consequently lower costs, and had thereby been enabled to charge lower rates. So long as the relations between road and rail remain competitive, the question will have special importance both for the companies and for transport users.

WAGON- AND TRAIN-LOADS ON FOUR BRITISH RAILWAYS

(The "Average Wagon-Load" figures are those of Ton-miles divided by those of Loaded Wagon-miles. The November figures relate to four-weekly periods ending Nov. 30, 1935, and Nov. 28, 1936. In Tables I, II and III, the statistics for 1924 are not strictly comparable with those of subsequent years, owing to the re-classification of goods in 1928).

Average	TABLE I Average Wagon-Load, Merchandise (excluding Classes 1-6) and Live-Stock				TABLE II Average Wagon-Load : Minerals and Merchandise Classes 1-6				TABLE III Average Wagon-Load : Coal, Coke and Patent Fuel				Average
	L.M.S.	L.N.E.	G.W.	Sthn.	L.M.S.	L.N.E.	G.W.	Sthn.	L.M.S.	L.N.E.	G.W.	Sthn.	
1924	2.88	3.00	2.92	2.87	8.47	8.87	8.62	7.92	8.63	9.59	9.53	8.58	1924.
1929	2.91	3.01	2.96	2.72	8.92	9.32	9.18	8.42	8.80	9.97	9.87	9.11	1929.
1932	2.68	2.75	2.87	2.70	9.11	9.28	9.15	8.68	8.88	9.82	9.89	9.02	1932.
1935	2.74	2.77	2.88	2.54	9.38	9.77	9.22	8.93	9.00	9.92	10.24	9.41	1935.
1935 (Nov.)	2.79	2.96	2.94	2.52	9.41	9.63	9.06	8.90	9.10	10.01	10.31	9.95	1935 (Nov.)
1936 (Do.)	2.85	2.92	2.94	2.58	9.44	9.76	9.44	8.48	9.14	10.11	10.39	9.29	1936 (Do.)

Average	TABLE IV Average Wagons per Train (Loaded and Empty)				TABLE V Average Wagons per Train (Loaded only)				TABLE VI Average Net Train Load (in Tons)				Average
	L.M.S.	L.N.E.	G.W.	Sthn.	L.M.S.	L.N.E.	G.W.	Sthn.	L.M.S.	L.N.E.	G.W.	Sthn.	
1924	35.01	35.97	35.05	34.05	24.16	23.47	23.38	23.26	132.53	136.94	136.32	110.57	1924.
1929	33.92	35.23	35.42	32.57	23.43	22.94	23.72	22.32	126.64	138.07	138.47	107.66	1929.
1932	33.45	34.26	33.54	31.43	22.73	22.06	22.61	20.88	118.64	127.10	125.23	103.72	1932.
1935	34.44	35.02	34.78	31.55	23.57	22.41	23.73	20.94	123.76	130.81	131.77	104.41	1935.
1935 (Nov.)	35.48	35.45	35.56	32.02	24.43	22.98	24.23	21.19	131.43	139.61	138.49	110.72	1935 (Nov.)
1936 (Do.)	34.25	34.60	34.91	32.38	24.13	22.86	24.00	21.63	126.40	133.98	135.82	101.64	1936 (Do.)

Outer Europe

THE two great dictatorships of Central Europe recently decided that European politics should hereafter revolve round the Rome-Berlin axis, and the Fascist Grand Council duly gave its blessing to this proposition. Both countries were to help in polishing off democracy in Spain; and the retreat of the two democratic Western Great Powers to the Western tip of the Continent was to facilitate the achievement of a Fascist condominium over Outer Europe—that mass of lesser States between the Rome-Berlin axis and the vast bulk of Soviet Russia. In Germany's sphere of interest were to fall Poland, the Baltic States, Czechoslovakia and Roumania; into Italy's, Hungary, Yugoslavia, and Bulgaria; and Austrian integrity was to be preserved as the keystone holding both Fascist sides of the Central European arch in delicate adjustment. In other words, the Italo-German entente has as its aim the isolation of France's associates, the Little Entente and Russia.

The reaction to this move is by no means the same in all these countries. Czechoslovakia and Roumania have always been more concerned than Yugoslavia to uphold the Little Entente; since the advent of the Nazi regime in Germany, Nazi propaganda and economic penetration have been the order of the day in Roumania and Yugoslavia; and a Nazi propaganda offensive against Czechoslovakia has long been waged. Because of its geographical position it is the latter country which has the gravest cause for alarm.

In Czechoslovakia there exists a strong German minority—about one-fifth of the total population, concentrated in the industrial regions just inside the German frontier—and the slump in international trade has hit precisely those Czech industries that employed this population. In 1933 the *Südetendeutsche Party*, under the leadership of HERR HENLEIN, began to demand a measure of autonomy for the German people which, though partly justifiable under the Czech Minorities Treaty of 1919, was most embarrassing to the Czech Government. The kind of autonomy demanded has been termed *Völkisch*, i.e. for all the German people in Czechoslovakia, despite the difficulty of drawing a geographical or logical line between "racial" autonomy and complete administrative autonomy. In the elections of 1935 the Henlein Party gained about two-thirds of all Germans' votes, the rest going to three non-Henlein German Parties—Social Democrats, Agrarians, and Christian Socialists—who, unlike the Henlein Party, entered into the present Coalition Government.

Since then Nazi influence among the Henlein group has so increased as to make the Czechs doubt the good faith of HERR HENLEIN'S Party; and they have dealt that Party a telling blow by concluding an extensive agreement with the three non-Nazi German Parties, by which the Germans will receive far-reaching cultural and economic concessions. The Czech Government can reasonably ask how, after the events in Danzig, Austria, the Saar, and Spain, they are to be expected to throw important industrial and strategic areas—together with their strong Czech and non-Henlein German minorities—into the hands of a Party taking its orders from Berlin. As long as German threats continue, so long is this dilemma likely to last. Clearly, any agreement between Prague and Berlin whose execution in good faith would be guaranteed by other Powers would tranquillise a dangerous situation in Central Europe.

But Germany and Italy, now both Fascist collaborators in European policy, have the common aim of dissecting the Little Entente. How far have they gone in achieving it?

Yugoslavia, like her partner in that Entente, Czechoslovakia, has a grave federal problem. The Croats are mainly Catholic, and formed part of the Austro-Hungarian Empire. They have long demanded autonomy within the Triune Kingdom of Serbs, Croats and Slovenes. All three elements are united only in opposition to Italy; the Croats are sympathetic to the Habsburgs, to Vienna, and to Germany; while the Serbs, the military and administrative oligarchy, fear—as, after the murder of King Alexander they have reason to—that to grant Croat and Slovene autonomy would lay these federated Governments open to powerful pressure from Germany, Italy, or a re-established Habsburg dynasty at Vienna. The Serb oligarchy therefore retains the reins of authoritarian power, and postpones negotiations for autonomy until the majority of the heir to the throne. Meanwhile, Yugoslavia finds herself the unenviable possessor of large sums of blocked marks in Germany, the proceeds of those exports to Germany which alone increased during the depression. With the recent rapid rise in world prices of primary products, this German trade proves less attractive; for other markets are expanding; and trade which piles up blocked marks, unfreezable only by extra imports of munitions, photographic apparatus, and heavy industrial equipment, must necessarily be limited for a country like Yugoslavia.

Accordingly, in recent months Yugoslavia's vulnerability to German economic—and political—penetration has lessened. The outbreak of a scandal involving the German foreign trade company in Yugoslavia, led by an ex-Hungarian Communist in Nazi pay, has had a sobering effect in Belgrade.

The third State of the Little Entente, Roumania, is actually nearest to a domestic Fascist regime. The notorious Iron Guard, a Fascist organisation supported by local Nazi agents, has already the murder of a Prime Minister and of many editors, journalists, professors and students and Jews to its discredit. Dissensions in Roumanian Cabinets, themselves torn by conflicting aims and policies, prevent this nettle from being grasped. Last autumn, the politicians most favourable to an independent Roumanian foreign policy—which, in effect, means an approach to the Italo-German system—ousted M. TITULESCU from the Foreign Ministry, and called a halt to his policy of close association with Czechoslovakia and Russia. Meanwhile, the Tatarescu Cabinet maintains an unstable equilibrium; for the Iron Guard, by sheer acts of terrorism and riot, blocks the path towards unification of the democratic forces in the country. Of these, the Peasant Party is by far the strongest; and in Roumania, as in the other two Little Entente countries, the mass of the population, who are peasants, are strongly anti-German and anti-Italian in foreign policy, and equally anti-Fascist in domestic politics. But the Peasant Party has lost its former unity; if it regains it, Roumanian politics may change overnight. The position of KING CAROL is delicate; for his recall from exile was a democratic gesture; whereas now Roumanian politics, and even his own throne, threaten to become the objectives in the Iron Guards' campaign of open and unchecked illegality.

While, therefore, the Balkans to-day are more settled than before the last war, the nearer one comes Westward towards Germany or Italy, the more critical becomes the danger of international incidents. Russia, Germany and Italy, with their warring ideologies, have stepped into the Central European arena, only partially vacated by France. The two political "isms," armed and arming, are to-day contesting for the mastery of States stretching

from the Baltic to the Adriatic and Aegean. That arena is still the powder magazine of Europe and if explosions occur it may well spell disaster for democracy throughout the continent of its birth. The two democratic Great Powers of Europe, with their rich resources and rich democratic associates in the West, must to-day read the writing on the walls of Outer Europe. What is happening in Spain, at the extreme Western end of the Continent and at a decisive strategic point, can only be too easily repeated by desperate adventurers anywhere between Russia and the Rome-Berlin axis, and thus provoke the dreaded conflagration.

The only alternative, the only safeguard against war, is not less democracy but more. In Hungary, Poland and even Roumania there are signs of a drift away from dictatorial principles towards firm democratic government. Czechoslovakia is slowly but surely treading the

path of democratic progress. The weakest links in Outer Europe must be strengthened by their own efforts, accompanied by all the material and moral aid of which France, Britain, and their democratic fellows can still dispose. Their assistance, both economic and moral, is to-day far more potent for real welfare than the eagles and trumpets, the authoritarian trappings of dictatorship. The moment is ripe for Britain and France to assure all States in Outer Europe of their active assistance to secure democratic issues from present afflictions. If European democracy is to survive, it must show that it is as powerful for good to-day, both nationally and internationally, as it was when it made the world ring with its achievements. If, by default, it allows Fascist States to weaken and undermine its solidarity, its adherents will hang separately. In no region of Europe will that process begin quicker than in Outer Europe.

Notes of the Week

Parliamentary Procedure.—The House of Commons spent the whole of last Monday in debating a point of procedure arising out of a Financial Resolution on the Special Areas. The enormous increase in the business of Parliament during the last two generations has involved the multiplication of devices to ensure that urgent measures shall be dealt with expeditiously; but there are obvious dangers in any restriction of Parliamentary speech. The Government's sole right to initiate expenditure has been accepted with little question since the days of Queen Anne. A money resolution, which nowadays must precede the introduction of a Bill involving public expenditure, may not be essentially amended or fully discussed in detail. If the operative clauses of a Bill are sharply defined in the Financial Resolution, they are adopted when the resolution is adopted; and the further discussion of the Bill is correspondingly less effective. On Monday members of all parties complained that the Resolution preceding the Bill for the Special Areas was drafted in such detail that it was practically the Bill itself. In effect, it was contended, the Government was employing a device of Parliamentary procedure to ensure that the scope and purposes of policy in a highly controversial matter would pass unchallenged. Mr Attlee, in a speech of model restraint, called attention to the danger of Members losing their privileges by the growth of usages contrary to the traditions of the House. Mr Baldwin stressed the importance of keeping responsibility in the hands of the Government, but he scarcely met the case put forward by the Leader of the Opposition. Mr Lloyd George alleged that the Resolution had been drafted with "demoniacal ingenuity" to prevent the raising of every vital issue that affects the Special Areas, and asked that the House of Commons should be given a fair chance. Whatever the upshot of this particular controversy, we welcome the promise of the Government to set up a Select Commission to examine the grievance about procedure.

Special Areas.—In the debate on the Special Areas Financial Resolution on Tuesday the chairman was violently heckled for his refusal to allow a large number of Labour amendments; and the Minister of Labour was for some time unable to make himself heard in the uproar. Government spokesmen for the most part followed the White Paper in claiming that a great deal had already been done for the Special Areas, and in stressing the fall in unemployment, and claimed that all that was needed to make the existing machinery and policy satisfactorily effective was included in the new proposals. It would now be possible, they declared, to give financial help to new undertakings outside as well as within the Areas. The proposed fund of £2,000,000 would amply supplement the activities of the Special

Areas Reconstruction Association; the proposed contributions to rent, rates and taxes were an invaluable innovation which would hasten the movement of new private industries to the Special Areas; and the Defence Programme would do the rest. The Opposition were not satisfied. They accused the Government of timidity and delay, argued that the new powers and the new fund were hopelessly inadequate, and declared that the Government had shelved the vital question of the national planning of industrial location by relegating it to a Royal Commission. Moreover, the Commissioners were still exposed to the rigid control of the Treasury, and dependent at every turn on the sanction of various Ministries. There should be, it was argued, an independent and responsible Minister for the Special Areas. There is force in all these contentions. Despite Government protestations, the problem of the Areas is still far from solution. The re-armament programme is only a relatively temporary and dangerous palliative; many measures of reconstruction suggested by experts have been ignored, and wider matters of policy, such as the necessity for further freedom of international trade, have been relegated to the proverbial limbo of good intentions. In short, the Government's proposals inspire little confidence, even among sympathetic observers.

Raw Materials and Colonies.—On September 11 1935, Sir Samuel Hoare, then Foreign Minister, proposed in the League Assembly that an investigation should be made into the problem of access to raw



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materials. This was to meet the complaint of Italy and other so-called Have-not Powers that they were deprived of access to these commodities. The League's Committee for the Study of Raw Materials duly met at Geneva for the first time last Monday. They have spent the first three days in demonstrating the variety of problems involved. For this country, Sir Frederick Leith Ross argued that the trouble was not some countries' lack of colonies but the restrictions imposed even by plaintiff countries on the exchange of raw materials, and the maintenance—again even by plaintiff countries—of artificial currency levels. As an expert, Sir Henry Strakosch pointed out that the difficulty did not arise merely from the commercial policy of sellers. Some countries, e.g. Argentina, found no difficulty in buying raw materials; those which did had largely their own policy to blame—those who preferred guns to butter could scarcely complain. For the United States, Mr Grady shared in the general deprecation of trade restrictions, and declared that the United States had already made tariff concessions in the hope that other countries would follow suit. He suggested, however, that it was not simply a question of policy. Clearing agreements, cartels and the widespread control of production had seriously augmented the problem; but the recent general collapse of world trade was largely responsible.

There were unfortunately no representatives of Italy and Germany to bring the wheel full circle; but the comments of the Polish and Japanese experts were illuminating. M. Rose attributed the difficulties of Poland to surplus population and the general ban on immigration. Mr Shudo went further; countries with colonies must expect other Powers to pursue forward imperial policies until immigration was made universally free. It is unfortunate that the discussions, while surveying the whole ground of trade and colonial policy, have so far tended to run on lines of national interest. Sir Frederick Leith Ross contributed nothing constructive to the debate by his allegation that colonies were a liability rather than an asset; that they cost a great deal in capital development; that the Open Door would be prejudicial to their progress; and that to buy from them was dearer than to purchase in the world market. This sounds like a long declaration that colonial grapes are always sour. It will be fastened upon in Germany as a proof of colonial Powers' perfidy and of British hypocrisy. There has been a tendency for the experts from colonial Powers to narrow the discussion to the trade and monetary policies of those less fortunate. And, on the other hand, the Polish and Japanese experts have tended to see no further than their lack of colonies and the impediments to the emigration of their people. It has been ruled, however, that transfer of colonies is outside the competence of the Committee. A statistical committee has been set up, consisting of Sir Henry Strakosch, Mr Ivar Høgbom and Mr Henry Grady, to draw up a plan of research for the League experts and two committees still to be appointed. The actual needs of particular countries will then be the staple of further inquiry; and the vain and interested verbal fencing between the different kinds of countries will, it is to be hoped, be avoided from now on.

A Visitor From Sweden.—Hr. Rickard J. Sandler, Foreign Minister of Sweden, who at Mr Eden's invitation is paying an official visit to this country, arrives in London next Monday. Hr. Sandler is a more than nominally welcome guest. Few, if any, statesmen in post-War Europe have exercised a more constructive and profoundly pacifying influence than this modest and reticent Swede. Whether he happens to be at his office in Stockholm or attending some conference; whether he is in Geneva—where he is greatly respected—or in Oslo and Copenhagen, Hr. Sandler never renounces the struggle for peace and for improved economic conditions. It is not generally known that before he became Minister for Foreign Affairs he specialised in economic questions. In the late Hjalmar

Branting's first Cabinet he was Finance Minister; in that statesman's last Government Hr. Sandler was Minister of Commerce. At the age of forty he succeeded his leader and friend in the Premiership, which he held for nearly two years. But after resigning from the highest office in the State in 1926 Hr. Sandler became chief director of the Central Statistical Bureau, remaining in that modest position until the formation of Hr. Hansson's Cabinet in 1932, when he deserted statistics for diplomacy. He is one of the principal sponsors of Scandinavian economic and political co-operation, and of late he has assumed more and more the rôle not only of his own country's representative but of spokesman for the whole of Northern Europe. This "voice from the North" deserves all possible consideration, for it comes from people who have given many proofs of their anxiety for the maintenance of peace and democracy.

"Is It Inflation?"—In a stimulating article in *The Times* on Thursday, Mr J. M. Keynes essayed an answer to this question about the Government's borrowing for re-armament. He takes inflation to be a state of affairs in which increasing demand fails to elicit an increase of output, i.e. where monetary demand still increases, but spends itself in merely raising prices. "When this point is reached, the new demand merely competes with the existing demand for the use of resources which are already employed to the utmost." We remark, in passing, that this point has already been reached in certain industries in this country. Using a revised multiplier of "two to three" for the difference between primary expenditure and the ultimate expenditure resulting from it, Mr Keynes concludes that an expenditure of £80 millions on re-armament from loans may become an increased general demand of £240 millions at present prices—requiring a 5½ per cent. increase in national output. This kind of calculation is always largely a matter of surmise, and in connection with the Government's armaments expenditure from loans it may well be that the multiplier is as high as 4. For such expenditure is concentrated on trades where capacity is already short, and further capital extensions are necessary. Thus, the loan expenditure for arms will necessitate further civil investment, with a doubly cumulative effect on consumers' expenditure. Mr Keynes next points out that our 12½ per cent. unemployed are now largely those from export trades, from seasonal jobs, or unemployables. He goes on:—

Unless we make a liberal allowance for overtime and more output from those already in employment, it would need more planning and transfer of labour than is practicable in the time to increase the national output in 1937 by 5½ per cent. over what it was in 1936; although over (say) a period of three years it might be possible.

Mr Keynes explains, however, that the Chancellor may be able to avoid inflation, granted certain conditions and certain action by the Government. First, he says, his multiplier may be below 3—since savings may increase more rapidly than prosperity—requiring an increased output of only £170 millions, or 4 per cent. instead of 5½ per cent. of the national income. This, as we said, seems unjustifiably low. Secondly, Mr Keynes powerfully reinforces the argument—advanced in these columns since the re-armament borrowing was announced—that the best safeguard against an inflationary rise of prices is to take active measures to increase our imports, and therewith our exports:—

It remains particularly advisable to do anything possible to stimulate our staple exports. For it is there that our reserves of surplus labour are chiefly to be found. It is no paradox to say that the best way of avoiding inflationary results from the Chancellor's loan is to increase both imports and exports. In any case, we can make a deduction of (say) 15 to 20 per cent. on account of increased imports, which brings down the increase in the national output (apart from exports) necessary to avoid inflation to a figure between 3½ and 4½ per cent.

Thirdly, it is in the general interest to place armament

factories and contracts in the Special Areas, and so to use resources now unemployed. Fourthly, "new building may easily fall short of last year by £20 millions, which would provide a quarter of the Chancellor's requirements." Finally, capital developments by railways, local authorities and public boards, though partly necessitated for new re-armament facilities, can be controlled. A net increase of 3 per cent. in the national income might, he thinks, see us through without inflation. The Chancellor's programme need not be inflationary, but it may be near the limit. Reiterating his demand for a central economic planning and advisory organisation, Mr Keynes concludes with words whose burthen will be familiar to readers of *The Economist*. "It is easy to employ 80 per cent. to 90 per cent. of the national resources without taking much thought how to fit things in . . . But to employ 95 per cent. to 100 per cent. of the national resources is a different task altogether."

The implications of Mr Keynes's article are that inflationary effects may be expected to follow loan expenditure on armaments if parallel action is not taken by the Government to increase the whole field of production and trade. Already, with "bottlenecks" increasing in key industries, prices and wages are rising high enough to divert labour and resources from current civil production; and this, on Mr Keynes's definition, is partially inflationary; partial, as yet, because this state of affairs is confined to re-armament industries and their suppliers. If the Government take action—e.g. by expanding our foreign trade and damping down other capital expenditure—to ensure adequacy of labour and supplies, they may enable the national economy to produce the extra armaments without making inroads upon our normal civil business. The important point is that the productivity of the country must be increased to satisfy the Government's demands. Whatever the value of Mr Keynes's calculations—and he himself warns us that they are subject to a wide margin of error—he has confirmed that, without measures to broaden the basis of our national production, we are running risks of inflation at least during the next two years.

The Air Estimates.—These Estimates for 1937–38 issued on March 5th, show at £82,500,000 an increase of £31,800,000 over the figure for the current year (including Supplementaries) of £50,700,000. Of this vast increase, however, £26,000,000 is to be met by loans, i.e. issues out of the Consolidated Fund; so the taxpayer has only to bear the increase of £5,800,000 in the Budgetary provision for the Air Force. At the full net figure of £82.5 millions the Air Force in the coming financial year will cost us almost five times its total cost (£17.7 millions) in as recent a year as 1934–35, two years ago; and for the first time it costs more than the Army.

	1932	1933	1934	1935	1936* (Estimate)	1937 (Estimate)
Number of effectives	29,520	28,470	28,780	35,942	55,000†	70,000†
Pay, etc., of the Royal Air Force	£000 3,867	£000 4,020	£000 4,227	£000 5,025	£000 6,690	£000 8,466
Quartering stores, supplies and transportation	1,471	1,399	1,456	2,537	3,336	4,476
Technical and warlike stores ...	7,352	6,953	7,190	11,640	26,546	31,542‡
Works, buildings and lands ..	1,524	1,390	1,820	4,864	9,350	4,000§
Medical services	286	278	295	335	382	439
Technical training and educational services	419	388	380	488	657	741
Auxiliary and reserve forces ...	522	464	406	473	651	1,360
Civil aviation	462	460	509	419	760	2,315
Meteorological & miscellaneous services	223	326	328	523	844	1,429
Air Ministry	638	643	691	834	1,040	1,250
Half-pay, pensions, etc.	294	378	368	375	444	482
Net expenditure	17,057	16,701	17,671	27,515	50,700	56,500

* Includes Supplementary Estimates of £11,700,000 in July 1936, and of £100 on March 3, 1937. † Maximum number to be borne. ‡ Plus £12,000,000 to be defrayed out of loans. § Plus £14,000,000 to be defrayed out of loans. || Plus £26,000,000 from loans, by issues out of Consolidated Fund.

The personnel of the Force is fast increasing; on April 1st it will be 4,850 officers and 51,000 airmen; and the R.A.F. will comprise 100 squadrons at home out of the 124 envisaged by April, the equivalent of 20 with the Fleet Air Arm, and 26 overseas. During the summer the home force (including 20 squadrons of the Auxiliary Air Force) of 124 squadrons, some skeleton, and 1,500 first-line machines will be attained; and thereafter these will be filled out to reach the envisaged 1,750 first-line strength of the metropolitan air force. During 1937–38 ten special units of the A.A.F. are to operate the London balloon barrage, for which balloons are now being delivered; the Fleet Air Arm is to be increased from 217 to 278 first-line aircraft; and the four new home Commands—Bomber, Fighter, Coastal, and Training—will be fully functioning in place of the former Air Defence of Great Britain Command, which ceased to exist in 1936. The Secretary for Air admits that deliveries of airframes under the original scheme for a 1,500 first-line strength by the end of March, 1937, have been too optimistically guaranteed by makers; there is some delay here. But engines are coming in fast; six engine factories are in course of erection, to be completed within a few months; and two new airframe factories are under construction. The "shadow factories," being erected by firms who will manage them for the Government, are distinct from the extensions to existing aircraft firms and outside firms, now involved in the current expansion scheme.

Of the increase of £31.8 millions in the Estimates, £17.0 millions is for technical and warlike stores, of which again £12.0 millions is to be provided out of loans. Of the total vote of £43.5 millions for these stores—more than half the Air Force Estimate—provision for aeroplanes and spares rises from £19.6 millions this year, including Supplementaries, to £29.0 millions next (including costs of manufacture under the "shadow" scheme); for armament and ammunition from £3.6 millions to £7.5 millions; for petrol and oil from £1.6 millions to £2.8 millions; and for balloons and hangars from £118,000 to £690,000—this latter item being for the London barrage balloons, hydrogen supplies, winches, etc. The 1937–38 Vote for works, buildings and lands is, at £4.0 millions, actually down by £5.4 millions on this year's Vote and Supplementaries, simply because the gross increase of £8.7 millions is exceeded by the proposed borrowing of £14.0 millions from the Consolidated Fund for this Vote alone. New works, extensions and alterations are, at £12.0 millions, to cost £4.8 millions more and cover an exhaustive range of old and new stations all over the country—many items showing increased estimates of total cost. Works and lands for factories at £4.0 millions are to cost £3.5 millions more. These are the "shadow" factories for airframes, engines, etc., for the item covers both the cost of acquisition of sites, erection of the

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factories on behalf of the Air Ministry, and of the bedded-down power-driven equipment in them. They are to supplement the output of the industry during the expansion, and to be available thereafter as reserve sources of supply. An intriguing item under "new works, additions and alterations" in the vote for works, buildings and lands is a total estimate of £6.0 millions for aircraft storage units, to store reserve aircraft, of which £1.6 millions falls to be paid in 1937-38. This reflects the vast increase in the ratio of reserves to first-line aircraft.

* * *

L.C.C. Elections.—The results of the London County Council Elections, announced on March 4th and March 5th, show that the Labour Party has actually increased the majority which it won in 1934. The respective strengths of the parties on the Council are now 75 to 49; of twenty aldermen 12 are followers of Mr Morrison. That Labour has been given this opportunity to "finish the job" is a proof that the electors of London did not allow their attention to be drawn aside to non-essentials. No amount of argument has proved Mr Morrison to be a Communist disguised; nor has it been demonstrated that London is in duty bound to return a Council pledged to support the Government of the day. Indeed, the under-representation of progressive opinion in the House of Commons was probably a strong incentive to liberally-minded voters to support Labour in London. In the last resort it was clearly seen that the proof of the pudding was in the eating. The Green Belt, housing, and the extension and improvement of the public services were the Labour Party's claim to the suffrages of the electorate. Even in the field of municipal finance, Mr Morrison's administration had won between 1934 and 1937 an incontestable reputation for sound policy. The Municipal Reform Party mistakenly tried to deny these achievements; and they relied too much on the twin bogeys of Communism and extravagance. Mr Morrison has very aptly shown that economy, so far from being parsimony, is wise expenditure. He justified his spending with his policy, and he won an election in which substantially more of the electors (42.4 per cent.) voted than in any contest since 1913. It is undoubtedly a portent that the largest city in the world should elect at this moment to be ruled again by Socialists. But it is equally significant that three years of office and of power should have convinced the ordinary liberally-minded citizen of London that progress and a constructive policy can be expected from a Labour administration without any revolutionary consequences.

* * *

Speculation in Commodities.—Our prediction in *The Economist* of January 9th (page 53) that a steep and sharp rise in the prices of primary products was at hand has, unfortunately, been justified by events. Consumption of primary products in recent months has been rising faster than production, and stocks of the principal materials have been reduced to normal dimensions. Meanwhile, the trend of consumption remains upwards, but some time must elapse before output can be increased proportionately. At the present moment, markets are passing through a dangerous phase, during which supplies are temporarily limited and prices are sensitive to concerted pressure by consumers and speculators. The probability of an increase in supplies later on is of no avail as long as consumers, fearing a shortage, are anxious to cover their requirements now for a long period ahead. The existence of this temporary bottle-neck is being exploited by speculators, anxious to snatch a quick profit. As long as the buying movement persists, even if it seems unjustified by the long-term supply-demand trend, prices may continue to advance, though a collapse is bound to come sooner or later. At the moment, however, a serious reaction in quotations does not seem imminent, and there is undoubtedly some danger that the upward movement may determine the cost structure of certain industries.

During the past few weeks, for example, procedure on the non-ferrous metal markets has resembled that of a casino. Wednesday's quotation for copper, at £77 2s. 6d. per ton, was £7 per ton higher than a week ago. Tin was rushed up by £50 per ton to £301 per ton, while the quotations for lead and spelter rose from £32 8s. 9d. to £35 18s. 9d. per ton and from £31 1s. 3d. to £36 5s. per ton, respectively. The price of rubber advanced from 10½ pence per lb. to 11½ pence on increased demand, raw sugar was marked up from 6s. 4½d. per cwt. to 6s. 9d., and American raw cotton was rushed up from 7.58 pence per lb. to 8.01 pence per lb. Wheat, too, after a slight reaction due to heavy Argentine shipments, has resumed its advance. Moreover, as supplies of the new crop will not come on to the market until the summer, and as stocks are none too plentiful, the rising tendency may continue. In view of the danger of an orgy of speculation during the next few months, the immediate necessity is the suspension of any of the remaining limitations on output. Consumers themselves might break the force of the advance by abstaining from any attempt to cover their requirements for increasingly long periods. Moreover, steps might be taken to render gambling less easy by technical restrictions until increased supplies of primary products become available.

* * *

General Franco Drives Ahead.—This week General Franco's forces have redoubled their efforts to invest Madrid. South of the city they are still hammering at the main defence lines; but this week a strong and rapid advance has been made by the German and Italian corps fighting for General Franco from Sigüenza, to the north-east of the city. The Government's forces have thus been caught on two opposing flanks; and if the advance from Sigüenza continues, the final escape from Madrid to Valencia on the coast may be cut off from the north-east at Guadalajara and from the south-east. The capital will then be invested; its fall will be a matter of days; for its food supplies are already low. In north-west Spain, the Asturias miners have been consolidating their grip on Oviedo and ousting the rebels; while elsewhere all has been quiet in view of the concentration of effort round Madrid. Differences among the leaders on the Government side, and regional jealousies between Madrid, Valencia and Barcelona, are to a certain extent responsible for the jeopardy in which Madrid now stands; but it is quite clear that General Franco's recent hurried acquisition of about 20,000 fresh Italian troops has enabled him to bring both sides of the pincers together round Madrid.

* * *

Non-intervention is due to be supervised this week-end; and it is now obvious that Italy and Germany did not agree to co-operate in this supervision until sufficient German and Italian troops, guns, tanks and aircraft had been landed in Spain to ensure the rebels' military success. It is reported that even last week, before supervision was in force but after Signor Mussolini had agreed to send no more volunteers, some thousands more of Italian troops were landed at Cadiz. This week, General Franco's cruiser "Canarias" met and sank the Government's ship, "Mar Cantabrico," laden with aircraft and munitions from America, though the cargo ship was masquerading as an English vessel; and a French cargo boat has been bombed by an aeroplane from the Balearics belonging to General Franco's forces.

* * *

President and Supreme Court.—Mr Roosevelt has sometimes been accused of lack of courage in fighting his battles. But the accusation certainly does not apply to his conduct of the campaign for reform of the Supreme Court. It is true that he took pains, as a skilful politician, to choose the most favourable opportunity for stating his views. But he was perfectly well aware that he was arousing more widespread opposition by his attitude to

the Court than he has ever before encountered. The opposition to him at the time of the election was both bitter and vocal, but it was confined to a relatively narrow section of opinion. This time he finds himself opposed by persons taken from nearly every shade of political opinion in the country. In fact, his real opponents, the Republicans and Conservatives, have been able to remain silent, leaving all the vocal uproar to the Liberals and Progressives. The President, however, is not in the least daunted, and he has shown no sign of wishing to retreat and compromise on something less than his original demand. In two speeches, one at a dinner on March 4, the other over the radio to the entire nation on March 9, he has re-stated his case with both vigour and clarity. He is making no attempt to hide behind the issue of old age among American judges; he tacitly admits it to be no more than an expedient. His case is that the United States is faced with a "silent crisis," and that the elected Congress and the elected President cannot take steps to meet the crisis of poverty and economic instability because the Supreme Court insists on giving decisions based not upon the Constitution but upon the individual Justices' political opinions. And he is able to quote with telling effect from minority decisions given by the Justices in support of this contention. The present indications are that, as in the election, the mass of silent electors agree with him. Indeed, it is hard to deny the logical strength of his position, and the opposition are not attempting to do so. But American politicians have always been strangely loth to admit the democratic proposition that when the people have clearly declared their wish they should be allowed to implement it, and the issue of the present campaign will be doubtful until the moment of the final decision.

* * *

Mr Lewis Marches On.—Mr John L. Lewis, leader of the Committee for Industrial Organisation, is not allowing himself to be deflected from his ultimate purpose of "organising" labour in the large American mass production industries by the ease with which he has secured his victories hitherto. The surprising reversal by the United States Steel Corporation of its hitherto immutable policy has given him a very definite psychological advantage, which he is exploiting to the full. It is true that the Corporation has not recognised the C.I.O. union as the collective bargaining agent for more than its own members, and that collective bargaining will continue between the Corporation and its "company unions." But the Corporation has never hitherto recognised the existence of any outside union. If the rulers of the Corporation (who are closely related to the masters of other mass-production industries) made this concession in the hope of buying industrial peace, they have soon discovered their mistake. Strikes have been called in the Chrysler and Hudson motor plants at Detroit and in the Firestone rubber factory at Akron, Ohio. In addition, workers in the textile and oil industries are being vigorously enrolled. Indeed, the C.I.O. feels itself strong enough to complete its secession from the American Federation of Labour and to set itself up as a complete rival organisation, granting charters to its subordinate unions. It is the general opinion that the C.I.O. soon will have more members than the A.F.L., even if it has not already. Labour organisations which enjoy spectacular, but short-lived, success are not unknown in American labour history. But the C.I.O. has the appearance of being more permanent, as it has certainly been more successful, than any of its predecessors. It is too soon to predict a complete transformation of American politics as a result. But that contingency cannot by any means be dismissed from the realm of possibility.

* * *

Belgium's Dilemma.—Belgium is showing fresh symptoms of discomfort over the indefinite prolongation in Western Europe of a provisional state of affairs. A year ago Herr Hitler shattered the Locarno Pact; and,

ever since then, the three Western parties to it—Belgium, France and Great Britain—have been in a provisional defensive military alliance with one another, while none of them have been in any treaty relation whatsoever with Germany. The efforts of British diplomacy to secure a new agreement between all the Locarno Powers, Germany included, are no further advanced to-day than they were on the morrow of the German military re-occupation of the Rhineland; and the Belgians are becoming impatient of their country's present status, in which she is a co-guarantor, with Great Britain and France, of the security of all three countries. Belgian opinion is in favour of harking back towards the neutrality which was Belgium's recognised status before the war, and which not only was but still is the policy of Holland, Switzerland and the Scandinavian countries. But the Belgians do not appear so far to have thought out the crucial question whether, in a world in which collective security is virtually in abeyance, the neutrality of a small country is better secured by seeking particular guarantees or by withdrawing into absolute isolation.

* * *

Already, however, some Belgian voices are deprecating the idea of either a German or a French guarantee, on the ground that both would be compromising. They prefer a solitary British guarantee—forgetting, perhaps, that no diplomatic guarantee from any Power can be of practical value under modern conditions of warfare unless it is implemented by technical naval, military and air conversations to arrange in advance for its execution at a moment's notice. And technical conversations, as we now know, mean commitment up to the hilt. On this reasoning, the Dutch Government recently declined Herr Hitler's offer of a formal guarantee while taking note of his willingness to give one; and this week the Danish Prime Minister has dismissed as "utopian" the idea of a defensive combination between Denmark and—not any Great Power, but even her own Scandinavian neighbours. This week the Swiss Federal Council has taken note of an unconditional declaration by Herr Hitler, in an interview with M. Schulthess, a former member of the Swiss Government, that Germany would respect Switzerland's neutrality and integrity. Neutrality is thus forging ahead in Europe; so far, perhaps, that we shall all soon be neutrals—until we find ourselves attacked.

* * *

Bad News from Palestine.—For the first time since the cessation of guerilla warfare in Palestine last November there has been a renewal of violence. The new wave of violence was rising all last week, and at the week-end it culminated in a number of serious

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outrages, resulting in at least one fatal casualty. The man who lost his life was an Arab, though the majority of the victims appear to have been Jews. Up to date, this fresh disturbance of the peace has been confined to the Jerusalem district, but there have also been signs of unrest in Galilee. It was perhaps only to be expected that something like this should happen during the difficult period of waiting before the Royal Commission present their report—and there must inevitably be a delay, for although the Commission are known to be working as hard and as fast as they can, it is their duty to take all the time necessary for going thoroughly into the momentous issue on which they have to make so responsible a pronouncement. One clear moral is that no recommendation for a settlement will be any good if either party is left with a genuine sense of injustice—and a sense of injustice means, for this purpose, a belief that the national existence of either the Arab or the Jewish community in Palestine is being left, or placed, in jeopardy. If either party continues to feel that, there will be no permanent peace in Palestine, though there may be a temporary repression of recalcitrant forces. This would be a gloomy prospect, for sheer repression will break down sooner or later in Palestine as surely as it did in Ireland.

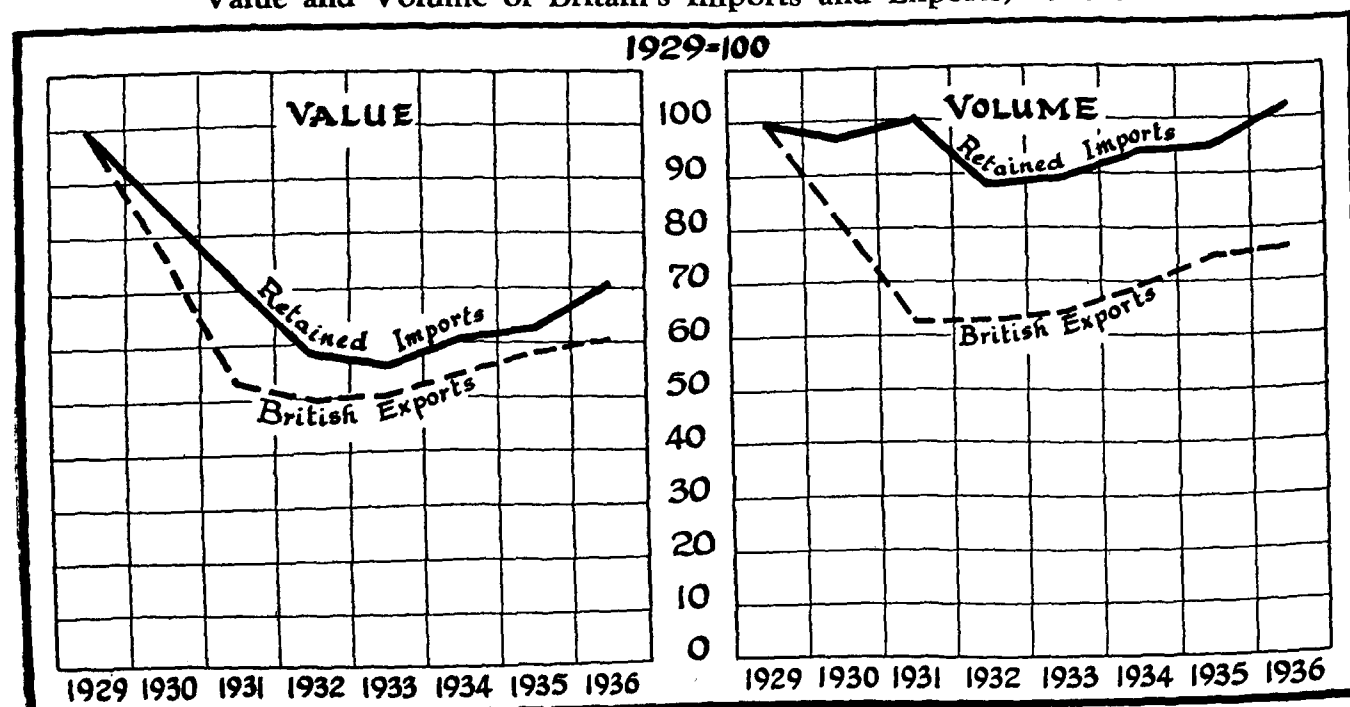
Australia's Referendum.—The Australian electorate came up to expectations in rejecting by referendum the constitutional amendment giving the Commonwealth power to control marketing, but overran them in rejecting at the same time the amendment extending federal powers over air navigation. The latter was not politically controversial, and plainly suffered from the company it kept. There is, doubtless, some fraction of truth in Mr Lyons' impatient comment that "the referendum results reveal an amazing anti-federal spirit among the people." The aftermath of the slump does seem to have aroused among many Australians a sense of jealousy towards the Commonwealth Government, whose budgetary wealth has contrasted with the continued deficits in the States and has given it an uncovenanted mastery over them through control of the purse strings. This feeling was a useful ally to those State Governments which resented the Commonwealth's cavalier treatment of their own plans for overcoming the marketing difficulty after the Privy Council's judgment of last July. It was also useful to the Labour Party, which is usually in favour of greater federal power, but demanded (no doubt for political reasons) a complete overhaul of the constitution instead of piecemeal amendment. The result is not a good omen for the Government in the approaching general election. It may also weaken the Govern-

ment's internal cohesion; for the Cabinet has rejected both the Country Party's proposals for dealing with the situation—namely, a constitutional convention, and bounties to primary producers paid either out of corresponding excise or out of general revenue. Instead, it has turned over responsibility for marketing schemes to the States—a just nemesis indeed.

Changes in Britain's Trade.—At a moment when the possibility of relieving international trade of a few, at least, of its shackles is being eagerly canvassed abroad—less eagerly, perhaps, in British official circles—special interest attaches to the charts shown on this page. They portray the course of the slump, and the modest subsequent recovery, in Britain's imports and exports between 1929 and 1936. The value figures are based on pounds sterling, equated to 100, in either case, in 1929. The volume figures are derived from a recalculation, by the Board of Trade, of the quantities in each year, at the prices of a datum year. Originally, the 1929 figures were based on 1924 and those for subsequent years on 1930, but for purposes of comparison we have linked the two series together and re-expressed them on the basis 1929=100. The figures are derived from *The Board of Trade Journal*, and are given regularly in our *Monthly Trade Supplement*. It will be observed that Britain's imports suffered a comparatively small decline, so far as volume is concerned, in the depression years, but were obtained at much lower prices than in 1929. The volume of our exports, on the other hand, fell heavily until the abandonment of the gold standard. Thereafter, the relatively higher prices of our exports enabled us to maintain the volume of our imports by a considerably reduced volume of exports. The terms of trade were moving in our favour during these years—a tendency which is now being reversed by the rapid rise in commodity prices, particularly those of raw and semi-finished materials, to which reference is made in a Note of the Week on page 580. Incidentally, the Board of Trade has just announced that, in future calculations of volume of trade, the prices of 1935 are to be used as a basis.

Mining Royalties.—A definite decision has now been taken in the protracted wrangle between the Government and the owners of coal royalties over the amount of compensation to be paid when those royalties are "unified" in accordance with the Government's general election promise. A sum is to be fixed as the proper compensation for all the royalties to be acquired, and individual owners will be compensated according to their

Value and Volume of Britain's Imports and Exports, 1929-36.



share of the total. Lord Justice Greene, Mr Justice Clauson, and Lord Plender, are to assess the total value of the royalties on the basis of a sale in the open market by a willing seller. It is agreed between the two parties that the average annual net income derived from royalties in the years 1928 to 1934 shall be taken at £4,430,000—this being the income after payment of mineral rights duty and the levy of 1s. in the £ made since 1926 for pithead baths. The tribunal is called on to decide how many years' purchase are to be applied to this figure of £4,430,000 to give the total compensation. The Mineral Owners' Joint Committee has agreed to accept the Tribunal's decision as binding. The Government, however, can reject the decision by giving notice within six weeks, in which case they will try to reach a direct agreement with the mineral owners' committee. The composition of the Tribunal, which consists of two lawyers and a famous accountant, is a guarantee that the question will be investigated solely within the terms of reference, and nothing will be heard of the suggestion that royalties are an unethical form of property. Lord Plender was chairman of the board which negotiated the agreement of 1921, a profit-sharing arrangement which still substantially governs wages in mining industry. He and his colleagues will make their own inquiries, but it is difficult to forget the calculation made for the Samuel Commission in 1925 by Mr Howell Thomas, Chief Valuer of the Board of Inland Revenue, who put the total sum required at £92,000,000—or £100,000,000 to allow for all contingencies. The levy since made for pithead baths will reduce that estimate by 5 per cent., and there would seem to be a strong case for applying not more than twenty years' purchase to the annual income of £4,430,000, or a capital sum of £88,600,000. If the Government should finally accept a higher figure, they will at least have an effective answer for those who criticise "unification" of coal royalties as socialism: since by coming in first they will have secured higher compensation for those expropriated than a less sympathetic administration might have given them. But the Government have so far firmly resisted the royalty owners' demands.

South Wales Survey.—The Second Industrial Survey of South Wales, published this week, attempts to answer certain specific questions about the future of that area. In three lengthy volumes it describes the state of employment in South Wales, the facilities which the region can offer to new industries, the sort of industries which might be introduced, and the places where they might best be located. The Survey is concrete and detailed, and is based on a full analysis of facts and figures, and on a host of interviews with business men, Trade Unionists and other experts. Though there are signs of haste in the vast amount of work done, the information and conclusions are invaluable. Excellent in every way are such features as the assessment of the surplus working population in the next six years, the analysis of foreign markets, the comments on industrial reorganisation, the novel survey of the distributive trades, the detailed survey of natural, transport, public, financial and labour resources, and the specific application of the theory of industrial location to the realities of South Wales. This is a sound, stimulating and constructive piece of research. The conclusion "that it is possible to substitute a positive programme of industrial development for a negative policy of waiting" is a timely challenge.

Tin Quota Unchanged.—At its meeting in Paris on Friday of last week, the International Tin Committee maintained the production quota for the second quarter of 1937 at 100 per cent. of the new standard tonnages. This decision had been anticipated on the metal markets and thus had little effect on prices. From the communiqué issued last week-end, it appears that the Committee regards the present price level as excessive. The reduction in the visible supply last month, the

Committee points out, was due to special causes, and the maintenance of the 100 per cent. quota should add some 1,600 tons to stocks each month. This calculation assumes that production will fall short of the permissible level in certain areas and that consumption will proceed at the rate of 170,000 tons annually. The Committee did not consider it expedient to check the present upswing of prices by raising the quota; but the speculator is warned that there is a substantial reserve of production available—"if necessary at very short notice"—above the standard tonnages fixed under the control agreement. The warning went unheeded this week, and the cash price was raised to over £300 per ton. With the market in its present mood, it cannot be assumed that the limit has yet been reached.

International Coke Convention.—The details of the scheme for the creation of an International Coke Export Cartel have now been approved by the majority of the coke producers in the United Kingdom, and the Convention is to come into operation from the beginning of next month. It embraces the principal coke-producing and exporting countries of Europe. The initial basic percentages of the exporting countries are: Germany 48.43 per cent., the United Kingdom 20.88 per cent., the Netherlands 17.83 per cent., Belgium 9.66 per cent., Poland and Danzig 3.20 per cent. These proposals do not quite conform to the relative position of the exports of these countries in 1936. Germany's exports last year totalled 7.2 million tons, those of the United Kingdom 2.3 million tons, of Holland also 2.3 million tons, of Belgium 1½ million tons, and of Poland about 300,000 tons. For the purposes of the scheme the principal importing countries have been divided into four groups, namely: (1) The United Kingdom, the Irish Free State, the United States and Canada; (2) the Scandinavian and the other Baltic countries; (3) the Western and Central European countries; and (4) Spain, Portugal and countries on the Mediterranean seaboard. In addition to the sharing of the available export trade within these markets the Convention provides for the enforcement of minimum prices. These may be fixed and varied with the support of 75 per cent. of the votes cast by the members of the Management Committee. It is expressly stated to be the intention of the Convention "to effect a continuous adjustment of prices to circumstances so as to ensure that the prices obtained shall be the most favourable prices which are for the time being obtainable without prejudicing the immediate or future development of the export coke industry." The newly-formed British Coke Export Sales Association has accepted responsibility for the observance of the Convention by the United Kingdom, and has drawn up its own constitution for the control of the export trade. Intimation has been given that the system of regulation may be extended to the inland trade of the countries concerned at a later stage. Its immediate application will affect an export trade of between 12 million and 13 million tons per annum.

Recovery in Scotland.—The Clydesdale Bank has published the fourth of its annual surveys of economic conditions in Scotland. Once more a tribute

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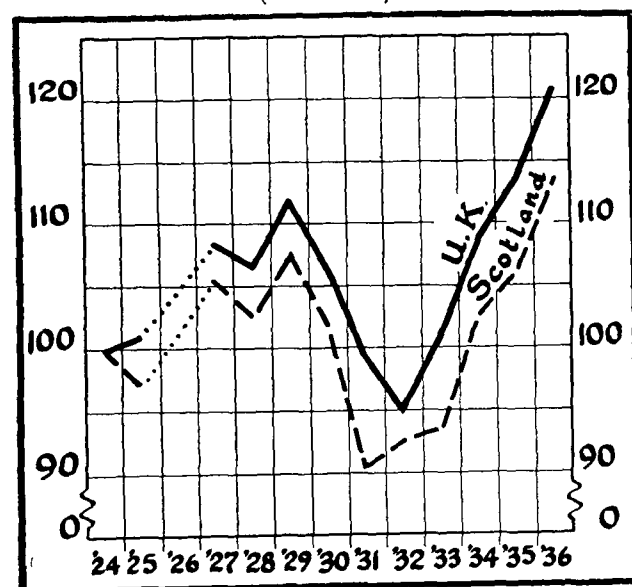
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must be paid to the industry and ingenuity with which information on the state of Scottish trade has been collected, and the wish expressed that similar surveys could be compiled of other definite regions of the country. The story that the survey has to tell is, in the main, cheerful; 1936 is described as "a year of quickening progress." Reference is again made in the survey to an annual index of business activity in Scotland which the Clydesdale Bank has calculated on the lines of *The Economist* Index of Business Activity for the United Kingdom as a whole. We are enabled, through the courtesy of the Clydesdale Bank, to show the two indices graphically in the following diagram. It must be pointed out that the Scottish index is incomplete and, in some respects, approximate; it must therefore be considered as being subject to a substantial margin of error:—

INDICES OF BUSINESS ACTIVITY,
(1924 = 100)



Between 1935 and 1936 the Scottish curve shows a slightly more rapid rise than the United Kingdom curve (7.1 per cent., as compared with 6.3 per cent.). This more favourable experience is due to the fact that recovery, in its present stage, is powerfully affecting the heavy industries in which Scotland specialises. The survey suggests that the prospects for other industries are less rosy since "the scope for further advance is limited, and can hardly be expected to broaden except as labour in the depressed areas is restored to a wage-earning status." Nor can much improvement in the export trades be confidently anticipated. On balance, the Clydesdale Bank expects "a continuance of the upward trend in Scottish economic affairs," but it is suggested that "the prospects for a quickening of the rate of improvement are by no means so assured."

Shipping Freight Index.—As measured by our monthly index, the general level of cargo freights fell by 1.0 per cent. during February, following a rise of 5.8 per cent. during January. The current figure of 134.3 compares with 90.6 in February, 1936, and 81.4 in February, 1935. Details of the index number are as follows:—

	Average, 1913	Feb., 1936	Dec., 1936	Jan., 1937	Feb., 1937
European waters	110.0	88.3	142.5	135.5	144.0
North America	113.1	89.0	105.6	117.2	116.6
South America	123.4	85.1	127.8	141.8	124.0
India	106.3	99.7	125.0	130.7	148.9
Far East and Pacific	117.4	90.9	126.2	140.5	132.2
Australia	127.9	90.8	142.1	147.8	140.5
Total	116.3	90.6	128.2	135.6	134.3
1913 = 100	100.0	77.9	110.2	116.5	115.5

Liverpool and Newport report quieter conditions, but there is a steady demand for tonnage at Hull. The situa-

tion in South Wales is uneven. Cardiff reports a firm market, and rates have been well maintained at Swansea.

	Index No.	Inc. or dec. Points		Index No.	Inc. or dec. Points
Home trade	129.8	+18.2	South America:—	79.4	-10.5
By—outwards	146.8	...	Outwards	168.6	-25.1
By—homewards	208.1	+21.0	Homewards	109.8	+ 8.7
Mediterranean:—			India—outwards	148.9	+18.2
Outwards	110.2	+ 2.6	India—homewards	132.2	- 8.3
Homewards	139.4	- 9.0	Far East, etc.	140.5	- 7.3
North America	116.6	- 0.6	Australia		

Movements are becoming a little more uneven.

Wholesale Price Advance Continues.—During the past fortnight there has been a further sharp increase in wholesale prices, which was not entirely confined to the minerals group. *The Economist's* complete British index number has risen by 3.3 per cent., while the British primary products index number has risen by 5.9 per cent. These are very big movements for a single fortnight. In the United States the primary products have advanced by 6.4 per cent. and the complete Irving Fisher index number by 0.2 per cent. French wholesale prices have risen by 1.5 per cent. and German by 0.2 per cent. Since the present advance began last May, British wholesale prices have risen by 21.9 per cent. for all commodities and by 36.9 per cent. for primary products alone. The American increases are 12.2 per cent. for all commodities and 40.5 per cent. for primary products. The French increase, which covers last October's devaluation, is 39 per cent. for all commodities.

SEPTEMBER 18, 1931 = 100

Date	The Economist Indices		Price of Gold (sterling)	U.S.A. Irving Fisher	France, Statistique Générale	Italy, Milan Chamber of Commerce	Germany, Statistisches Reichsamt
	British Complete Index (sterling)	Primary Products (sterling)					
1932							
July 27th 1933	99.5	103.5	84.1	136.9	88.3	91.3	88.1
July 26th 1934	108.1	120.6	124.7	145.7	100.9	89.7	86.6
July 18th 1935	109.5	124.8	136.7	162.4	113.2	81.4	83.2
July 31st 1936	112.7	126.7	146.2	165.6	120.2	75.9	93.9
Jan. 29th 1936	118.1	131.7	145.7	165.6	121.8	82.3	95.1
Feb. 26th 1936	117.4	132.8	145.0	166.0	120.7	85.2	95.2
Mar. 25th 1936	117.4	133.9	144.3	165.8	119.6	85.2	95.3
Apr. 29th 1936	117.3	132.8	143.2	165.8	119.2	85.0	95.3
May 27th 1936	115.5	130.1	140.5	164.3	117.7	85.2	95.4
June 24th 1936	116.2	133.2	147.0	163.2	119.8	84.1	95.5
July 22nd 1936	118.7	140.4	157.2	163.4	120.6	86.6	95.7
Aug. 19th 1936	119.4	141.9	163.2	162.7	121.9	88.8	96.1
Sept. 30th 1936	121.8	144.5	159.6	165.0	121.8	96.4	95.9
Oct. 28th 1936	123.6	145.7	161.1	167.1	122.5	102.1	95.8
Nov. 11th 1936	125.0	148.9	167.8	167.2	123.7	105.3	95.9
Nov. 25th 1936	126.2	150.9	172.0	167.2	124.8	106.9	95.9
Dec. 9th 1936	128.2	157.0	179.5	166.7	125.6	108.9	96.3
Dec. 30th 1936	131.3	163.9	187.3	166.7	128.8	113.0	95.4
1937							
Jan. 13th 1937	133.6	165.1	190.2	166.6	131.5	115.5	96.7
Jan. 27th 1937	134.2	164.2	184.5	167.0	131.0	115.9	95.7
Feb. 10th 1937	135.0	166.3	184.9	167.2	131.5	116.2	97.0
Feb. 24th 1937	136.3	168.2	185.5	167.4	131.8	116.8	96.2
Mar. 10th 1937	140.8	178.2	197.4	167.4	132.0	118.4	96.4

* These figures refer to Mar. 3rd.

All groups in *The Economist* index number have registered advances. The minerals group has risen by 9.0 per cent.

	The Economist Index (1927 = 100)			
	Sept. 18, 1931	Feb. 10, 1937	Feb. 24, 1937	Mar. 10, 1937
Cereals and meat	64.5	88.3	87.5	87.9
Other foods	62.2	68.7	68.6	70.2
Textiles	43.7	68.8	68.9	71.9
Minerals	67.4	99.3	105.4	114.9
Miscellaneous	65.8	82.8	82.9	83.9
Complete index	60.4	81.5	82.3	85.0
1913 = 100	83.1	112.2	113.3	116.9
1924 = 100	52.2	70.5	71.1	73.4

Wheat and maize have risen in price during the past fortnight. Among other foods there were advances in tea, cocoa, sugar, butter and coco oil. There was a general increase in textile prices and heavy advances in non-ferrous metals. Iron bars and tinplates are also dearer.

Overseas Correspondence

From Our Special Correspondents

United States

Fear of Executive Power

NEW YORK, March 2.—Political Washington is concerned with the contest between the President and Congress over the proposed enlargement of the Supreme Court; administrative Washington is concerned with devising a programme for dealing with hot money; business is concerned with the epidemic of strikes and threatened strikes; and the man in the street is concerned with the rising cost of living.

The resistance of Congress to the President's Supreme Court proposal has astonished everyone. One-third of the Senate has sponsored the scheme, with another third in opposition, and the remaining third not yet declared. It is understood that the House is similarly divided. As things now stand one would look for delay while the Administration rallies its forces. The episode shows significantly that while the Democratic Party in the last election enlarged its already overwhelming majority in both Houses, this majority is not the exact equivalent of a majority in Parliament. The Supreme Court proposal must be considered together with the plan to reorganise the Executive. Some people are inclined to combine the two in their thinking, regarding both as efforts to aggrandise the Executive branch of the Government. To these persons, therefore, the defence of the Supreme Court is an outpost action preliminary to the defence of Congress later in the session.

Hot Money Policy

Administrative Washington is debating the ramifications of the international capital movement, a problem which, under the generic name of "hot money," takes as many forms as Proteus. Some are concerned about the inequity of taxing citizens heavily on capital gains while foreigners enjoy a free ride; others about the effect on valuations of a continuous absorption of American securities by aliens; still others about the conflict with current concepts of neutrality, since the safeguards of the "cash and carry" provision were frustrated by the anticipatory accumulations of large reserves of American cash or its equivalent. The original worry over the effects of possible sudden withdrawals has now largely, although by no means entirely, subsided. The reverse of the hot money shield is the inflow of gold, and while the December policy neutralised the inflationary possibilities of this movement, it merely transferred the problem from the Reserve Banks to the Treasury—preferable as an alternative, but hardly a permanent solution in itself, unless circumstances change. Administrative Washington welcomed the statement that the British Government would discourage British insurance companies and investment trusts from making further placements in our market; but it is realised that these funds are only a small part of the total. There is much talk of taxation, but the difficulty of formulating an effective tax programme to cover capital gains, without involving an exchange control, is formidable. Nevertheless, inaction should not be construed as apathy.

Strikes and Rising Prices

The threat of sit-down strikes seems universal. These are characteristically small affairs, but numerous. Sometimes they represent concrete demands about hours and wages, and sometimes they are about organisation. It is impossible to understand the current phase of American industrial relations if it is regarded simply as a contest between employer and employee. Basically it is a contest

between the groups affiliated to the Committee for Industrial Organisation and those affiliated to the Federation of Labour. This is illustrated by the events reported from Grand Haven, Michigan, where workers who belong to a Federation Union occupied a leather factory in order to prevent its seizure by a C.I.O. group. The occupiers were not on strike, and the management acquiesced in the action without being a party to it. The Federation unions represent more or less the skilled crafts and the C.I.O. concentrates its attention on the unskilled labour which predominates in the mass-production industries. In this controversy the employer finds himself caught between two fires; and there is a widespread tendency to avert labour disturbances of any kind by raising wages and shortening hours without waiting for a strike. We are distinctly in a seller's market for labour.

It remains to be seen if we are in a seller's market for goods. Notwithstanding the lethargy of the official indices, the recent rise in prices is almost reminiscent of the spring of 1933. The rise in wholesale prices is rather better illustrated by the sensitive *Journal of Commerce* index than by the more comprehensive index of the Bureau of Labour Statistics. The *Journal of Commerce* index shows the following advances since the last week in October:—

Groups	Percentage Rise since October, 1936
Non-ferrous metals	36.9
Textiles	15.7
Building materials	10.5
Fuels	9.9
Pulp and paper	9.2
Paint materials	7.3
Iron and steel	6.7
Chemicals	4.4

The rise in primary commodities (where there was clearly a seller's market in the last days of the year) has now combined with the consequences of higher wages and shorter hours to produce a strong rise in retail prices. A large part of the emphasis in retail advertising is an appeal to the fear motive, i.e. buy now because prices are about to go up. With the possible exception of metal shares, there is not much of a boom atmosphere in the stock market; but there is no lack of it in consumer goods merchandising, where the abundance of consumer credit finds free play. The close restriction on the use of credit in stock market speculation has demonstrated its effectiveness; the complete absence of any restriction of credit in consumer buying of merchandise is also demonstrating its effectiveness, but in the opposite way.

Our economy is now entering an interesting phase. A combination of forces, of which one of the most effective is the shortened work-week, is raising prices to the consumer. Two questions arise: (a) whether the consumer can pay the prices asked without reducing the volume of demand; and (b) what effect, if any, this situation will have on the corporate profit margin.

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France

The Defence Loan

PARIS, March 11.—The position of the Treasury has proved untenable. The Government was unable to attract more money either at home or abroad. M. Daladier was urging M. Auriol to find money for military expenditure; and the opposition of the Radicals grew daily, and notably in the Senate. M. Blum decided to remain true to the Tripartite Agreement, because control of the exchanges might lead to dictatorship. He adopted the liberal course; this entailed the suppression of the differential tax on gold, the setting up of a committee of three liberal experts to administer the Equalisation Fund, an economy of 6,000 millions of francs on the extraordinary Budget, and finally the issue of a large Defence Loan.

The loan ought to be a success. It has been voted by a great majority in the Chamber, with a clause specifying that no control of the exchanges may be instituted without legislative sanction. Conservatives emphasise, however, that the "breathing space" must not be simply for the period of raising the loan. They claim that financial liberalism will be nonsense without economic liberalism, and that the Government must go further towards the reversal of its general policy. They ask notably for a revision of the forty-hour week. But, it is evident that as soon as the loan has replenished the Treasury, the extremists will demand new social reforms on the ground that they have made concessions in the financial field and that prices have risen. They tend to regard the present measures as a necessary evil, not to be repeated; whereas their opponents of the Right look upon the new concessions as the beginning of a more healthy policy. The extreme Left will not easily permit the Cabinet to abandon its social policy.

Political Dilemma and Economic Recovery

If the Cabinet resists, it will be in contradiction to the policy of the Popular Front; if it yields, it will be retracting the promises given to Parliament at the time of the Tripartite loan. If new financial difficulties arise what will be made the scapegoat? Will it be the Tripartite Agreement which has been supported by the Cabinet, and may bring back French money, or the economic and social policy of the Government, who may be accused of using the money badly?

Whatever the answer is, it appears—and this is the great result, not sufficiently emphasised, of the reversal of Cabinet policy—that recent events have shaken the supporters of the Popular Front. Accordingly, if the Blum Cabinet falls, a successor may come without riots in the street. In that sense, the danger of a revolution is past.

Business is definitely recovering. Railway receipts have risen by 10 per cent.; unemployment has fallen considerably (5,000 less last week); fiscal receipts are rising, and the extraordinary Budget has been decreased. These facts may be important, if success of the Defence Loan and a return of flight capital bring about a rise in the Rentes and a lowering of the rate of interest. A progressive French recovery in the frame of the world revival would bring new strength to the Cabinet, whatever the political situation may be.

Fiscal receipts in January were 3,177 million francs, or 207 millions more than the receipts (in Poincaré francs) of January, 1936. Metallurgical production in January showed an increase; 603,000 tons of steel were produced against 591,000 in December and 561,000 in January, 1936. Pig iron production was 587,000 tons against 558,000 tons in December. This improvement, which was secured despite the forty-hour week, is explained by the increase in staffs, by the increase in yield, and by the regularity of Government orders.

Germany

Confiscating Foreign Securities

BERLIN, March 10.—The buying up of foreign securities by the Reichsbank and by exchange banks on its behalf began last week. Under the confiscation decree of February 27th, these securities may be sold only to the Reichsbank, and, quotations on the Bourse having been suspended, at the Reichsbank's own price. There is, however, no compulsion to sell immediately; and securities will pass into the Reichsbank's hands only when the owners themselves desire to realise them. This will partly depend on the price which the Reichsbank offers. The securities in question are all those foreign currency bonds and stocks which before the decree were officially quoted on the Bourse, those which, though not officially quoted, were dealt in on the Bourse, and certain unregulated securities, mostly of the class of pre-war Russians, and therefore almost *non-valeurs*.

Early last week offers to the Reichsbank of securities on the confiscation list were very considerable, but later declined. In general the Reichsbank paid prices roughly corresponding to the Bourse prices of immediately before the February decree. Marks received by sellers in compensation went partly into home shares, which were correspondingly firm, and in particular into colonials, which advanced sharply. In order to obtain foreign currency, which is the object of the confiscation, the Reichsbank must sell the securities abroad. This cannot be done at once. Securities in companies which are members of international combines, e.g. I.G. Chemie and the Linoleums, cannot be sold at all; because this would weaken Germany's influence in the combines.

Under the general transfer moratorium of June 9, 1933, which was recently prolonged until the end of June, 1937, the Conversion Office announces the issue of 3 per cent. dollar funding bonds against dollar interest liabilities maturing between July 1, 1934, and December 31, 1936. According to American reports the present issue is for about \$69 millions. The interest on the bonds will be payable in foreign exchange. German holders must offer their funding bonds to the Gold Discount Bank, which last October declared its readiness to buy them up at 75 per cent., 25 per cent. being deducted on the ground that the interest rates on foreign loans were unreasonably high. Funding bonds already issued are selling in Europe at a much heavier discount.

The *Deutscher Volkswirt* publishes the following provisional foreign payments balance (in millions of Rm.) for 1936:—

Current Account		
Foreign Trade + 4,768 (exports) — 4,218 (imports)		+ 550
Services (net)		+ 450
Interest + 100 (received) — 600 (paid out)		— 500
Surplus.....		+ 500
Capital and Credit Account		
Gold and Foreign Exchange.....		+ 15
Capital movement + 430 (inflow) — 900 (outflow)		— 470
Unexplained balance		— 45
Deficit		— 500

The interest actually transferred, as the compilers state, was not Rm. 600 millions but only Rm. 220 millions; so that the real surplus on the current account was Rm. 880 millions. Following the official precedent of 1934 and 1935, the compilers book the untransferred Rm. 380 millions as a short-term loan to Germany. This, together with Rm. 50 millions of repaid Russian trade debt, accounts for the Rm. 430 millions "capital received" in the table. The Rm. 900 millions capital outflow consisted of Rm. 100 millions removed by emigrants and Rm. 800 millions repaid debt.

The Mechanism of German Foreign Trade

Important changes have been made in the control of foreign trade, in the compensation and Aski systems. Compensation trade is barter. Under the Aski system the foreign deliverer acquired in Germany a blocked

Reichsmark credit, which he sold to a purchaser of German goods; the transaction usually represented a German import of raw materials and an export of manufactures. In 1935 some 15 to 20 per cent. of total German exports was by compensation or Aski arrangements. The assumption was that such German exports were supplementary and would otherwise have been impossible. As the number of German clearing agreements increased, the scope for such special arrangements was restricted. It was, moreover, objected that many of these exports were not really supplementary but competed with and supplanted ordinary exports. The foreign seller of raw materials paid to the foreign buyer of German goods a bridging premium, even if the German goods could have competed without any premium. At the end of 1935, certain goods were entirely excluded from compensation transactions, and in November, 1936, all compensation deals of under Rm. 50,000 in value were entirely prohibited.

Under the new decree, compensation and Aski transactions with Egypt, the Sudan, British India, Ceylon, Burma, Siam, the Straits Settlements, China and the Philippines are prohibited. With South America Aski deals, which had led to a great expansion of trade, were already specially regulated; and with Australia and New Zealand compensation arrangements had already been forbidden and Aski transactions were much restricted. There seems still to be room for this kind of trade with British East and West Africa; but under a new circular the number of commodities which may be exported by way of compensation to any country has been again reduced. The report on the distribution of foreign trade in 1936 shows that nearly Rm. 300 millions of the Rm. 550 millions export surplus went to increase the active balance with Europe, and the remainder mainly to reduce the passive balance with both Americas. The following table shows the year's changes, and the movements since 1932:—

	Trade Balances in Millions of Marks		
	1932	1935	1936
Total trade	+ 1,073	+ 111	+ 550
With Europe	+ 2,147	+ 561	+ 851
„ Africa	— 145	— 138	— 134
„ Asia	— 190	— 33	— 28
„ America	— 623	— 261	— 117
„ Australasia	— 86	— 11	— 14
+ = Export Surplus. — = Import Surplus.			

Food Shortage

The shortage of food still continues. Eggs are unobtainable; in Berlin meat, except the dearer sorts, has also been unobtainable at times. Flour of a particular grade may be had (contrary to regulations) only if the miller or consumer buys some flour of inferior grade. After March 15th bakers' wheat flour will contain 7 per cent. of maize flour. The reason given for this measure is that maize is more easily purchasable in the world market than wheat.

The industrial position has not changed materially. Measures are being taken to compel manufacturers to take on elderly workmen. The seasonal decline of industrial activity in January was greater than in January, 1936. The turnover of department stores in 1936 increased by 8.5 per cent., falling therefore little behind the increase in total retail trade, which was 10 per cent. The West German report of the Institute for Trade Research shows that the Ruhr has reached the limit of its production capacity. The export of machinery in January reached the high total of 37,200 tons, against 32,400 tons in December. The production of tinplates in 1936 was 239,500 tons; and export, which in 1929 was only 30,100 tons, was last year 121,700 tons. The Steel Trust (Vereinigte Stahlwerke A.G.) has increased its dividend from 3½ to 4½ per cent., after writing off Rm. 134 millions on plant. The Loanstock Law, which expires this year, has been prolonged for another three years. It is announced that the excess dividends impounded in the Gold Discount Bank under this law, and invested mainly in Municipal Conversion Loan, will be duly paid out to shareholders after the expiry of the first term. This was unexpected.

Belgium

The Coal Shortage

LOUVAIN, March 3.—At the beginning of the year Belgium faced a threatening social crisis. The Government had asked Parliament after the strikes in June to vote a bill instituting the forty-hour week in dangerous occupations. At the end of the year the miners became impatient and sent an ultimatum to the Government; and a forty-five hour week was instituted in the collieries for underground workers from February 1, 1937. The reduction of the working day does not necessarily imply the maintenance of the weekly wage. But in the coal industry an increase of the hour wage scale was possible, and practically the same wages are now paid out for forty-five working hours as previously for forty-eight.

The reduction of the working day has raised a delicate problem, since the country has been suffering from a shortage of coal. Coal for coking is particularly scarce. The coke famine has been so severe that steel production has slackened and two blast-furnaces have been temporarily extinguished. Moreover, the Christian trade unions have long been opposed to the recruiting of foreign miners. Finally, however, they agreed that 2,000 Polish miners should be allowed to work in the Belgian pits. These supplementary hands have not yet arrived.

In the meantime an attempt has been made to recruit men at home. Though there are still 5,000 men out of work in the coal industry, it is impossible to find here the necessary workers, because the unemployed are too old or unfit. Another way to increase the coal output was to allow exceptions to the law reducing the working day. Work is now permitted by law for forty-eight hours in the week, on condition that wages are raised 25 per cent. for the extra hours. The trade unions, however, have refused to admit these exceptions, although the stocks of coal have declined to an abnormally low level.

The effect of the reduction of working time is not yet known. Preliminary research suggests that the production per working day per man is reduced by about 6 per cent. in the Campine coalfields, and by 3 to 4 per cent. in the southern districts. The present coal famine is a great obstacle to the progress of recovery, especially in the metal trades. A great many foreign orders for machinery have been received, especially from South America, but producers hesitate to accept them because they cannot get the necessary iron and steel.

Economic activity has been increasing in recent weeks. Exports have risen rapidly both in quantity and in value. Domestic trade is less vigorous, but in certain trades revival seems spreading. The Government decided on account of this to abate part of the programme of public works. This decision was made at the end of February, and a special committee has the matter in hand. The 1938 Budget will provide for less extraordinary expenditure than the previous one did.

GOVERNMENT'S ELECTRICITY PROPOSALS

A guide to the McGowan Committee's proposals and what their carrying out would mean is to be found in the "Report on the Supply of Electricity in Great Britain," published by P. E. P. (Political & Economic Planning), December 1936, which gives a comprehensive account of the development of the electricity supply industry and its problems.

Price 8s. 6d. cloth bound, 6s. paper board covers. (Postage 6d. extra). Crown Quarto, 171 pages, 40 statistical tables, map and graphs.

P. E. P. (Political & Economic Planning)
16 QUEEN ANNE'S GATE, LONDON, S.W.1
WHitehall 7245

An Open Market Policy

The 1936 financial year will probably show a surplus on the ordinary Budget. Capital is so abundant that Belgian Government securities have been quoted as favourably as before the war. The Government is issuing a new type of State loan, $3\frac{1}{2}$ per cent. at 97. For Belgium these terms are extremely favourable. The National Bank is to be entitled to pursue an open market policy, which was not possible before. The maximum amount of Government securities which the Central Bank will be allowed to buy will be fixed at 1,500 million francs, about 5 per cent. of its sight liabilities. Up to now the State securities guarantee fund and the gold surplus from the National Bank have been used in order to buy and sell Government securities and to give and withdraw purchasing power. Thus, the policy is not new and is merely transferred from the Government to the National Bank. The movements of the Belgian franc in the exchange market have emphasised Belgium's largely creditor position. The country has not only enjoyed an inflow of gold which enlarged the gold reserve of the National Bank, but it has repaid foreign debts. On the other hand, the increase in the gold reserve of the issuing bank does not represent the total increase in the gold stock; since last autumn the Treasury has converted into gold certain franc assets amounting to 600 million francs.

Bulgaria

A Spurious Election?

SOFIA, February 26.—The Government has fixed the municipal elections for March. These will be the first elections since the *coup d'état* of May 19, 1934. By a special decree the candidates must not belong to any of the former political parties. No political campaigns will be allowed. For the first time women (mothers only) will have the right to vote. Under such conditions the political parties, although deprived of any legal existence, have declared themselves against the elections, and have instructed their members to vote with blank papers. It may therefore be expected that nearly 50 per cent. of the votes will be invalid, and so indirectly cast against the Government.

The Budget for 1937 estimates revenue and expenditure at 6,913 million leva, an increase of 750 millions (11 per cent.) over the figure for 1936. The expected increase in revenue is based on the larger receipts which followed the passing of certain new fiscal decrees in 1936 and on the steady improvement in the economic situation of the country. The Budget returns for the past year totalled 6,425 million leva, which represents an increase of 225 millions over the estimates. Because of the marked improvement in the economic position of Bulgaria, the Budget yielded for 1936 a surplus of 162 million leva. It is expected that the increased revenue will enable the Government to balance the new Budget.

During the last three months of 1936 the foreign exchange position of the National Bank of Bulgaria improved substantially. The Bank was able to purchase gold on the foreign markets to the value of 87 million leva. The gold reserve was thus increased from 1,618 million leva at the end of November, 1936, to 1,705 millions at the end of January last.

Egypt

The Cost of Defence

ALEXANDRIA, March 3.—The Government continues to devote most of its energy to the Capitulations and Budget problems. Military reorganisation and the entry of Egypt to the League of Nations are also receiving increased attention. The main discussion of the abolition of the Capitulations is about whether the Egyptianisation of the Mixed Courts should start at once and proceed at a rapid pace during the suggested transitional

period of 12 years; or whether less sweeping changes should be effected during the coming years and radical modifications be left until later. Political opposition to the Ministry has been gathering strength of late; and it is predicted in some quarters that the Government may be driven to adopt a less compromising attitude than originally forecast.

Estimates of the 1937-38 ordinary Budget forecast that it will be balanced at £E36,100,000. No particulars have yet been given of the extraordinary Budget to cover new military expenditure. The Minister of Finance let it be known that all disbursements arising from the Anglo-Egyptian Treaty, like those for strategic roads or barracks, would be paid out of the reserve fund. Subscriptions for the National Defence Fund will serve to offset the first expenses of Egypt's new army. Because of the Capitulations, the Government will have to wait until the Montreux Conference for freedom to introduce fresh taxes to cover the new charges. Local politicians are realising that even the moderate increase contemplated in the country's army from 12,000 to 20,000 men, and its equipment with up-to-date weapons, will be a costly business.

Cotton Manufactures

Foreign trade recorded a partial setback in 1936.

	1935	1936
	£E.	£E.
Exports	35,693,162	32,979,204
Imports	32,238,859	31,515,816

The falling-off in exports was due mainly to a decrease of 8.8 per cent. in shipments of cotton, which was but partly offset by an increase of 4.2 per cent. in the average value per unit. The total value of cotton exported amounted to £E25,118,421, against £E26,566,968 in 1935.

Observers are inclined to take a hopeful view of the future. Cotton exports, which were behind last season's figures during the autumn months, have caught up since the beginning of 1937, and now stand higher than a year ago. On the other hand, the rise in the price of imported manufactures has stimulated local industry, especially textiles. The silk industry, which owned only 400 looms at the end of 1935, when the new duties came into force, will have 2,000 before the end of 1937. Most of the country's requirements of about 15 million square metres will then be supplied by local plants. Imports of natural silks have already fallen from 13 million square metres in 1935 to 5 millions in 1936.

Following the steep decline of French exports to Egypt, which now reach only half the amount of Egyptian sales to France, a French economic mission visited the country to find out how to improve the balance. This was the first foreign commercial delegation to come over since the signing of the Anglo-Egyptian Treaty.

India

Road and Rail Transport

BOMBAY, February 17.—The outstanding economic event of the month has been the presentation of the Railway Budget this week. With a greater volume of goods traffic an anticipated deficit of Rs. 3½ crores has been turned into a small surplus of Rs. 15 lakhs. The Railway Board is concerned lest the improved conditions registered in the past few months may not continue. The Government has just placed a motion before the Assembly for the reorganisation of the Road Fund, the money for which is obtained by an addition to the tax on petrol. In future, the due share of the Fund may be withheld from any Provincial Government which fails to take such steps as the Governor-General may recommend for the regulation of motor vehicles within the Province.

The Income-Tax Inquiry Report was issued in January, and if the Government endorses the recommendations there will be a marked increase in the receipts from the tax. Hitherto, there has been no liability on the citizen voluntarily to make a return. It is proposed to close this loophole; and assessments will

be retrospectively valid for six years. The outstanding recommendation is that agricultural income, though not itself liable for income-tax, should nevertheless be taken into account in fixing the amount of tax payable on other incomes.

Security Against the Moneylender

The Legislative Assembly has passed a bill concerning the attachment of salaries and wages for debt. The object is to give wage-earners greater protection against moneylenders. Under the old law, the wages of labourers and domestic servants were exempted without limit; and in the case of Government and railway servants salaries below Rs. 40 a month were exempted. In its report submitted in 1930 the Royal Commission on Indian Labour held that, owing to the facility with which salaries and wages could be attached, credit became too easy; and there was a temptation for industrial workers to borrow beyond their capacity to repay. The result was that moneylenders were given too great security, and the State, the railways and owners of factories became easy agencies for collecting debts. The Commission recommended that salaries and wages of every employee drawing less than Rs. 300 a month should be exempt from attachment. The Government of India, after consult-

ing Provincial and local authorities, found that the evil was real, but the suggested remedy was too drastic. The present Bill gives complete exemption from attachment to salaries not exceeding Rs. 100. It also provides that the pay of Government, railway and local authorities' employees, where it exceeds Rs. 100, shall be exempt for the first Rs. 100 and one-half of the remainder.

The latest report of the Public Health Commissioner is full of interest, although it relates to 1934. The Commissioner pleads for the formation of a permanent Central Malaria Bureau to deal with the disease which in India causes the greatest mortality, morbidity and economic loss. In 1934, it is estimated that malaria accounted for no less than 1,319,000 deaths. On the subject of India's food resources, the report states: "In the present state of our knowledge it is not safe positively to assert that food production cannot keep pace with population increase. Although there is evidence of widespread under-nutrition in India, there is no evidence to show that the ryot is worse fed now than he was in earlier days. Rather is it probable that the absorption of foodstuffs has, over a period of years, risen in proportion to the population. This cannot, however, be proved with our present statistics and there is a great need for a general survey of food production in India."

Letters to the Editor

Remote Newcastle

TO THE EDITOR OF THE ECONOMIST

SIR,—Your well-informed contributor's article on Newcastle (*The Economist*, March 6th) must help to remove some of the misunderstanding as to the true industrial position on Tyneside.

On only one point does your contributor appear to slip, and that is in the sentence "Thus Newcastle, in fact if not by definition, comes near to being a Special Area." Newcastle, and the whole of Tyneside, is in fact and by definition a Special Area; and industrialists on Tyneside can therefore benefit by the operation of the Special Areas Reconstruction Association, which advances capital to new and developing industries, the Lord Nuffield Trust, and also by the other additional facilities included in the new Special Areas Bill.

The title of the article—"Remote Newcastle"—may, however, create an impression that the city is far removed from the rest of the country. In fact, Newcastle is within four hours' journey of London by express train, it has overnight railway goods services to the south and other parts of the country, it is within 115 minutes of London by air, 40 minutes of Edinburgh, 45 minutes of Manchester, 70 minutes of Birmingham and 50 minutes of Glasgow. The Industrial Survey, prepared by Armstrong College for the North-East Development Board, also shows that within 125 miles of Newcastle there is a population of 16,500,000, compared with a little more than 16,000,000 within 100 miles of London.

Yours faithfully,

LEONARD FLETCHER.

Publicity Officer,

Tyneside Industrial Development Board
and North-East Development Board.

Newcastle-upon-Tyne.

Devaluation and Winter Sports

TO THE EDITOR OF THE ECONOMIST

SIR,—I am indebted to the chief of the Grindelwald Kurverein for the following facts and statistics bearing on the effect of the franc devaluation upon Swiss winter sports receipts. Grindelwald is, of course, only one of numerous winter sports centres, and so the data supplied can only be regarded as a sample. Still this sample is particularly useful, for together with the neighbouring resorts of Wengen and Murren, Grindelwald is one of the centres where English

visitors congregate. The chief test to be applied is that of the number of visitors, and with this may be combined the details of the total of "visitor-nights"—a composite figure, analogous to "engine-miles" and other railway expressions, which takes account of the length of stay of each visitor as well as of the number of visitors. The period covered by the table containing these statistics is the month of January. December is unrepresentative as the season only opens in the middle of the month, while February was not complete at the time these data were compiled:—

	Visitors		Visitor-nights	
	January, 1936	January, 1937	January, 1936	January, 1937
British	605	1,022	9,550	14,398
Swiss	249	604	1,534	3,273
French	89	56	665	646
German	21	40	186	329
Dutch	18	43	314	364
Others	7	112	347	1,316
Total	989	1,877	12,596	20,326

The increase in the number of British visitors is approximately 70 per cent., but the increase in the number of British visitor-nights is only 51 per cent. This discrepancy is impossible to interpret accurately, as January "visitor-nights" arise partly from visitors arriving during December and staying into January. Still, the visitor-night increase

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is the more important from the point of view of the income accruing to Grindelwald. The really interesting result is the increase in the number of Swiss visitors, many of them week-enders. It is impossible to escape the conclusion that Switzerland is much more prosperous this year than last. To what extent has Grindelwald itself benefited from this increase? The Kurverein estimates the average daily expenditure of each visitor, including his hotel bill, at Frs. 25 to Frs. 30. Taking a mean figure of Frs. 27, and applying this to the visitor-nights figures, the gross receipts from visitors have apparently risen from Frs. 340,000 to Frs. 550,000, for January alone. Not all these amounts are retained in the village, or even in Switzerland, because some food and other necessities for visitors have to be imported from abroad. So far there has been no rise in charges to visitors as the result of devaluation, for strict regulations are imposed by the Price Control Office, with headquarters in Berne and branches all over Switzerland. Still, prices of milk, eggs, butter and other things are beginning to rise, so that it is becoming an open question how long charges to visitors can be kept unchanged.

More intimate details are equally illuminating. The Kurverein levies a tax of Frs. 1.50 per day on each visitor, which covers most of the expenses of winter sports, including compensation to the farmers over whose land and through whose fences the principal ski-tracks run. The Kurverein's total income has thus risen by 63 per cent., this being the increase in total visitor-nights. Attendances at the ski-school up to February 18th in each season have risen from 1,005 to 1,452. This is proportionately less than the increase in the number of visitors, and it may be that

devaluation has enabled a number of trained ski-runners to return to Switzerland. For the season up to February 17th, the number of "day classes," again a composite term, has risen from 128 to 205, and as each instructor receives Frs. 15 a day, the total amount paid out in salaries has risen from Frs. 1,920 to Frs. 3,100. At a rough guess the number of instructors employed regularly has risen from 10 to 17. Thus there is no doubt about the increase in internal prosperity.

On the whole Switzerland must have strengthened her foreign exchange resources. Each English visitor, of course, pays less in sterling this year than last, for as the cost to him in francs is unchanged he gains the full benefit of the 21:15 devaluation of the Swiss franc. Even so, if this ratio is applied to the increase of 51 per cent. in British visitor-nights, the increase in sterling expenditure by British visitors to Grindelwald works out at 8 per cent. The increase in guildler expenditure by Dutch visitors is, of course, equal to the 16 per cent. increase in Dutch visitor-nights, for the Swiss franc and the guildler were devalued *pari passu*. There is, of course, the offset of increased imports of food for visitors, but after allowing for this, the franc must have gained in strength.

The net result is that the devaluation of the franc has brought immediate relief to Switzerland, both in a restoration of internal prosperity and in an addition to her foreign exchange resources.

I remain,

Yours faithfully,

London, E.C.2

FRANCKMARK.

Books and Publications

Moscow in the Making

THIS book,* by a group of experts in various aspects of civic life, is a small mine of information. The authors visited the city for a month in the autumn of 1936, during which time they interviewed many officials of the City Soviet, studying education, finance, housing and the great plan for the reconstruction of the city in ten years. None of the party speaks Russian, and all are fully conscious of their limitations as observers. Yet their book may be placed alongside that of the Webbs as a sound text-book of factual knowledge by people of great experience in the collection of certain kinds of information.

Dr Robson, in the opening section, tells us about the Soviet electoral and administrative system itself, making comparisons, at many points, with the civic administration of Manchester and London. The Soviet system, involving small, closely-knit constituencies (i.e. factories, offices and works units of all kinds), and a vast plenum of representatives implies, he thinks, a continual and close contact between the people and their leaders. On the other hand, the responsibility of the small Presidium of the City Soviet to the higher organs of the R.S.F.S.R. and the U.S.S.R. has unmistakably authoritarian implications. The problem of the precise meaning of Democracy when each organisation is responsible, both to the electorate and to the superior organs of the hierarchy, is the main bone of contention among the authors of this book. Perhaps Sir Ernest Simon comes closest to the mark in his analysis of the part played in the system by the Communist Party, which dominates both the electorate below and the higher organs, such as the Council of People's Commissars and the Presidium of the Moscow Soviet above. Yet the essential question of the extent to which the Party represents the working masses of the people is not sufficiently dealt with by any of the authors. On this point we are referred to the Webbs.

Professor Jewkes examines industry and finance from an orthodox liberal angle. As an indication of the extent to which the Moscow Soviet is in reality little more than an organ of the Central Government, he points out that most of the capital expenditure of

the city is financed, not locally, but by direct grants from the State Budget. He is at a loss to explain why the local political constituencies and Soviets should be regarded as suitable areas for the control of local industries. Applying the liberal criterion of "consumer's sovereignty," he finds it anomalous that so many resources should have been devoted to building the Metro at a time when the housing problem was worse than ever before. Indeed, the complete elimination of "consumer's sovereignty" leaves Professor Jewkes baffled, but undaunted.

Lady Simon examines carefully the system of pre-school and elementary education, and describes the various openings for children who have reached the age of 15, the normal school-leaving age. She finds that there is much less pre-school education per head in Moscow than in Manchester, but that its quality is very high indeed. Elementary education, she thinks, is rather better and more varied in England than in Russia, but the opportunities for secondary education, technical training and university courses are much more generous in Russia than at home. She rather deplores the complete uniformity of the Russian system and its firm subjection to the Party, whose knowledge either of pedagogy or pedagogy is not necessarily all that it should be.

Sir Ernest Simon, of course, deals with housing. He shows clearly that the Russians have a very long way to go before the housing of the people will approach Western standards, and he describes vividly the truly appalling living conditions of the bulk of Moscow's citizens. On the other hand, he envies the City Soviet its tremendous powers; and he is inspired by the opportunities now facing the city, with its ten-year plan of complete reconstruction. He remarks that all Mr Herbert Morrison's hopes and aspirations, regarded as mere dreams in London, are actually in slow process of realisation in Moscow, where the great bugbear of compensation for private property interests does not impede the city planner at any point.

After hinting at the rigidity and brutality of much in the Russian system, Sir Ernest concludes:—"Can we achieve something of the leadership and enthusiasm of Moscow while maintaining the freedom of minorities and the kindly tolerance of England? That is the problem on the solution of which the future of British democracy depends." This is well said.

* "Moscow in the Making." By Sir E. D. Simon, Lady Simon, W. A. Robson and J. Jewkes. Longmans. 7s. 6d.

Shorter Notices

"L'Activite Economique en France." By Professor Achille Viallate. Paris: Marcel Riviere. 1937. Fr. 60

Professor Viallate's new book is a comprehensive economic history of France from 1760 to 1935, and contains an astonishing quantity of the sort of information one wants about a foreign country. The seven chapters deal with seven separate periods in increasing detail as the present day is approached, and each is usefully divided into sections and sub-sections giving the main incidents and the most significant statistics. English readers will find this a most useful adjunct to Professor Clapham's "Economic Development of France and Germany" in the first four chapters dealing with the period up to the war. The remaining pages give by far the best account we have seen of later developments, bringing out with great clarity the peculiar nature of the problems facing the last great democracy on the Continent.

It is a pity, however, that the author for the greater part of the book keeps interpretation—and for that matter, imagination—to the absolute minimum. The reader cannot but feel that his teacher has left the hardest part of the work to the pupil. And he is obviously a teacher of exceptional experience. When in the concluding pages Professor Viallate relaxes a little, it appears that he is a Liberal more or less of the new school. To him the great danger is the dominance of industry by the State, either through Socialist interference or nationalism. He is anxious for industries to promote corporate research into technique and marketing, and for the State to control monopolies or semi-monopolies through quasi-judicial bodies appointed by the President, and independent of the politicians (of whose motives he has indeed a very lively distrust). But nowhere does he consider the planning of an employment policy as a possible function of the central authority.

"The Bank and Insurance Shares Year Book, 1937." The Trust of Insurance Shares, Ltd. 626 pages. 5s.

All who are interested in bank and insurance shares and have hitherto had to seek their information from a variety of sources or from a laborious study of balance sheets will appreciate a handbook of this kind. Quite apart from its comprehensiveness and convenience, the amount of new compilations it contains makes it of greater value and interest than the ordinary work of reference.

The main feature of the book is a statement for each company giving, in the case of banks, a comparison of the percentage distribution of assets for the past seven years, an analysis of the profit and loss accounts, and much useful miscellaneous information. The insurance section analyses results and premium income. A price and yield record for each company from 1916 onwards is a new departure, while the appendix tables dealing with groups of companies in the aggregate will be found of considerable general interest. There is every likelihood that this year-book will become one of the recognised sources for the study of investments.

Books Received

Political Handbook of the World, 1937. Edited by Walter H. Mallory. (New York) Harper and Bros. 207 pages. \$2.50.

Sales Organisation in the Coal Industry. By W. A. Lee. (London) The Mining Association of Great Britain. 12 pages. No price stated.

Report of Court Proceedings in the Case of the Anti-Soviet Trotskyite Centre. January 23-30, 1937. (Moscow) Mezhdunarodnaya Kniga Co., Kuznetsky Most, 18. 580 pages. No price stated.

Tuberculin-Tested Milk. By R. N. Dixey. (Oxford) Agricultural Economics Research Institute. 111 pages. 2s. 6d.

Germany's Present Eastern Policy and the Lessons of Brest-Litovsk. By Pragmaticus. (London) Eyre and Spottiswoode. 16 pages. No price stated.

The Sugar Technologists' Association of India. Reprint from the Proceedings of Annual Convention, 1935. (Cawnpore) H. B. Technological Institute. No price stated.

Imperial Institute: Annual Report, 1936, by the Director, Sir Harry Lindsay, K.C.I.E., C.B.E., to the Board of Governors. (London) Imperial Institute, South Kensington, S.W.7. 63 pages. No price stated.

Financieel Jaarboek voor 1937. (Amsterdam) De Nederlandsche Financier Dagelijksche Beurscourant. 192 pages. No price stated.

The People's Front Against Fascism and War. By G. Dimitrov. (London) T. H. Wintringham, 2 Parton Street, W.C.1. 16 pages. 2d.

Battaglia fra le Valute. By Mario Alberti. (Como) Cavalleri. 323 pages. L. 10.

MACMILLAN

National Income and Outlay

By COLIN CLARK, M.A., University Lecturer in Statistics, Cambridge. 12s. 6d. net.

An up-to-date study of our national finances. "Indispensable to anyone who wants to know and not merely guess the facts of our economic life A stimulating book."—*Financial News*. "Mr Colin Clark's new book is likely to be the standard work in this field for many years to come."—*The Economist*.

Essays in The Theory of Employment

By JOAN ROBINSON, M.A. Author of *The Economics of Imperfect Competition*. 8s. 6d. net.

The methods of Mr Keynes's *General Theory of Employment, Interest and Money* are here applied to particular questions. The essays discuss such problems as: causes of inflation; influence of mobility of labour upon employment; effect upon unemployment of raising school leaving age and shortening the working day, etc.

The Science of Social Adjustment

By SIR JOSIAH STAMP, G.C.B., G.B.E., F.B.A. 7s. 6d. net.

Sir Josiah Stamp has recently made several studies of the relations between Science and Society, in discourses and addresses to the British Association, the British Science Guild, and to the Eugenics Society, and these, with much rearrangement, omission, and new matter, are now published in book form.

Economic System in a Socialist State

By R. L. HALL, Fellow of Trinity College, Oxford. 7s. 6d. net.

The economic problem for every community is the problem of choosing between alternative uses of our limited resources. In most States this problem is solved automatically by the competitive structure. Mr Hall discusses the organisation of an alternative system for a Socialist State.

An Essay on Economy and Value

Being an Enquiry into the Real Nature of Economy

By ALEC L. MACFIE, Lecturer in Political Economy, Glasgow University. Author of *Theories of the Trade Cycle*. 7s. 6d. net.

"Fertile in illustration, provocative in thought, courteous in his controversial manner and full of contagious enthusiasm."—*New Statesman*.

Prices in Recession and Recovery:

A Survey of Recent Changes

By Dr FREDERICK C. MILLS. 16s. net.

An authentic record of price movements made concurrently during the course of a serious depression and the following period of revival. It is a revealing picture of the price mechanism as it has been affected by, and in turn has affected, the pattern of the economic life of the U.S.A. during a time of great stress. National Bureau of Economic Research, New York.

The A B C of Foreign Exchanges

A Practical Guide

By GEORGE CLARE and NORMAN CRUMP. Tenth edition, thoroughly revised and largely re-written. 5s. net.

"Students of foreign exchange . . . will welcome the reappearance at a particularly opportune moment of this classic text-book."—*News Chronicle*.

MACMILLAN & Co. Ltd., London, W.C.2

MONEY AND BANKING

The French Financial Reforms

AT the end of last week the French Government announced a new series of financial reforms, which were passed by the Chamber last Tuesday. Briefly, the penal taxation on any exchange profits derived from the repatriation of funds is abrogated. Instead, the Banque de France will give general authority for the free import and free negotiation of gold inside France, and will buy gold at a price in francs to be announced from time to time and to correspond with the world price. Control of the Exchange Equalisation Fund is to be vested in a special committee, consisting of M. Labeyrie (the Governor of the Banque de France), M. Charles Rist, M. Paul Baudoin and M. Jacques Rueff. Public expenditure is to be stabilised with no further increase except for the purpose of improving very small wages and salaries; and general economic improvement will permit of a slackening of public expenditure on the unemployed. Finally, a national defence loan is to be issued which will not exceed the amount of Frs. 10,000 millions, which is estimated to be required for defence. The details of this loan are described in a Financial Note. Its significant feature is that it carries a guarantee against exchange loss arising from any future depreciation of the franc.

The background of these reforms deserves close examination. Although the devaluation of last autumn has been followed by a general improvement in the economic condition of France, there has been further deterioration in her financial condition. Even the economic improvement has been tempered by increased costs which have actually offset the rise in wholesale prices. While wholesale prices rose between September and February by 27 per cent., the Paris cost-of-living index has risen by 17 per cent. The new social legislation must bear part of the responsibility for this development, although the 40-hour week is not yet being generally enforced. Meanwhile, there has been no repatriation of French funds, but, on the contrary, a further drain. The gross borrowing needs of the Treasury, including the railways deficit, were recently estimated at about Frs. 30,000 millions. The previous policy of pegging the franc at Frs. 105.15 to the pound made it entirely safe for speculators to "bear" the franc; for the devaluation law of last October permitted a depreciation to about Frs. 112, and there was no prospect whatever of appreciation. Thus, the financial position was clearly fraught with danger, in the absence of ameliorative Government action.

Opinion in London is, on the whole, favourable to the reforms, and rates their prospects of success fairly high. It was somewhat unfortunate that the Government first announced that the new loan would be issued on Monday, and only later discovered that special legislation must first be passed. The necessary Bill, however, was passed by both Chamber and Senate with a minimum of opposition, and the terms of the loan were published on Thursday. Politically, M. Blum has appreciably strengthened his position. It may be doubted, possibly, whether a loan of Frs. 10,000 millions is sufficient in proportion to the Treasury's total needs. A defence loan, however, will make a powerful psychological appeal to French patriotism; and if the reforms succeed in bringing home the bulk of the expatriated French capital, M. Blum may be held to have succeeded in his main object—at the cost of an exchange guarantee limited to Frs. 10,000 millions. On the other hand, if the reforms failed in their main purpose, and the Government were compelled to make a fresh appeal for funds in a few months' time, the result would be disastrous, psychologically and materially. M. Blum, in fact, is taking a chance, and staking the future financial stability of his Government and his country on the outcome.

The effect of the reforms will necessarily involve London and New York, as well as Paris. The repatriation of funds to France in 1928-31 drained the Bank of England of gold and left Britain vulnerable to the financial crisis of 1931. There is, of course, no fear of a similar result to-day, but certain possible reactions should, nevertheless, be carefully considered. First, there may be prolonged French selling of gilt-edged, Kaffir and other British securities, and the London stock market may, consequently, have a reactionary trend. Next, there may be consistent withdrawals of French funds from the British banks, either by way of balances now held with the banks or of the proceeds of French sales of securities. Meanwhile, the British Exchange Equalisation Account will be selling gold to Paris and using the sterling proceeds to redeem part of the tender issue of Treasury bills. In 1935-36 an *influx* of funds into London coincided with an increase of £150 in tender issues of Treasury bills, and a drop of £225 in tap issues, despite the mitigating influence of last summer's gold sales by the Exchange Account to the Bank of England. We must now envisage the possibility of a reverse movement of this magnitude, accompanied by some French dishoarding of British currency. The net result, so far as the British banks are concerned, may well be fourfold, since it may involve:—

- (1) A drop in their deposits, due to French withdrawals.
- (2) A contraction in their discounts, as Treasury bills are transferred from "tender" to "tap."
- (3) Some increase in their cash, due to French dishoarding.
- (4) A consequential improvement in the banks' cash ratios and increase in their liquidity.

The only way to offset these consequences would be for the Bank of England to resell gold to the Exchange Account without increasing the fiduciary note issue, i.e. to reverse the procedure adopted last summer. Whether such a policy will be followed is an open question. The authorities may possibly consider that gold sales by the Bank would have an unfavourable psychological effect, and, again, that if the banks become more liquid, they will be better able to support any impending defence loans—in effect, that bank investments against armaments may appropriately replace bank discounts against the Exchange Account's gold. More detailed discussion of these questions, however, must await the event of large-scale repatriation of French funds.

In New York, French repatriation may prove an unexpected but wholly rational solution of the hot-money problem. Any export of gold which was withdrawn from the Reserve system would tend, *pro tanto*, to reduce the member banks' excess reserves. Again, if the movement is considerable, Washington may reverse its previous policy and decide to lower the member banks' legal minimum reserve requirements. Meanwhile, any weakness in Wall Street on French selling might well be largely offset by buying on behalf of the American investors, whose confidence in the maintenance of rising Stock Exchange values continues unabated.

These, however, are matters for the near future. Meanwhile, the French Government may be congratulated on a decision which carries France and the world generally a step further towards monetary and economic equilibrium, which is an indispensable prelude to freer world trade and finance. The reforms continue the work of reconstruction initiated last autumn by the tripartite monetary agreement and the subsequent devaluations, and they deserve all possible success.

Financial Notes

The French Defence Loan.—Some of the terms of the new French Loan (referred to in the leading article on the preceding page) became available as we went to press. The initial tranche is one of Frs. 5,000 millions, or half the total authorised amount. The lists opened at 2 a.m. on March 12th and are to close on March 25th. The rate of interest is $4\frac{1}{2}$ per cent., and the issue price is 98. The loan is to be redeemable by drawings or purchase over a period of 60 years; the redemption price is not yet known, but will presumably be par. As had been expected, the exchange guarantee takes a complex form. The interest coupons are to be payable either in French francs in Paris or in Swiss francs at the Bank for International Settlements in Basle. The B.I.S., however, will also designate certain banks, who will be prepared to pay the coupons in either sterling or dollars, and the coupons will be expressed in all four currencies. Exchange rates will have to be fixed between the four currencies for the purpose of determining the amount represented by each coupon in the three foreign currencies, and the initial belief was that these would be the average exchange rates current during the three days March 9th-11th. The proposal is an ingenious way of circumventing difficulties arising from the Johnson Act in the United States and the restrictions on foreign lending in London. These will prevent the loan from obtaining a Stock Exchange quotation in either centre, but it is to be presumed that the Governments concerned will not object to one or more of their banks being designated by the B.I.S. Meanwhile it will be the duty of the Banque de France to keep the B.I.S. in sufficient funds to meet all coupons encashed in any of the three foreign currencies. The yield on the new loan contrasts strongly with that on the $4\frac{1}{2}$ per cent. rentes, lately quoted at 75. Doubts are already expressed as to whether the exchange guarantee can be maintained for as long a period as sixty years. Still, the new loan deserves a good response from the French investor, and the invocation of the assistance of the B.I.S. represents a happy solution of the exchange difficulty.

Italy's Gold Reserves.—Official details issued a week ago give the size of the Bank of Italy's gold reserves on February 20, 1937, at 4,021 million lire. Ostensibly this total compares with one of 3,936 million lire for October 20, 1935, but any direct comparison is complicated by last autumn's devaluation of the lire by 40.94 per cent. and the proportionate revaluation of the Bank of Italy's gold stocks. To illustrate this, both totals are set out below in pre-devaluation (old) and post-devaluation (new) lire:—

BANK OF ITALY'S GOLD		
	Old lire	New lire
October 20, 1935.....	3,936	6,660
February 20, 1937	2,380	4,021
Difference.....	1,556	2,639

The differences show the extent of Italy's intervening gold loss, for while from the internal standpoint (e.g. the backing to the note issue) she can claim a small net addition to her gold stocks, there is no escape from the fact that the Bank has lost a physical quantity of gold as illustrated above by the two methods of valuation. In fact, the Bank has lost nearly 40 per cent. of its October, 1935, gold holdings. A further point of doubt is that in October, 1935, the Bank's return contained an item, "gold deposited abroad due by the State, 1,773 million lire," representing gold lodged as collateral in London under the Anglo-Italian war debt agreement. Has this gold since been merged in the new 1937 total of the Bank of Italy's gold holding? This is a point which ought to be cleared up, for if it has, the free gold of the Bank of Italy now amounts to only 607 million pre-devaluation or 1,028 million post-devaluation lire—equivalent to a loss of 84 per cent. of the 1935 gold

stocks. On the other hand, it is stated that the latest return does not include the Italian Treasury reserves, consisting of gold given to the Government by the Italian people and the devisen and foreign securities fund held by the Institute of Exchange. The note circulation is returned at 15,678 million lire, against 15,271 million lire in October, 1935, but it now includes some 1,500 million lire in Abyssinia, so that in reality there has been a contraction. The internal currency position has thus apparently been kept well in hand, but the new details of Italy's gold reserves throw little real light on Italy's foreign exchange position.

The Foreign Exchanges.—The market has been dominated by the French financial reforms, and while there were no heavy dealings, there were wide fluctuations in rates. The unpegging of the French franc from its former fixed rate of Frs. 105 $\frac{1}{2}$ was followed by a relapse to Frs. 108 $\frac{1}{2}$, but the news that free internal dealings in gold were permitted and that the defence loan with its exchange guarantee was about to be issued quickly stimulated a demand for francs. This demand continued until finally the spot rate has strengthened to Frs. 106 $\frac{1}{2}$. Moreover, so soon as the rate fell below Frs. 107 $\frac{1}{2}$, the French Control intervened and bought sterling to prevent too rapid an appreciation of the franc. Forward rates have also strengthened, though at one time there was some irregularity due to the delay in the issue of the defence loan. The closing rate on Thursday was Frs. 1 $\frac{1}{8}$ for three months, equivalent to only $4\frac{1}{2}$ per cent. per annum. The London-New York has naturally been affected by the movements of the franc, and at one time the rate was under \$4.88. It has since risen to \$4.88 $\frac{3}{4}$. Dutch guilders have weakened, this being another consequence of the general demand for francs.

February Clearing Bank Averages.—The February returns of the ten English clearing banks bear evidence of the seasonal collection of revenue and redemption of Treasury bills. This explains both the £33 millions drop in deposits and the larger reduction of £51 millions in discounts and call and short loans combined. It may also explain a small part of the increase in bank advances, for reasons only too familiar to certain taxpayers, but the bulk of the expansion in advances is probably due to the new French sterling railway credit.

(In £ millions)

	Feb., 1936	Nov., 1936	Dec., 1936	Jan., 1937	Feb., 1937
Capital and reserves ...	131.8	131.8	131.9	132.5	132.5
Acceptances, etc.	105.9	106.6	108.8	110.4	115.0
Deposits (including undivided profits, etc.)	2,085.2	2,249.0	2,276.9	2,269.5	2,236.2
Total liabilities ...	2,322.9	2,487.4	2,517.6	2,512.4	2,483.7
Cash	225.3	229.6	240.6	234.4	226.9
Cheques, balances and items in transit	54.0	64.2	75.2	64.0	64.2
Money at call	152.5	174.3	189.3	174.1	161.2
Discounts	292.9	327.1	320.7	343.6	305.1
Investments	613.7	640.2	644.4	653.9	655.8
Loans and advances ...	808.7	875.3	869.0	864.6	888.0
Investments in affiliated banks	25.1	25.2	24.9	23.5	23.5
Cover for acceptances, premises, etc.	150.7	151.5	153.5	154.3	159.0
Total assets.....	2,322.9	2,487.4	2,517.6	2,512.4	2,483.7

So far as can be deduced from the Bank return, the contraction in clearing bank cash is unconnected with revenue collection. Apart from fortuitous movements there is no real increase in public deposits, and the drop in bankers' deposits shown in the Bank return is mainly accounted for by a decrease in other securities. The contraction in clearing bank cash, however, has reduced the bank's aggregate cash ratio to only 10.1 per cent., so that it is not surprising that money became a little less plentiful during February. One consequence of this was that the banks only added £1.9 millions to their investments, though their operations in securities were also limited by the expansion in advances.

The Money Market.—It has been a quiet, uneventful week in the money market. The heavy payments of revenue are still the dominating factor; but, although they may occasionally affect the cash position of some of the banks, this is purely temporary, and the clearing banks as a whole are not affected. However, at least one bank has been calling every day. Rates remain unchanged.

	Feb. 18, 1937	Feb. 25, 1937	Mar. 4, 1937	Mar. 11, 1937
Bank rate	2	2	2	2
Clearing banks' deposit rate	1	1	1	1
Short loan rate :—				
Clearing banks	1-1*	1-1*	1-1*	1-1*
Others	1	1	1	1
Discount rates :—				
Treasury bills	1	1	1	1
Three months' bank bills	1-1	1	1-1	1-1

* Loans against Treasury bills and other approved bills and British Government securities within six months of maturity; 1 per cent. Treasury Bonds and other gilt-edged stocks within six months of maturity; and other collateral respectively.

The clearing banks have been buying May and early June maturities, but the market has not been eager to sell. The extra £5,000,000 of Treasury bills issued at the March 5th tender seems to have had little effect.

The Bank Return.—The most notable feature of this week's Bank return is the expansion of £3.5 millions in the note circulation. This is the fourth return in succession that has recorded a rise. This is partly a seasonal trend, as a reference to previous years will show, but this year the expansion that leads up to the Easter peak has begun earlier than usual and shows no signs of being broken by a fall in the middle of the month.

	Mar. 11, 1936	Feb. 17, 1937	Feb. 24, 1937	Mar. 3, 1937	Mar. 10, 1937
	£ mill.	£ mill.	£ mill.	£ mill.	£ mill.
Issue Department :—					
Gold	200.6	313.7	313.7	313.7	313.7
Note circulation	404.5	453.3	455.1	461.0	464.5
Banking Department :—					
Reserve	56.8	60.8	59.3	53.6	50.1
Public deposits	14.2	24.4	13.0	15.2	17.0
Bankers' deposits	91.6	90.6	100.4	93.8	93.8
Other deposits	36.1	36.7	37.9	37.7	37.7
Government securities	78.6	83.1	85.0	85.1	90.1
Discounts and advances	9.9	5.5	4.9	4.3	4.2
Other securities	14.8	20.4	20.3	21.9	22.3
Proportion	40.0%	40.1%	39.1%	36.5%	33.7%

In the banking department, bankers' deposits have not changed, but revenue payments have raised public deposits by £1.8 millions. Government securities have risen substantially from £85.1 to £90.1 millions.

British Linen Bank.—The accounts of this Scottish bank for the year ended January 15th show that, in common with most banks in 1936, it has considerably increased its liquidity. Deposits have certainly risen substantially by £2,703,000, from £33,339,000 to £36,042,000, but this is hardly proportionate to the rise in cash and short money by £644,000, when it is remembered that in previous years also the cash resources of the bank have increased considerably.

	January 15th 1935	1936	1937
	£'000	£'000	£'000
Liabilities :—			
Capital	1,250	1,250	1,250
Reserve	2,000	2,000	2,000
Deposits	30,357	33,339	36,042
Notes	2,577	2,465	2,641
Assets :—			
Cash and short money	7,548	8,653	9,297
British Government securities	18,579	20,896	23,346
Bills and advances	9,295	8,915	9,028
Net profits	286	290	293
To reserve	...	50	75
To contingencies	50	50	...
To pension reserve	80	50	50
To property account	...	...	...

Discounts and advances, including Treasury bills, have risen from £8,915,000 to £9,028,000, and a sub-division of this item might well be of interest in showing to what extent industry in Scotland is making use of bank

finance. Investments have naturally increased very considerably, from £20,896,000 to £23,346,000, and are now 64.6 per cent. of its deposits. Still, net profits are £3,000 higher than in 1935, and last year's dividend of 16 per cent. is repeated.

Irish Banking Returns.—The banking return for the quarter published by the Irish Free State Currency Commission is shown in condensed form below. The figures refer to the total business of all banks operating in the Irish Free State. Some of these banks have extensive business in Great Britain and Northern Ireland.

	Dec. Quarter, 1935	Sept. Quarter, 1936	December Quarter, 1936		
			In I.F.S.	Else-where	Total
Liabilities :—					
Capital, reserves, etc.	17,257	17,429	10,234	7,137	17,371
Notes in circulation	8,595	8,755	5,141	3,648	8,789
Current, deposit and other accounts	164,132	163,695	118,945	45,790	164,735
Other liabilities	5,037	4,798	3,169	2,408	5,577
Total	195,021	194,677	137,490	58,983	196,473
Assets :—					
Cash and balances with London agents and other banks	15,155	13,504	5,375	9,593	14,968
Money at call and short notice	10,255	10,603	3	10,706	10,709
Bills	5,355	6,245	4,947	1,366	6,313
Loans and advances	67,609	67,306	44,130	23,695	67,825
Investments :—					
(a) Government	78,270	79,425	3,567	74,946	78,543
(b) Other	9,396	9,944	3,531	6,857	10,188
Other assets	7,981	7,651	3,294	4,630	7,924
Total	195,021	194,677	64,848	131,625	196,473
Excess of assets outside I.F.S. over liabilities outside I.F.S.	74,470	71,970	...	72,642	...

The outstanding impression conveyed by these statistics is that of stability. Deposits have slightly increased, but the Chairman of the Bank of Ireland has drawn attention to a decline of deposits in the rural branches, reflecting no doubt the difficulties of agriculture. The figure relating to loans and advances probably understates the amount of new borrowing, since many advances previously made to private individuals and local authorities are being repaid. As usual, the greater part of the banks' investments are external, and it is this feature that confers on the Irish banking system its peculiar strength, and its capacity to resist periods of depression. The increase in the net external assets since the September quarter suggests that the balance of payments was favourable to the Free State during the later months of last year.

The Anglo-Portuguese Colonial and Overseas Bank, Limited.—The accounts of this bank show that it has had another successful year, and several items reflect increased activity. Deposits have risen, while investments have increased after having fallen during each of the previous three years. Discounts have expanded, while acceptances and confirmed credits are substantially higher.

	1935	1936	January 31, 1937
	£'000	£'000	£'000
Liabilities—			
Capital	1,000	1,000	1,000
Deposits	735	839	985
Acceptances and confirmed credits	633	536	788
Contingent liabilities—			
Forward exchange contracts	1,290	1,547	1,233
Endorsements	312	277	148
Assets—			
Cash	351	379	379
Balances with banks abroad	175	202	63
British bills	407	663	684
Foreign bills	37	28	29
Investments	365	234	278
Advances	235	235	399
Banco Nacional Ultramarino account	134	84	159
Goodwill at cost	95	95	95
Net profit	20	17	17

Profits are unchanged, probably because the low level of interest rates has neutralised the increase in resources. The bank's assets are very liquid, and there are no commitments subject to standstill agreements.

INSURANCE

The Prudential

THIS unique institution moves tirelessly and with gigantic strides to fresh records. Last year alone showed an increase of £13½ millions to £316 millions in the total assets. Policies in force increased by nearly half a million and reached the immense total of 28½ millions. Premium and interest income flows steadily into the coffers of the company at the rate of fully £1,000,000 each week. Such astronomical figures suggest something of the incessant burden of control and investment policy resting on the shoulders of the directors and officials. Clearly, only a high degree of organisation and delegation of responsibility could grapple successfully with the intricacies of the duties involved.

ORDINARY BRANCH

The number of policies issued in 1936, at 106,494 shows only a slight increase on the preceding year, but new sums assured were £2 millions greater at £30½ millions. Consideration for annuities, however, fell from £2,340,000 to £1,387,000. Death claims increased quite normally to £2,604,000, but maturities fell sharply from £12,557,000 to £9,568,000. Surrenders, as seems to have been the common experience of offices last year, were substantially reduced, but both premium and interest income showed considerable expansion. The net rate of interest earned on the Fund was 1d. per cent. higher at £4 9s. 4d. per cent. Following on the steps taken by the Austrian Government to liquidate the affairs of the Phoenix of Vienna the treaty with that company automatically terminated last year, and a similar treaty with a Polish company has been cancelled by mutual agreement. As a result the Prudential no longer transacts foreign life re-assurance business on the Continental plan, and the usual revenue account for this class of business has disappeared from the accounts.

INDUSTRIAL BRANCH

The increase in premium income from £20,691,000 to £21,456,000 suggests a satisfactory state of permanency in the policies assured. Direct confirmation of this tendency is afforded by the statement in the report that the average duration of the whole life premium-paying policies in force is no less than eighteen years. Not even the least sympathetic critic of industrial assurance could regard this result as anything but a remarkable tribute to the efforts made to prevent policy "wastage"—particularly when it is remembered that the shorter durations are weighted by a steadily increasing volume of new business. In 1920, the expense rate was 40.5 per cent. of premium income; a progressive reduction has since been achieved, and last year's figure was a new low record of 22.8 per cent., against 23 per cent. in 1935. The Outdoor Staff receive bonuses each year out of the surplus, and it is, perhaps, debatable whether these bonuses should not be treated as expenses in calculating the expense ratio. The effect in 1936, when the bonuses amounted to £671,000, would be to increase the ratio to 25.9 per cent., but that figure would still be considerably lower than that of any other company. The net rate of interest on the Industrial Branch Fund was £4 12s. 8d. per cent. against £4 12s. 5d. per cent. in 1935.

ACTUARIAL VALUATION OF LIFE ASSURANCE LIABILITIES

The results brought out in the valuation as at December 31st last, with the corresponding figures for 1935, are given as follows.

	1935	1936
Ordinary Branch :—		
Surplus earned during the year	2,504,953	2,873,636
Capital profits	220,299	85,327
Brought forward from previous year	622,199	558,742
	3,347,451	3,517,705
To Bonuses to policyholders	2,509,838	2,629,149
„ Bonuses to shareholders	264,971	277,528
„ Special contingency fund	13,900	14,600
„ Carried forward to next year	558,742	596,428
	3,347,451	3,517,705
Industrial Branch :—		
Surplus earned during the year	6,588,295	6,680,810
Brought forward from previous year	986,609	577,636
	7,574,904	7,258,446
To Bonuses to policyholders	3,970,812	4,026,737
„ Special contingency fund	289,000	293,000
„ Bonuses to shareholders	875,654	878,722
„ Bonuses to outside staff	661,802	671,123
„ Strengthening reserves	1,200,000	800,000
„ Carried forward to next year	577,636	588,864
	7,574,904	7,258,446

In the Ordinary Branch, the reversionary bonus declared is again 46s. per cent. for whole life and 40s. per cent. for endowment assurances, both rates being calculated on the sum assured. In the Industrial Branch, the remarkably high reversionary bonus of 32s. per cent. is declared, as in 1935. For policies in the Industrial Branch of the British Widows' Assurance Company, whose business was transferred last year to the Prudential, the method of allotting bonus adopted by that company has been retained and enlarged in scope.

GENERAL BRANCH

In this branch, which is concerned with the various forms of insurance other than life assurance, net premium income fell from £3,004,000 to £2,605,000. There was a decrease of £481,000 in sinking fund premiums and an increase of £82,000 in other classes of business. A summary of results in the last two years is given below :

	1935	1936
Fire	75,335	111,091
Employers' liability	— 473	— 14,350
Motor	17,251	15,844
Miscellaneous	— 1,337	3,107
Sickness and accident	60,691	42,616
Other profits	151,467	158,308
	34,971	2,310
Net interest earnings	116,496	155,998
	102,143	111,282
Cost of dividend allocation	218,639	267,280
	116,667	133,333
	101,972	133,947

The customary reserves for unexpired risk and for outstanding claims are maintained in the separate departmental accounts. A departure from common practice, however, is made this year by the transfer of all departmental Additional Reserves to a central account called the "General Branch Additional Reserve Fund Account." The amount of this Fund at the close of last year was £1,096,000, an increase of £121,000 over the total of the departmental additional reserves at the end of 1935. The balance sheet is sub-divided, in respect

both of liabilities and assets, into six groups, of which much the largest refer respectively to the Ordinary and Industrial Branches. The distribution of the combined assets of these two branches, within broad groups, is given below, both for 1935 and 1936:—

	1935		1936	
	Amount	% of total assets	Amount	% of total assets
	£		£	
Mortgages, including loans on policies	44,316,344	15.4	48,672,183	16.2
British Government securities and T.F.A. stocks	83,028,214	28.8	87,113,347	28.9
Indian, Colonial & Foreign Government securities	17,736,889	6.2	16,693,727	5.5
British Municipal and County securities	10,164,214	3.5	5,302,950	1.8
Colonial, etc., Foreign Municipal & Provincial securities	5,575,317	1.9	5,734,641	1.9
Debenture stocks	43,588,880	15.1	48,042,759	16.0
Preference & guaranteed stocks	24,740,233	8.6	26,622,079	8.8
Ordinary stocks	30,852,522	10.7	34,194,079	11.4
Reversionary interests, properties and other assets	28,058,702	9.8	28,512,442	9.5
	288,061,315	100.0	300,888,207	100.0

The "B" shares are entitled to 75 per cent. and the "A" shares to 25 per cent. of the divisible profits in the General Branch. The "B" shares do not, however, participate in the life assurance surpluses. Dividends are free of tax; the rates declared have been increased for the "A" shares from 93½ per cent. to 95½ per cent. and for the "B" shares from 43½ per cent. to 50 per cent.

Insurance Notes

Refuge Assurance Company.—The results of the last two valuations of this company are given in the following table. In each case the surplus shown in the industrial branch is arrived at after making provision for increased stringency in the basis of calculating the actuarial reserves:—

	1935	1936
	£	£
Ordinary Branch:—		
Surplus earned during the year	1,117,627	1,069,902
Brought forward from previous year ...	634,496	640,137
	1,752,123	1,710,039
To Bonuses to policyholders	933,287	912,606
Shareholders' account	103,699	101,401
Investment reserve fund	75,000	...
Carry-forward to next year	640,137	696,032
	1,752,123	1,710,039
Industrial Branch:—		
Surplus earned during the year	247,769	219,640
Brought forward from previous year ...	131,933	132,283
	379,702	351,923
To Bonuses to policyholders	127,118	133,027
Shareholders' account	46,301	48,599
Investment reserve fund	75,000	50,000
Carry-forward to next year	132,283	120,297
	379,702	351,923

The bonus in the ordinary branch is reduced from 38s. per cent. to 36s. per cent., calculated on the sum assured. In the industrial branch the amount under claims arising in the current twelve months will be the same as would have been paid under the latest scale of benefits. In the ordinary branch total new sums assured increased from £8,457,000 to the record figure of £8,766,000 and the net rate of interest fell by 2s. 1d. per cent. to £4 3s. 11d. per cent. In the industrial branch new sums assured increased from £15,701,000 to £16,157,000 and the

premium income from £5,328,000 to £5,691,000. The net rate of interest was £4 14s. 2d. compared with £4 17s. 4d., and the expense ratio, which has shown continuous decrease during the last ten years, fell further from 34.37 per cent. to 34.27 per cent. Total assets increased by £2,661,000 to £5,628,000. Loans were £268,000 smaller at £10,267,000, but British Government securities, which now represent 36 per cent. of the total assets, increased by £979,000. Debenture stocks amount to £1,342,000 compared with £12,742,000, and preference stocks increased by £941,000 to £7,072,000. Ordinary stocks form only 1 per cent. of the total assets, and increased during the year from £573,000 to £660,000. The margin between the book values and market values of Stock Exchange securities is stated by the chairman to be greater than on any previous occasion. Apart from this inner reserve there exist investment reserve funds of £1,750,000 in the ordinary branch and £1,700,000 in the industrial branch.

* * *

Indemnity Marine Assurance.—The premium income of this company, which is controlled by the Northern, increased by £46,000 to £362,000. Claims accounted for 28.9 per cent. and expenses for 6.3 per cent. of this income, leaving 64.8 per cent., compared with 63.3 per cent. in the 1935 account, for future claims. By itself, this is a satisfactory figure, but 1937 so far has been a year of heavy losses, and the 1936 account is likely at the end of this year to reflect these adverse conditions. Of the 1935 premium income, 26.2 per cent. is unexpended, contrasted with 26.8 per cent. and 21.8 per cent. in the two previous years. After transferring £15,000 to profit and loss the balance of the underwriting account is £485,000, equivalent to 134 per cent. of last year's premiums; in addition, there is a reserve account of £100,000 and a free profit and loss balance for a somewhat greater amount. Total assets amount to £1,756,000, including Government and other securities of £1,617,000; as these securities are taken at or under cost considerable concealed reserves no doubt exist. The 1936 dividend is at the same rate as in the previous year, namely 8½ per cent.

* * *

Sun Life Assurance Society.—In a Note on this Society in *The Economist* of February 20th we gave results for the two quinquenniums 1927-31 and 1932-36. In the absence of any published results—and we only make use of published figures in these Notes—of the profit earned in 1932 or the cost of strengthening the valuation reserves last year, our table of comparative results for the two periods necessarily gave a distorted picture. The only alternative, however, would have been to give no comparative statement at all. Since our Note was written, certain additional information has been given in the chairman's speech at the annual meeting on February 23rd. With the aid of this information we are now able to present an adjusted table giving a more correct view:—

	1927-31	1932-36
Trading profit	£4,365,593	£4,570,490
Carry forward	297,306	1,432,000
	£4,662,899	£6,002,490
To policyholders	£2,716,070	£3,251,747
Shareholders	305,723	378,080
Staff pension fund	209,106	339,102
Strengthening valuation reserve	...	400,000
Carry forward	1,432,000	1,633,561
	£4,662,899	£6,002,490

Various reasons must necessarily determine the allocation of disclosed information between the printed report and the annual meeting in individual cases. As a rule, however, the publication in the annual report of information relating to profits, reserves, etc., is the preferable course from the viewpoint of the outside commentator.

THE STOCK EXCHANGE

Shipbuilding Shares Analysed

WHEN mercantile shipbuilding was still in the slough of depression, alert speculative investors were to be observed picking up shipbuilding shares at bargain prices. They argued, rightly in the event, that the prospect of substantial naval construction, after the London Naval Treaty lapsed at the end of 1936, was inviting to a purchaser. These early operators have since witnessed a recovery in mercantile shipbuilding, the extent of which was analysed in *The Economist* of February 13th. Neither the increase in naval building nor the mercantile recovery, therefore, is a new investment factor, and by this time the market has been largely cleared of bargains. Selectivity, henceforth, must be the investor's motto. But on what lines shall he select?

There is, in the first place, evidence that mercantile shipbuilding should recover further. British shipowners usually budget for their ships to earn their depreciation over a twenty years' life. Consequently the grist coming to the shipbuilders' mill is measured, largely, by the volume of tonnage approaching the twenty-year age. The following comparison between 1928 and 1936 indicates the favourable movement of age-groups in recent years:—

		(000 gross tons)					
At June 30	Up to 5 yrs.	Over 5 and under 10	Over 10 and under 15	Over 15 and under 20	Over 20 and under 25	Over 25 years	Total
1928 ...	4,483	5,392	3,395	2,927	1,819	1,738	19,754
1936 ...	1,636	4,375	4,127	3,912	1,769	1,364	17,183

The increase in the 15-20 year group augurs well for future mercantile demand. Shipowners have disposed of over 3,000,000 tons since 1930, when the British mercantile fleet reached a peak level of 20,322,000 gross tons. The previous depreciation earnings of this tonnage, plus the proceeds of breaking-up or sale, are now available for new building. This reasoning is supported by the shipping balance-sheet summaries published by *Fairplay*, which (while covering a varying number of concerns from year to year) show a marked downward trend in debentures, loans and creditors, and a concurrent rise in cash and debtors.

These two factors—the average age of the mercantile fleet and the finance to replace old tonnage—therefore suggest the possibility of a further advance in mercantile construction. Moreover, the abnormally low level of British tonnage at present laid up suggests that, apart from replacements, a modest new expansion may be encouraged if the current demand for shipping services is even maintained.

But the effects of a further revival in mercantile demand, superimposed on the urgent naval programme, are not wholly favourable. The shipbuilding recovery came late and it followed a prolonged depression, during which skilled workers were attracted elsewhere and recruiting was sub-normal. The double expansion in demand now finds the industry with adequate equipment but insufficient labour, and while the Admiralty work is reducing the competition among the builders for mercantile orders, it is claiming priority in the labour market. Both wages and raw materials have already risen, and may rise further. Consequently, our competitive ability to attract foreign orders, which formerly provided an important market, has declined, and there is a danger that when the naval programme is complete some former customers will permanently have turned to other suppliers.

Two investment conclusions immediately follow. First, while profits in the present state of the industry will be a better than for many years past, rising costs and a shortage of labour may well prevent them from being

maximised. It would, indeed, be prudent to await results before assuming boom earnings. Secondly, the admittedly abnormal factors in demand are likely to make for conservative financial policies, more particularly where reserves need replenishing. But these general conclusions may be further qualified if the shipbuilding group is divided into three main classes. First, we may distinguish the companies with a predominantly re-armament interest; secondly, there are mixed companies capable of considerable naval work, but normally considered as mercantile builders; thirdly, come the "cripples" of the depression.

The re-armament group comprises Vickers (through its Vickers-Armstrong subsidiary), John Brown and Cammell Laird. Each is capable of handling warships of the largest size. Vickers could accommodate two such ships, and is at present working on a battleship and two aircraft carriers. In addition, the company has two cruisers, four destroyers and five submarines. There is still room for further work in the group. John Brown, with one large berth occupied with the sister ship to the "Queen Mary," could still handle a battleship. It has one cruiser on hand, and can accommodate further naval work. Cammell Laird now have one battleship, one aircraft carrier and two submarines, and this again is not the limit of capacity. Since this re-armament group will share the burden of heavy naval building with the Royal Dockyards, it will no doubt enjoy a certain priority for labour and general requirements. The naval programme will not reach its full expenditure level until 1937-38 and the following year, and an increase in the profits of this group, therefore, seems assured. Vickers, as suppliers of armaments as well as shipbuilders, will attract the largest share of revenues (and profits), and will presumably seek to restore the £1 parity of the ordinary shares on which the present rate of dividend can be maintained. John Brown, again, can supply a fair proportion of armaments and armour and controls the important Firth-Brown interests. For the investor, either John Brown or Vickers appear preferable to Cammell Laird, whose present price discounts the more expansive prospects of 1938.

The second, or mixed, group contains the widest range of companies. It includes Fairfield (of which only preference shares are publicly held); Hawthorn Leslie; Swan, Hunter and Wigham-Richardson; John I. Thornycroft; J. Samuel White; and Yarrow. Of these Fairfield and Swan, Hunter could accommodate the largest ships, while Hawthorn Leslie specialise in cruisers and Thornycroft, Whites and Yarrow in destroyers and lighter craft. In addition, each has a mercantile business in craft of comparable size. Thornycroft and Whites specialise in yachts, while Yarrow produce boilers and machinery for a wide range of mercantile shipping. In view of the urgency of the naval programme, this group can count on substantial contracts for the next few years. Thus, Fairfield are at present working on one cruiser and two destroyers; Hawthorn Leslie on one cruiser; Swan, Hunter on one cruiser and two destroyers; and Thornycroft on two destroyers, two sloops and other vessels. Whites and Yarrow are also occupied on naval work. In addition to Admiralty contracts, each company should accommodate its share of the expanding mercantile demand.

In this group of shares, the yields are higher. The return of over 4 per cent. offered by Swan, Hunter, a leading firm with strong finances, seems relatively attractive for the industry, but circumstances in 1936 were not altogether favourable. Potentially high yields are offered by the Fairfield preference shares and the 6 per cent.

cumulative preference issue of Thornycroft, which carry substantial arrears, as shown in the table below. These shares, and the Thornycroft 7½ per cent. non-cumulative participating preference issue, are covered by earnings, though no dividends have been paid for lack of liquid resources. Such "bargain" elements as remain in the industry are probably covered by these issues. The 6 per cent. cumulative preference issue of J. Samuel White offers a return of over 5 per cent. on current payments, and the price includes 4s. 10d. gross arrears. The prospects for Hawthorn Leslie suggest interesting dividend possibilities, when the naval programme is in full swing, but the shares discount these prospects for some time to come. Yarrow, with a high earnings cover for the dividend, yields 1½ per cent. more than Hawthorn Leslie.

The third group, which we have called the "cripples" of the depression, includes Beardmore and Harland and Wolff. On these, it is difficult to form an opinion. Harland and Wolff are the largest mercantile shipbuilders in the world. They have a good technical record, and have recently been concentrating on motor ships. The company does not handle naval work normally, but it is building one cruiser. It could accommodate ships of the largest size, though battleships are likely to be given to yards with naval experience. Some part of the cruiser programme may go to the firm. In addition, Harland and Wolff should profit from mercantile business while other firms are preoccupied on naval contracts. The company's finances are stronger than might be expected, but the burden of defaulted prior charges is undiminished. Some £4,332,687 of deferred creditors' certificates were inherited from the R.M.S.P. crash, and they carry £866,537 of unpaid interest. There are also £5,565,608 of matured bills of exchange and guarantees (accrued interest £1,041,340), of which part must be reckoned as an effective prior charge. Earnings will no doubt recover, but the prospect for the first preference shares depends upon such unknown factors as a funding scheme for the prior charges.

William Beardmore reduced its shipbuilding interest by the sale of the Dalmuir Yards in 1930. It retains, however, an interest in armaments and marine engineering, and must benefit from the re-armament expenditure. Before that can percolate to the preference shares, however, 5 per cent. registered interest certificates, amounting last year to £170,894, must be paid off out of profits, 6 per cent. interest provided on £626,554 of income debenture stock, depreciation charged against plant, and some cash assets accumulated. The recovery will need to be substantial. Here, as with Harland and Wolff preference, the shares can only be considered speculative counters at present.

The present prices and yields of the leading shipbuilding shares are set out in the following table:—

Share and denomination	Latest Year		Price	Dividend Yield
	Earnings %	Dividend %		
Beardmore 7½% n.c. 2nd pref.	Nil	Nil	8/9	Nil
5% Interest Certs.	Nil	Nil	45/-	Nil
John Brown 10s. ord.	18-10*	10*	39/6	3-30 gross
Cammell Laird 5s. ord. units	6-6	5	14/7½	1-74
Fairfield 6% c. pref. £10 shares	6-5	Nil	10s	Nil
Harland & Wolff 6% cum. 1st pref.	Nil	Nil	10/3	Nil
Hawthorn Leslie 10s. ord.	7-5	6	27/6	2-18
Swan, Hunter, £1 ord.	4-9	7	34/3	4-16
J. I. Thornycroft, £1 ord.	3-15**	Nil	25/-	Nil
7½% n.c. part. pref. ord. £1	7-5*	Nil	21/6	Nil
6% cum. pref. £1	20-1	10	25/6††	3-12
Vickers 10s. ord. units	7-7**	Nil	8/-	Nil
J. Saml. White 5s. ord.	20	6	27/-‡	5-10
6% cum. pref. £1	27-1	15	77/6	3-87
Yarrow £1 ord.				

* Tax free. * On present capital.
 † Including £3 18s. gross arrears.
 §§ 1936 accounts due.

** Assuming normal pref. div.
 †† With 6s. 8d. gross arrears.
 ‡ With 4s. 10d. gross arrears.

The right-hand column brings evidence enough that successful investment in shipbuilding must be selective before all else. When shares stand at two or three times their par value and yield less than gilt-edged stocks they are discounting a good deal. The current yields, in fact, are inadequate to invite any but the specialised investor who is prepared to study the Naval Estimates in detail.

Investment and Company Notes

The Polish Default.—It was announced last week that the Polish Government has decided to default on interest payments on the 7 per cent. Stabilisation Loan, 1927, to the extent of 65 per cent. The coupons falling due on April 15 will be paid in full, but for the succeeding coupons the holder is offered 35 per cent. of its face value, in cash or new 3 per cent. twenty-year funding bonds to the full amount of the coupon. If he declines both offers, the zloty equivalent of his coupons will be placed to a blocked account. The same offer has been made to holders of dollar bonds. This proposal is apparently a sequel to the partial default announcement of last June. The sums involved are not large: only about £1,220,000 sterling bonds are outstanding, and the loss of interest is approximately £60,000. But the loan is specifically secured as a first charge upon Customs receipts, which, while recovery proceeds in Poland as much as elsewhere, are rising substantially. And £60,000 is a small sum out of an active trade balance of £3.3 millions for 1936. The Polish authorities, who express their concern over the exchange position, apparently hold that since there is a faintly plausible case why some creditors should suffer, it is equitable that all should share the burden. It remains to be seen whether the English creditors will submit patiently to the implications of this curious logic.

Steel Company Results.—The first of the steel company dividends and results for 1936 have not excited the market. Yet the results have come up to reasonable expectation. *Baldwins Ltd.* has decided to pay a dividend of 10 per cent. on the ordinary shares, an increase of 2½ per cent. The *Lancashire Steel Corporation* full results are in every way satisfactory. The Corporation's income has increased from £456,771 to £548,204, and after allowing more for depreciation, the directors have declared a dividend of 5 per cent., compared with 4 per cent., on the ordinary shares. The consolidated balance sheet, which includes all subsidiaries except the Wigan Coal Corporation, is remarkably strong: liquid assets exceed current liabilities by £1,281,329. The following table shows the last three years' results:—

	Years to December 31,		
	1934	1935	1936
Gross income	393,597	456,771	548,204
Interest, fees, tax, etc.	75,215	89,902†	101,637
Depreciation	350,000§	120,000	150,000
Preference dividends	38,296	66,844	86,713

Ordinary div. :—			
Earned	Dr. 69,914	180,025	209,854
Paid	Nil	107,329	131,998
Earned %	Nil	6-7	7-9
Paid %	Nil	4	5

Reserve..... Nil Nil *45,000
 Staff fund..... Nil Nil 25,000
 Carried forward 62,955 68,876‡ 76,732

* Includes £20,000 to stock reserve. † Includes item of £50,000 "reserve for contingencies including provision for future income tax." ‡ After providing £66,775 issue expenses, etc. § £120,000 for current year and £230,000 arrears.

The gross income has actually increased more rapidly than the increase in the output of wire rods and rails, the Corporation's specialities. But the report shows the difficulties with which the steel industry must now contend. The allocation of £20,000 to a reserve against possible future fluctuations in the price of raw materials is significant. The Corporation is in part meeting the difficulty by a long-term agreement with Stewarts and Lloyds, under which semi-finished steel supplies will be

guaranteed. This, indeed, is the best safeguard against embarrassments from the hectic activity in the steel industry.

Vickers and Swan Hunter.—The market was also disappointed with the *Vickers* dividend. The company will pay a 10 per cent. dividend, on a capital increased last year by a 50 per cent. capital bonus. A year ago 8 per cent. was paid on the smaller capital. The current distribution, therefore, represents an increased payment of some £220,000 net, which seems satisfactory. The market, however, was expecting a further capital bonus and the shares were consequently marked down to 34s. 1½d. At this level they yield slightly over 3 per cent. They have modest prospects of capital appreciation, however, for the re-armament programme from which the *Vickers* group is the chief beneficiary is hardly yet under way, and in two years' time the company may well have achieved the 10 per cent. payment on the old par of £1. The *Swan, Hunter and Wigham Richardson* results, too, met with disapproval, yet the figures are more satisfactory than they appear at first sight. The shipbuilding profit has fallen from £209,425 to £134,518, but the chairman last year pointed out that the 1935 profit was exceptionally high and that its repetition in 1936 could not be expected. Of more significance, perhaps, is the 60 per cent. increase in the dividends from subsidiaries. These dividends still represent only 3½ per cent. on the investment holdings, and a further considerable increase is likely. In any event, the directors' confidence in the future is shown by the increase in the dividend from 5 per cent. to 7 per cent., despite the fall in total earnings. The company's prospects in naval work and in the recovery in mercantile shipbuilding are examined on page 597.

London and North-Eastern Meeting.—Mr William Whitelaw's speech at the L.N.E.R. meeting last Friday was sombre, even for a railway meeting. The chairman could again point to a substantial increase in passenger journeys and to a moderate improvement in freight traffic. But poor agricultural freights did much on the L.N.E.R. last year to offset the improvement in iron, steel and coal; while the growing road competition for lighter merchandise has been fought by increasing the expenditure on collection and delivery services. The cost prospect, however, is of particular concern to the L.N.E.R., in view of its failure to achieve a recovery comparable with that of the other lines. The company last year opposed the partial restoration of cuts—at a time when net revenue had not risen to the level prevailing when the cuts were made—but had to accept the decision of the other companies. Further restorations, the chairman disclosed, would be opposed until revenue had risen to the 1930 figure. A further increase in traffic is to be expected this year, but the chairman also stressed the rising costs of coal, steel and stores. Indeed, it is possible that the company may reduce or abandon some of the works contemplated under the Railways (Agreement) Act of 1935. The recovery in the fortunes of the L.N.E.R., indeed, has come in a period of rising prices. The company has to cut its coat, so far as renewals are concerned, according to its cloth, but it now finds that a given sum buys much less cloth. This situation, unfortunately, must confront a railway whose renewals are not financed on a provision basis, and it may be contrasted with the position of the L.M.S. The railway year has hardly opened auspiciously, but for the London and North-Eastern Railway the portents are perhaps least favourable.

Canadian Pacific Results.—The preliminary results of the C.P.R. for 1936 do not make exciting reading. Gross earnings are 6.8 per cent. higher, but the greater part of the increase has been absorbed in working

expenses. Net earnings, therefore, show an increase of no more than 4.1 per cent., and "other income" has provided no less than \$2,053,000 towards the \$2,966,000 improvement in total income. Earnings available for preference dividends are ostensibly increased from \$2,832,083 to \$6,029,184—an amount which would appear to cover the full preference dividend and a fractional payment on the common. Closer examination of the following statement, however, suggests reasons for discounting this apparent improvement:—

	1934	1935	1936
	\$	\$	\$
Gross earnings	125,542,954	129,678,904	138,562,763
Working expenses	101,158,931†	107,281,380†	115,251,652†
Net earnings	24,384,023	22,397,524	23,311,111
Other income	6,663,793	8,145,494	10,198,522
Total income	31,047,816	30,543,018	33,509,633
Deduct :—			
Depreciation of steam-ships	...	3,550,997	3,567,151
Fixed charges	24,578,026	24,159,938	23,913,298
Balance*	6,469,790	2,832,083	6,029,184**
Balance of surplus account	158,463,470	148,744,804	145,533,872
Deduct :—			
Depreciation of steam-ships	3,783,660	(a)	(a)
Abandoned lines, retired property and other debits.....	4,767,090	4,692,085	3,357,399
Losses in U.S. lines§	4,000,000	4,000,000	3,659,645
Miscellaneous charges	...	548,031	Cr. 15,875
Total deductions...	12,550,750	9,240,116	7,001,169

Total surplus end year 145,912,720 139,504,688 138,532,703**

* Transferred to profit and loss and surplus revenue account.
 **Preference dividend of 1 per cent. absorbing \$1,372,569 since declared. † Including taxes. ‡ Including pensions and taxes. § Controlled through stock ownership. (a) Charged above.

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Of the increase in "other incomes" (described as "special income" in earlier years) dividends and interest receipts account for the bulk. The net earnings of the steamships still do not cover the depreciation charge, and hotel net revenues have been static. In other words, a significant part of the 1936 improvement is due to increased dividends from Consolidated Smelters, in which Canadian Pacific has a substantial interest. But the backlog of special charges has yet to be caught up. The "Soo" line guarantee required \$3,659,645 during 1936—a cash payment which is taken into account in paying dividends, but is, nevertheless, charged against surplus. Abandoned lines written off, another annual item, are also charged against surplus, but do not affect the directors' decisions regarding dividends. Assuming, however, that the "Soo" guarantee only is properly chargeable against profits, it would appear that the 1 per cent. preference dividend has been earned with only a \$1,000,000 margin. On these results the preference stock seems generously priced at 57½, while the \$25 common shares, at 16½, reflect their perennial state of overvaluation. The market may put the shares higher, but hardly on solid investment arguments.

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New Issues in February.—Although there was no appreciable decline in the number of issues during the month, the amount of direct cash subscriptions to new issues was considerably smaller than in January. Totals for recent months are shown below:—

(000's omitted) Excluding Conversions

Monthly Average (Old Basis)	United Kingdom	British Posses- sions	Foreign Countries	Total
1933	17,520	2,429	449	20,398
1934	11,474	2,494	125	14,093
1935	18,388	1,270	21	19,679
1936	19,195	2,035	58	21,288
(New Basis)				
1935	27,233	2,443	97	27,773
1936	37,370	2,823	964	41,157
Monthly Total (Old Basis)				
December, 1935 ...	Dr. 50 94,108	1,304	Nil	95,362
December, 1936 ...	Dr. 50 18,588	2,173	53	20,764
January, 1936	450 30,760	2,495	Nil	33,705
January, 1937	300 23,361	1,214	Nil	24,875
February, 1936 ...	50 15,650	1,229	180	17,109
February, 1937 ...	150 7,998	1,242	Nil	9,390
(New Basis)				
December, 1935 ...	86,950 13,695	1,448	519	102,612
December, 1936 ...	Dr. 50 101,663	5,519	4,088	111,220
January, 1936	450 42,864	3,055	1,299	47,668
January, 1937	300 32,778	5,061	96	38,235
February, 1936 ...	50 24,520	2,235	280	27,085
February, 1937 ...	150 26,416	13,714	1,057	41,337

On the new basis, however, the situation is reversed, although the advance on the previous month is only small. The introductions included several operations involving over £1,000,000 each, and in particular the "Writs" introduction involved nearly £10,000,000 of new money.

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County of London and City of London Electric. The Act of 1925, which regulates these undertakings within the L.C.C. area, provided for their amalgamation. The report of the City of London company states that the directors have considered co-ordination of supply in London, and will submit proposals to the shareholders. It reveals a substantial improvement in earnings, and the amount available exceeds the 7½ per cent. dividend by about 2½ per cent. gross on the ordinary capital. The new tariff which the company has introduced may enable it to increase the dividend under the sliding scale.

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The accounts of the County of London Company, which are summarised below, show a remarkable increase in sales of energy. There was a period when the

company was open to criticism on the ground of neglecting the potential development in its area. For some years the justification for such criticisms has gone, and the 1936 results offer ample evidence of the characteristic progress of the company. The following table summarises the results of the past three years:—

	1934	1935	1936
Energy sold to consumers (million units)	776.1	885.4	1,034.6
Increase	12.0%	14.0%	16.8%
Energy exported to C.E.B. ...	274.7	682.3	831.0
Revenue from sale of energy ...	3,007,059	3,452,530	4,002,900
Net revenue from operations...	1,653,343	1,677,981	1,860,290
Total income	1,869,096	1,907,921	2,120,081
Depreciation and sinking funds	625,304	669,706	699,385
Interest on debentures, loans, etc.	298,706	285,518	342,918
Taxation reserve	20,000	30,000	50,000
Preference dividends	227,099	282,915	282,915
Ordinary stock:—			
Earned	697,987	639,782	744,863
Paid	599,246	599,246	599,246
Earned %	12.7	11.4	13.8
Paid %	10½	10½	10½
General reserve and No. 2 reserve	50,594	48,310†	107,741†
Carry forward	395,188	387,413	425,289

† And a further £76,690 in 1935 and £42,259 in 1936, from profits on investments realised.

The report, unfortunately, still makes no distinction between that part of its undertaking which is controlled under the 1925 Act and that which is not so restricted. It may be hoped that the company will follow up its progressive commercial policy by giving shareholders fuller information in the annual report.

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Metropolitan Electric.—The development of industrial districts around London has been particularly rapid in the western area served by the Metropolitan Electric undertaking. The accounts for 1936 thus disclose a remarkably large increase in earnings. The earnings derived from the London area within the L.C.C. boundaries are controlled by the 1925 Act. The company's direct business in the western area consists of industrial sales and bulk supply sales to the subsidiary companies. The latter mainly supply domestic and small industrial consumers, while the parent company (with its longer franchise) directly controls the high tension transmission system from which larger supplies are usually given. It appears, therefore, that the industrial load rather than the domestic load is mainly responsible for the notable increase in profits shown below:—

	1934	1935	1936
Gross revenue from sale of energy:—			
London area	490,790	498,716	537,830
Western area	622,812	721,551	874,124
Total gross revenue	1,113,602	1,220,267	1,411,954
Net revenue:—			
London area	131,969	141,964	174,623
Western area	195,540	212,595	313,868
Interest and dividends, etc. receivable	127,242	173,505	200,994
Total net revenue	454,751	528,064	689,485
Sinking funds and depreciation and reserve funds	150,753	178,220	242,511
Interest payable	46,409	57,551	57,186
Preference dividends	22,500	22,500	22,500
Earned for ordinary	235,089	269,793	342,288
Ordinary dividends	250,000	250,000	331,250*
Earned %	9.4	11.0	15.1
Paid %	10%	10%	10%†‡
To No. 2 reserve fund	5,242§	12,677	12,496
Carried forward	135,792†	143,215†	151,104†

* Dividend of 10 per cent. less tax, plus jubilee bonus of 2½ per cent. tax free. † Includes profit on redemption of investments, of £950, £308, and £9,347 respectively, and after deduction of £25,000 premium on debentures redeemed in 1936. ‡ To contingency account.

The report suggests that the western area has been rather more favoured in the cost of its purchase of power than the area controlled by the sliding scale. The increase in cost of purchased current in the London area last year was 5.5 per cent., compared with an increase of 7.8 per cent. from sales. For the western area, however, the increase in cost of current was 9.8 per cent., but revenue from the sale of current advanced by no less than 21.1 per cent.

★ ★ ★

North Metropolitan Electric.—The report for 1936 shows that the remarkable rate of expansion which has for some years characterised this company was more than maintained in 1936. The figures below show the increase in the number of units sold to be in excess of 20 per cent., but the report discloses that sales through the company's distribution undertakings advanced by more than 25 per cent. The latest results are summarised below:—

	1934	1935	1936
Number of consumers (supplied directly or indirectly)	254,735	296,606	336,722
Number of units sold (millions)	423½	495	597½
Increase on previous year.....	20%	17%	21%
Net revenue	768,589	794,825	855,443
Interest charges	61,031	65,031	80,374
Depreciation and reserve funds	322,682	327,670	337,352
Reserve and redemption funds	31,762	31,762	31,762
Preference dividends	84,000	84,000	84,000

Ordinary shares:—			
Earned	269,113	286,362	321,955
Paid	210,277	251,001	278,151
Earned %	13.6	11.8	12.1
Paid %	10	10	10
Contingency account	50,000	30,000	30,000
Carried forward	44,501	49,862	63,666

In each of the last three years expenditure on capital account has been only of the order of 11 per cent. The area served by the company, which extends from the northern fringe of London to the outer boundaries of Hertfordshire, is likely to enjoy further rapid development, but the company's results measure the success of its commercial policy no less than the natural potentialities of its market.

★ ★ ★

Electrical Distribution of Yorkshire, Ltd.—This company, which serves by retail a large part of the area covered by the associated Yorkshire Electric Power Company and a further extensive area in Lincolnshire, Cumberland and Nottingham, reports another year of steady progress, and a rather more than proportional increase in profits. The following table gives the results for the past three years:—

	1934	1935	1936
Number of consumers connected.....	72,668	82,675	93,161
Increase	13.9%	13.8%	12.7%
Number of units sold (millions).....	37.0	42.7	48.6
Increase	15.2%	15.8%	13.7%
Net revenue (after tax)	188,045	195,483	232,863
Interest and bank charges	1,280	2,877	9,606
Depreciation and reserve account	50,000	50,000	70,000
Prof. dividends	25,457	32,550	32,025

Earned for ord.....	111,308	110,056	121,232
Ord. dividend	104,625	104,625	102,938

Earned %	9.7	9.6	11.1
Paid %	9	9	9
Issue expenses written off	...	...	4,351
Carried forward.....	36,807	42,237	56,181

The allocation to depreciation and reserve account, while more than for 1935, is not, apparently, excessive. If the company applied our "standard" scale, there would be little surplus beyond the dividend payments.

★ ★ ★

Joshua Hoyle Scheme.—Since 1929 Joshua Hoyle and Sons have paid no preference dividend, and earnings have sufficed merely to pay a reduced rate of debenture interest and to cover spasmodic transfers for depreciation. The company's record has admittedly been

HALIFAX

THE WORLD'S LARGEST

BUILDING SOCIETY

THE LATEST ANNUAL FIGURES

TOTAL ASSETS EXCEED £114,000,000

Extracts from the 84th Annual Report to be presented to the Shareholders at the Annual General Meeting at Halifax on Monday, March 22nd, 1937.

MORTGAGES During the year the sum of £20,488,752 was advanced upon new mortgages, granted mainly upon security of dwelling-houses acquired by members for their own occupation. The total sum due upon mortgages increased during the year by £6,253,660, and now stands at £92,195,988, the average amount owing on all the Society's mortgages being only £407 each.

The mortgage accounts are in a very satisfactory condition, and there are no properties in the possession of the Society at the end of the year to be reported in the statutory schedule and no properties in possession of Receivers on behalf of the Society as Mortgagees.

LIQUID ASSETS The surplus funds of the Society, invested in short-dated Trustee Securities, have been maintained, and, together with Cash at Banks and in hand, amount to £21,397,721.

SHARE AND DEPOSIT FUNDS The Share and Deposit Funds increased during the year by £2,984,317 and £2,947,224 respectively, and the total funds of Investing Shareholders and Depositors now stand at £109,306,258.

TOTAL ASSETS The total Assets of the Society now amount to £114,327,576, an increase of £6,240,109.

ACCOUNTS The new accounts opened during the year numbered 86,751, and the total number of accounts open at the end of the year was 682,615, being an increase of 23,106 accounts.

PROFITS The balance of profit for the year, after payment of expenses and provision for income tax and all interest due to Depositors up to the date of the accounts, and for depreciation of office properties, amounted to £2,904,665, out of which appropriations have been made to shareholders of interest and bonus £2,432,197; to Staff Superannuation Fund £50,000; and to Reserve Accounts £411,419.

RESERVE FUNDS The total Reserve Funds and Undivided Profit now amount to £4,667,342.

The Directors heartily congratulate the Members on the Society's continued progress and prosperity, and the strong financial position disclosed in the Statement of Accounts.

Copy of New Balance Sheet free on application
 Enoch Hill,
 President & Managing Director
 D. W. Smith,
 Deputy General Manager

Head Offices— PERMANENT BUILDINGS, HALIFAX

BIRMINGHAM— 111 Colmore Row	LEEDS— 32 Commercial Street
BELFAST— 14 Donegall Square West	LIVERPOOL— 37 Dale Street
EDINBURGH— 75 George Street	MANCHESTER— 130 Deansgate
GLASGOW— 119 St. Vincent Street	SHEFFIELD— 53 Surrey Street

London District Office—
HALIFAX HOUSE, 51-55 STRAND, W.C.2

**THE "HALIFAX" HAS OVER 375 BRANCHES
THROUGHOUT THE KINGDOM**

inauspicious. But the reconstruction proposed this week is unexpectedly severe, and its presentation is, in some respects, open to criticism. As recently as November last year, the chairman referred to a material improvement in the outlook and to the healthier position of the company's order books. Yet the scheme calls for the writing down of fixed assets and other items by no less than £1,775,000—a sum which absorbs all the ordinary capital and over three-quarters of the 7 per cent. preference capital. It is proposed, first, to cancel 16s. on each £1 preference share, together with all arrears and preferential rights, and 19s. 6d. on each £1 ordinary share, and the balances will be consolidated into new 2s. shares. Secondly, the 7 per cent. debentures, on which only 5 per cent. has been paid since 1933, are to be replaced by a 4½ per cent. issue, carrying an option up to 1940 to convert into the new 2s. ordinary shares at the rate of 5 shares to £1 stock. The loan creditors are invited to accept five-year notes in full settlement of their claims. These proposals are drastic. Given the company's present position, preference shareholders are not unfairly treated on the whole, but they have one contingent grievance. Every holder of 100 preference shares will receive 200 ordinary shares, and will be entitled to subscribe for 400 further shares at par, together with a three-year option to subscribe for 400 additional shares at 3s. The existing ordinary shareholder will receive 25 new shares, but he is offered subscription rights at twice the rate extended to the preference shareholder—that is, 100 new shares at par, and an option over 100 further shares. As all rights offered to existing ordinary shareholders are, in this case, *ex gratia* in character, why should the opportunity to participate in recovery be offered them on a proportionately wider basis than is offered to the preference holders? The latter, in fact, have now become the involuntary holders of the equity, and ought to have their full share in its perquisites.

* * *

Building Material Shares.—With the publication of the Pinchin Johnson results the investor may take stock of building material share prospects. The *Associated Portland Cement* group and *London Brick* dividends were discussed in *The Economist* last week. The full *London Brick* report, which has since appeared, endorses our relatively favourable conclusion. Total profits have, in fact, fallen slightly from £594,041 to £591,569, but the figures are again struck after writing off reconstruction of kilns. In consequence, the 22½ per cent. ordinary dividend is only slightly exceeded by earnings. Although financially these results may appear static, the company has actually achieved a new record turnover, has reduced its prices and has increased its wages. In the balance sheet the customary position of strength is disclosed. Net current assets again amount to over £1 million, and during the year the group's fixed assets have been consolidated and written down to £2,100,000 by transferring £1,350,000 from depreciation reserve. A one-in-nine capital bonus shows that the board has no lack of confidence in the outlook. For the speculative investor who seeks a high yield, *London Brick* are not as some other brick shares. Assuming the maintenance of the 22½ per cent. dividend, the £1 ordinary stock at 72s. 6d. cum bonus yields £7 1s. per cent.

* * *

To some extent, doubtless, the company is affected by rising costs for wages and fuel. These items, indeed, are specifically mentioned in the *British Portland Cement* report, but cement companies are less dependent upon residential building. Last week's service estimates, with their emphasis on new construction work, suggest good prospects for *Associated Portland Cement*, which now stand at 98s. 9d. to yield £4 14s. per cent. *Pinchin Johnson* show an increase of £21,232 in net profits to £379,362. The directors maintain the 20 per cent. dividend, but propose a one-in-ten capital bonus. A further

similarity with *London Brick* is found in the writing down of assets. The cost situation of this concern is decidedly interesting. It would appear that last year's advance in profits was attributable to the inclusion of earnings by an overseas undertaking, which were struck too late for inclusion in the 1935 accounts, since the directors declare that selling prices, for the record turnover in 1936, lagged behind rising costs. Since, however, the directors expect the lag to be made good this year, the prospect seems fair. The 10s. shares, at 49s. 3d., yield £4 15s. 3d. per cent. on an "ex-all" basis. Similar considerations also apply to *International Paint*, whose 16 per cent. dividend is well supported by increased profits of £125,624 against £115,090.

* * *

Enfield Cable Profits.—The 1936 results of *Enfield Cable* are extremely good. Profits have risen by no less than 60 per cent., keeping pace with the "Beama" index for heavy electrical machinery orders. While the ordinary dividend has been maintained at the rate of 25 per cent. on the ordinary shares, the increase in the ordinary capital from £400,000 to £500,000 requires a proportionately larger cash distribution. The directors have, however, decided to plough back the greater part of the increased profits. The general reserve is raised to £200,000, while the share premium account stands at £150,000. The following table shows the company's progress during the last three years—

	Years to December 31st		
	1934	1935	1936
Net profits	124,062	141,915	223,395
Directors' fees, tax reserve and depreciation	13,450	13,801	22,876
Preference dividend	15,000	15,000	15,000
Ordinary shares—			
<i>Earned</i>	95,612	113,114	185,519
<i>Paid</i>	100,000	100,000	125,000
<i>Earned %</i>	23.9	28.2	41.8
<i>Paid %</i>	25	25*	25
Reserve	1,260	10,000	80,000
Carried forward†	25,350	29,906	14,737

* Also capital bonus of 25 per cent. on ordinary shares.
† Including profits on investments.

Prospects appear to be good. Although the "Grid" is completed, there is still a good demand for secondary cables, and the requirements of the Post Office and the railways continue at a high level. The chief threat comes from the rapid rise in copper prices, but the cable industry has shown itself to be well organised in the past, and rising costs may well be largely passed on to the consumer. The ordinary shares stand at 110s. ex dividend, giving a satisfactory yield of £4 11s. per cent.

* * *

Consolidated Mines Selection.—Our Mining Correspondent writes: This Anglo-American financial company last year secured a net profit of £281,780, compared with £227,320 in 1935, the net surplus on share dealings rising from £186,440 to £225,150. The dividend was increased by 2½ per cent., making the year's total 30 per cent., or 3s. per 10s. share. The reserve fund again receives £50,000, and a balance of £27,100 is carried forward, as compared with £18,640 brought in. Promising developments have occurred recently in the newer Rand companies in which the company is interested, as well as in *Mawchi Mines*—a tin-wolfram concern whose shares now stand at a record quotation. C.M.S. shares are quoted at about 50s., against 57s. 6d. earlier in the year. On the basis of the latest dividend the yield is 6½ per cent.

* * *

New Kleinfontein.—This Witwatersrand company treated a record tonnage of ore during 1936 of an improved grade and with appreciable economy in working costs. As a result, the operating profit amounted to £272,760, against £166,400, the average per ton being

6s. 10d., against 4s. 10d. Accordingly the company was able to increase its dividend from 10 per cent. to 15½ per cent., carrying forward £72,400, as compared with £96,000 brought in. Out of last year's earnings, £83,600 was transferred to capital expenditure, but nothing was required for Excess Profits Duty, and the appropriation account was in fact credited with nearly £4,000 from the excess put aside in 1935. The Apex section was mainly responsible for an expansion of 384,400 tons in the ore reserves, now 2,596,300 tons, and they show, as a whole, a slight improvement in average value at just under 5 dwts.—despite a small increase in the stoping width. Although the company's future now depends mainly upon the Apex section, large areas have yet to be explored in the old mine, and hopes are entertained regarding the "upper leaders" in this section.

* * *

Other Company Results.—A further large number of important results are now available, including those of *Sir W. Arrol and Company*, *Fife Coal*, and *Lancashire Dynamo*. Our usual analysis of about sixty profit and loss accounts appears on page 623, while the results are discussed on page 609, under the heading "Shorter Company Comments." As we go to press, it is announced that *Hudson's Bay Company* is to pay off six years' preference arrears, involving £350,700. The profit for the past year amounts to £226,695, after charging £150,000 depreciation. An amount of £112,525 is transferred from insurance reserve, and the credit balance is reduced from £43,990 to £33,211.

* * *

Company Meetings of the Week.—On later pages of this issue will be found the reports of the following company meetings:—*National Bank of Egypt*, *Anglo-International Bank*, *Hungarian General Creditbank*,

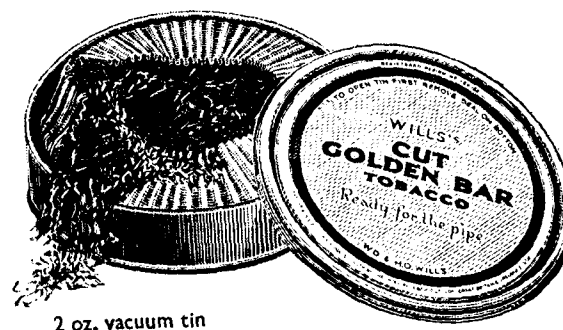
London and North-Eastern Railway, *Britannic Assurance*, *United Kingdom Provident Institution*, *Scottish Equitable Life Assurance Society*, *Harrods*, and *Davis and Timmins*. Mr William Whitelaw's survey at the annual meeting of the *London and North-Eastern Railway* is discussed in a Note on page 599. At the *Hungarian General Creditbank* meeting it was reported that both ordinary and new business had been increased. Although other earnings had advanced, profits were affected by a reduced interest margin and by a rise in expenditure. Mr Jefferson, addressing *Britannic Assurance* shareholders, expressed satisfaction that the company was doing more whole life business. The average sum assured per new policy had risen in the past year from £177 to £191. At the *Scottish Equitable Life Assurance* meeting, Viscount Younger of Leckie stated that at the end of each year in the present quinquennium the margin between market and book investment values had increased. Sir Bertram Hornsby included in his speech to the proprietors of *Anglo-International Bank* a survey of the state of trade in Germany and in various Central European countries. At the *Harrods* meeting, Sir Woodman Burbidge discussed the improved trading results of the company's subsidiaries, and mentioned a proposal to include in next year's balance sheet a figure for the D. H. Evans investment closer to its real cost. In informing Davis and Timmins' shareholders that the company's order book was in a better state than for many years since the War, Mr F. Le Neve Foster pointed out that armaments contracts represented only a very small proportion of the whole. Sir Edward Cook gave a general review of the Egyptian situation at the *National Bank of Egypt*. The present position, with an active market for cotton and maize, was stated to be very favourable. At the *United Kingdom Provident Institution*, Sir Ernest J. P. Benn welcomed the indications that interest rates would be allowed to rise, and to prevent a trade boom of unnatural dimensions. The rise in the amount of whole-life assurance written by his company was particularly welcome.

GOLDEN MOMENTS

The Grand National

Leading by a length at the last jump he romps home a splendid winner over the most gruelling course in the world—a Golden Moment for the jockey.

But even he, great rider that he must be, can't smoke a better tobacco than "Cut Golden Bar" at a shilling an ounce. But it must be Wills's.



2 oz. vacuum tin

WILLS'S CUT GOLDEN BAR

READY RUBBED
in 2 oz. Pocket Vacuum Tins
and 1 oz. Airtight Tins
FLAKE FORM
in 2 oz. Airtight Tins
and 1 oz. Packets

1/—
AN OUNCE

C.B. 83 B

Issued by the Imperial Tobacco Co. (of Great Britain and Ireland), Ltd.

THE WEEK IN THE MARKETS

THE STOCK EXCHANGE

SETTLING DAYS

TICKET: MARCH 16

ACCOUNT: MARCH 18

The Stock Exchange still finds itself immersed in technical adjustments in which selling is predominant. Commodities have provided the week's headlines, and the rubber and tin groups have been among the most responsive sections in the "House." Perhaps French liquidation of gilt-edged and mining favourites has taken some of the bloom off this week's dealings, but the market's *malaise* seems deeper rooted.

Gilt-edged opened with a sharp fall, and only bear-covering on Tuesday accounted for a harder close. In mid-week, the Funds improved further, but failed to maintain their advance, and Old Consols closed no better than 76.

In the foreign market, French Rentes and railway bonds were bought in anticipation of the new loan and in response to M. Blum's success in the Chamber. Japanese issues improved further, and Chinese bonds also advanced. Brazilians, after a bout of selling, were in demand at lower levels, led by the Funding issues. Among the European group, Polish Sevens became steadier after the threat of default, but Danzig and German bonds were still uneasy.

Home Rails opened in poor style, and Tuesday's recovery was succeeded by disappointment on the traffics. London Transport "C" again fell, reaching 90 in mid-week. In the foreign rail market, Argentine issues receded, and Brazilian stocks were quiet and dull.

Falling prices have been the order of the week in industrial markets, which have been completely overshadowed by commodities. There have been numerous instances of disappointment with dividends announced, which although higher than last year have not come up to expectations. Vickers were an example of this kind, and the 10 per cent. dividend, against 8 per cent. last year on a smaller capital, was followed by a lower price for the shares. Practically the only bright point in the iron and steel section was the keen demand for Projectile and Engineering, following the increase in dividend from 12½ per cent. to 20 per cent. on a larger capital. Coal share prices were lower. Morris Motors stood firm in a sagging motor group, and aircraft issues were uncertain pending settlement of the strike difficulties. Electrical equipment shares were generally lower, and electric supply issues adversely affected by the declared intention of the Government to implement the recommendations of the McGowan Committee.

Distillers were prominent in the brewery section in the hope that there will be no increase in taxation in the coming Budget. Textiles were quiet, and Courtaulds lost some of their previous gains after the chairman's remarks. Bank shares were lower in sympathy with gilt-edged. Movements in the miscellaneous industrials section were generally adverse to holders; the outstanding exceptions were cement and some building material shares which returned to favour toward mid-week.

The oil market has not had a very cheerful time this week. Paris sold on a substantial scale and the attractions of other speculative markets were irresistible. With the uncertainty regarding the Mexican Government's policy and the continued disappointment of the hope of a further rise in retail prices, a general decline in prices ensued, in which Mexican Eagles suffered most.

The great excitement of the week has followed the boom in rubber shares. Conditions had improved steadily throughout last week and over the week-end dealers received an avalanche of orders from the public. These, with speculative buying to help, bore fruit in a chaotic market throughout Monday, when dealing continued by telephone long after the market had closed. On Tuesday there was a wave of profit-taking, but the turnover remained very large and losses were small. They were all retrieved late on Wednesday when the further rise in the commodity price removed any apprehensions which the cautious may have experienced. The tea market was quiet throughout the week, though tea-cum-rubbers shared in the rubber boom.

Paris selling affected Kaffirs and base metal issues this week. Even copper shares failed to make much headway for this reason. Gold shares generally remain dull, but later in the week the boom in commodity prices produced a sharp recovery in base metal shares, in which the tin group was prominent.

"FINANCIAL NEWS" MARKET INDICATORS

	Mar. 4	Mar. 5	Mar. 8	Mar. 9	Mar. 10	Mar. 11
Approximate total of bargains recorded in S.E. List	12,020	12,405	15,420	13,240	12,050	12,450
Corres. day 1936.....	10,259	10,424	10,475	9,832	9,477	9,668
SECURITY MOVEMENTS						
Index of 30 Ordinary Shares (July 1, 1935=100).....	120.0	119.8	119.2	118.6	118.0	117.8
Index of 20 Fixed Interest Securities (1928=100).....	128.0	127.7	127.3	127.2	126.9	126.8

Highest 1936: Ordinary Shares 124.9 (Nov. 18); Fixed Interest 138.8 (Feb. 10).
Lowest 1936: Ordinary Shares 107.4 (Jan. 2); Fixed Interest 136.2 (Sept. 23).
Highest 1937: Ordinary Shares 124.8 (Jan. 4); Fixed Interest 136.6 (Jan. 4).
Lowest 1937: Ordinary Shares 118.0 (Mar. 10); Fixed Interest 126.5 (Feb. 28).

ACTUARIES' INVESTMENT INDEX

On Tuesday last the index of 178 industrial equities stood at 87.4, as against 88.5 a week ago, and 90.6 a month ago. The corresponding yields are: 3.98, 3.94, and 3.76 per cent. A selection of the component indices follows:—

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)			Yield (%)		
	Month ago (Feb. 9, 1937)	Week ago (Mar. 2, 1937)	This week (Mar. 9, 1937)	Month ago (Feb. 9, 1937)	Week ago (Mar. 2, 1937)	This week (Mar. 9, 1937)
Insurance Cos. (24)...	130.6	126.3	125.0	3.28	3.39	3.42
Building materials (5)	106.1	102.6	100.1	4.73	4.91	4.99
Iron and steel (12)....	81.2	82.6	80.9	3.88	3.81	3.88
Oil (5).....	104.5	110.8	108.4	2.83	4.19	4.39
Electric supplies (10)	159.7	155.8	154.8	3.83	3.90	3.94
Stores and catering (17)	85.4	84.3	82.6	3.60	3.61	3.65
Breweries and distilleries (21)	147.8	146.2	142.2	4.24	4.36	4.49

NEW YORK STOCK EXCHANGE

On Monday of this week there developed a reaction from the upward movement which had lasted throughout the previous week and had carried prices to new recovery high levels. The reaction was attributed in part to technical causes, and in part to the progress of the battle on the labour front for industrial unionisation. The agreement of the steel companies to accept collective bargaining had led to an optimistic hope that the issue was solved; second thoughts showed that only a major stoppage had been averted, and that there would be continued skirmishes and minor campaigns for a long time to come. Further strikes in the motor and steel industries led to a drop in motor and steel issues; oil and copper shares were higher against the trend on Monday. Tuesday saw renewed optimism struggling with strike news to control the market, and in mid-week the former won. One of the major causes of the rapid rise which occurred on Wednesday was the meteoric performance of commodities; under this influence steel and motor issues, oils and other commodity shares were strong, with sugar shares an outstanding exception. In the bond market industrial convertibles have been supported, but Treasury issues have been sinking steadily. The business outlook continues to be excellent, and *Iron Age* estimates steel mill activity for the week at 87 per cent. of capacity, against 85 per cent. last week.

By courtesy of the Standard Statistics Company, Inc., of New York, we print the following index figures of American values calculated on closing prices (1926=100):—

	1936		1937		Be- ginning of Year 1937	Feb. 24, 1937	Mar. 3, 1937	Mar. 10, 1937
	Lowest Apr. 29	Highest Nov. 10	Lowest Jan. 6	Highest Mar. 10				
347 Industrials ...	112.7	145.9	143.2	155.7	143.2	150.9	154.8	155.7
32 Rails	42.8	60.2(b)	54.6	64.3	58.2	61.2	64.3	64.3
40 Utilities	91.2	111.0(c)	108.8(d)	116.4(e)	111.7	108.0	108.0	106.8
Total, 419 Stocks	97.7	125.4	123.5	132.4	123.5	128.5	131.5	132.4
Average yield*.....	4.50% High (c)	2.65% Low (e)	3.53% High	3.20% Low (s)	3.53%	3.88%	3.81%	3.30%

* 50 Industrial Common Stocks. (b) Oct. 14th. (c) December 23rd. (d) April 8th.
(e) December 2nd. (f) February 10th. (g) January 13th.

DAILY AVERAGE OF 50 AMERICAN COMMON STOCKS (1926 = 100)

Highest*	Lowest†	Mar. 3	Mar. 4	Mar. 5	Mar. 6	Mar. 8	Mar. 9	Mar. 10
180.3	161.8	179.6	177.5	180.0	180.3	179.0	178.6	180.1

* March 6th.

† January 4th.

(Continued on page 608)

THE PRUDENTIAL ASSURANCE CO. LTD.

Points from the Speech of
SIR EDGAR HORNE, Bart.

Chairman of the Company, at the 88th Annual General Meeting held at
Holborn Bars, London, E.C.1, 11th March, 1937.

Record Figures for 1936

ASSETS over £315,000,000.

NEW BUSINESS in Ordinary Branch exceeds £30,760,000.

EXPENSE RATIO in Industrial Branch again reduced and now at 22.8 per cent.

A Year's Work

PROGRESS IN THE EMPIRE. For life assurance business the Prudential is now well established in all the principal parts of the Empire. Overseas new business for 1936 over £8,000,000.

NEW BUSINESS. In the Ordinary Branch the new sums assured were £30,760,000, a record.

WAGE EARNERS' ASSURANCE. In the Industrial Branch the amount paid in claims by death and maturity of endowments was £8,700,000. Bonus additions to claims and surrenders amounted to over £1,900,000. The total working costs were reduced to 22.8 per cent., the lowest on record.

POLICYHOLDERS' BONUSES. The rates of reversionary bonus are: Ordinary Branch £2.60 per cent. for Whole Life, £2 per cent. for Endowment Assurances, and Industrial Branch £1.120 per cent.

PROVISION AGAINST ACCIDENTS. With the increase in road and other accidents, it is more and more apparent that the public should protect themselves by accident insurance.

COVER FOR FIRE RISKS. Experience shows that the business community does not sufficiently recognise that the loss of profits due to fire can to a great extent be covered by insurance.

BRITISH ASSETS. Over 81 per cent. of the assets are invested in the United Kingdom. Five years ago the corresponding figure was 68.1 per cent. Only 9.3 per cent. of the present assets are invested outside the Empire.

Total Income Exceeds £1,000,000 A WEEK

In calculating yields on fixed interest stocks noted below allowance is made for interest accrued since the last date of payment, less income tax at the standard rate. Where stocks are definitely redeemable at a certain date the yield includes any profit or loss on redemption; where stocks are redeemable at or before a certain date the final date of repayment is taken when the stock stands at a discount and the earliest date when the quotation is above par. The return on ordinary stocks and shares is calculated by reference to the latest dividends, a count being taken of any enhancement or reduction of interim dividends. Allowance is made for accrued dividends in calculating the yield on "cum div." shares.

Prices, Year 1938				Year 1937 Jan. 1 to Mar. 10, inclusive				Name of Security				Price, Mar. 3, 1937	Price, Mar. 10, 1937	Rise or Fall	Yield, Mar. 10, 1937	Prices, Year 1937 Jan. 1 to Mar. 10, inclusive				Last two Half-yearly Dividends				Name of Security				Price, Mar. 3, 1937	Price, Mar. 10, 1937	Rise or Fall	Yield, Mar. 10, 1937				
High-est	Low-est	High-est	Low-est																	High-est	Low-est	(a) (b) (c) %													
British Funds																Banks																			
87 1/2	82 1/2	84 1/2	74	Consols 2 1/2%				77x	76x	-1	£ s. d.				40/-	35/-	5(6)	5(4)	Bank of N. Zealand £1				36/3	35/-	-1/3	£ s. d.									
116 1/2	112 1/2	113	107 1/2	Do. 4% Red. at par on or after 1957-61				109x	108 1/2	- 1/2	3 7 6				37 3/8	33 7/8	6(6)	6(6)	Bank of Australasia (£1)				348	345 1/2	-2 1/2	3 9 6									
102 1/2	100 1/2	101 1/4	96 1/2	Consols 2 1/2% 1944-49				97x	97	- 1/2	2 15 10				48 1/4	44 3/4	2(4)	3(6)	Barcl. (Dom. & C.) A £1				45 7/8	45 7/8	-	2 8 3									
105 1/2	103 1/2	104 1/2	99 1/2	Do. 3% 1949-53				100x	100	- 1/2	3 1 0				102	92	3(4)	4(4)	Bk. of Australasia (£100)				101x	101x	-	3 19 0									
105 1/2	104 1/2	106 1/2	100	Do. 3 1/2% after 1961				101 1/2	100 1/2	-1	3 10 0				149 1/2	144 1/2	8(4)	8(6)	Bk. of Montreal (£100)				£48	£48	-	3 8 6									
111 1/2	107	108	106	Do. 4 1/2% 1944-44				107 1/2	107	- 1/2	2 3 6				28 1/2	27 1/2	5(6)	5(4)	Bk. of N. S. Wales (£20)				28x	29	+ 1/2	2 19 0									
121 1/2	116 1/2	117 1/2	113	Do. 5% 1940-41				115 1/2	115	-1	2 8 0				101	97	6(6)	6(6)	British Overseas A £5				95/-	95/-	-	6 6 4									
95 1/2	92 1/2	92	87 1/2	Funding 2 1/2% 1957-61				88 1/2	87 1/2	-1	3 6 0				15 1/2	14 1/2	5(6)	5(4)	Claydon & Laid (£5)				15/-	15 1/4	+7 1/2	4 8 6									
104 1/2	101 1/2	101 1/2	95 1/2	Funding 3% 1960-90				91 1/2	91 1/2	-1	3 6 0				94/-	87 1/8	8(4)	8(6)	Com. Bk. £1, fully pd.				86 1/8	86 1/8	-	3 6 0									
119 1/2	115 1/2	116 1/2	110 1/2	Funding 3 1/2% 1960-90				109 1/2	108 1/2	-1	3 14 0				58/-	52 1/2	5(6)	5(6)	Do. B. £1 fully pd.				55/-	55/-	-	3 12 9									
117 1/2	114 1/2	114 1/2	107 1/2	War L'n 3 1/2% after 1952				103	102	-1	3 9 3				108 1/8	96 3/8	12 1/2	12 1/2	Eng. Scot. & Aust. £5 (3pd)				100/-	100/-	-	3 0 0									
98 1/2	94 1/2	96 1/2	87	Local Loans 3%				89 1/2	88 1/2	-1 1/2	3 8 2				11 1/2	11 1/2	18(1)	18(1)	Hambros £10, (2d) paid				11 1/2	11 1/2	-	3 19 6									
100 1/2	101 1/2	101 1/2	99 1/2	Austria 3% 1933-53				100	100	-1 1/2	3 0 6				110 1/2	109 1/2	2(4)	3(6)	Hong, and S. (£125)				£113	£116	+ £3	4 14 10									
76 1/2	70 1/2	72	62	India 2 1/2% 1933-53				68x	64 1/2	-1 1/2	3 18 11				10	7 1/2	7(4)	7(4)	Lloyds £5, with 1/2 pd.				62 1/2	61 1/2	-1/3	3 17 9									
89 1/2	83 1/2	85 1/2	74	Do. 3%				91x	89x	-2 1/2	3 18 9				94 1/8	81/-	8(4)	8(6)	Midland £1, fully pd.				87 1/2	86 1/2	-1/6	3 14 0									
100	96	98	88 1/2	Do. 3 1/2%				114 1/2	113	-1	3 12 9				44 1/2	41 1/2	11(4)	9(4)	Nat. of Egypt £10				47 1/2	47 1/2	-	3 12 6									
120 1/2	116	119 1/2	112 1/2	U.K. & Arg. 4% A (1947)				105 1/2	105 1/2	-	3 8 6				47 1/2	46 1/2	9(4)	9(4)	Nat. of India £25 (12d. pd)				42 1/2	47	-1	4 15 0									
107	104	105 1/2	105 1/2	Dom. & Col. Govts																															
113	104	109 1/2	106 1/2	Australia 5% 1945-75				108	108		3 16 6				498	481	8(4)	8(4)	Nat. Prov. £20, £4 pd				15x	15x	-	3 19 0									
106 1/2	102 1/2	105 1/2	101	Canada 4% 1940-60				101x	101x		3 12 10				16 1/2	15 1/2	9(4)	9(4)	Royal Bk. of Scotland				48x	48x	-2	3 10 6									
118 1/2	114	116 1/2	113 1/2	Gold Coast 4 1/2 1958				115	115		3 0 2				101 1/2	92/-	9(4)	9(4)	St. of S. Afr. £20, £5 pd				15x	15x	-	3 19 0									
120	117	117 1/2	115 1/2	Nigeria 5% 1950				106	107	+1	4 3 9				94 1/8	75/-	9(4)	10(6)	Union of £1 of stock				50/-	50/-	-2/3	3 15 0									
114 1/2	108	109 1/2	104 1/2	N. Zealand 5% 1946				104x	104x		3 11 5				6 1/2	5 1/2	5(4)	5(4)	Alexanders £2, £1 pd.				81/3	81/3	-	4 13 0									
106 1/2	106 1/2	107 1/2	104 1/2	Switzerland 5% 1940-60				104x	104x		3 11 5				6 1/2	5 1/2	5(4)	5(4)	National A £2 fly. pd.				5x	5x	-	4 7 0									
117 1/2	113 1/2	114	110 1/2	S. Africa 5% 1945-75				112	112		3 3 6				16 1/4	14 1/2	9(4)	17(6)	B £7, £2 pd				14x	14x	-	4 8 0									
Foreign Governments																Insurance																			
102	90	101 1/2	97	Argentina 4 1/2 Str. Bds				101	101		4 9 0				32	29 1/2	50(6)	40(4)	Allianz £1, fully pd.				30 1/2	29 1/2	- 1/2	3 0 3									
93	82	90	84 1/2	Austria 7% 1957				102	102		6 16 2				12	13 1/2	14(6)	13(6)	A.L. £5, £1 pd.				14x	14x	-	2 16 2									
72 1/2	71	73	70	Do. 4 1/2 1934-55				88	88		4 18 6				10 1/2	9 1/2	20(6)	20(4)	Com. Union £1, fully pd.				10 1/2	10 1/2	-	4 0 0									
97 1/2	95 1/2	96 1/2	92 1/2	B. Aires (Prov.) 3 1/2%				71	71		4 3 0				6 1/2	5 1/2	36(6)	28(4)	Gen. Accident £1, 5/- pd				5x	5x	-	2 17 2									
88 1/2	85 1/2	88	84 1/2	Belgian 4% Red. by 1970				98	98		9 16 0m				35 1/2	31 1/2	25(6)	25(6)	Lon. & Lanc. £5, (2 pd				33x	32 1/2	-1	3 1 0									
28 1/2	16	28	23 1/2	Bulgaria 7 1/2 Loan				25 1/2	25 1/2		5 17 8				14	11 1/2	31(4)	31(4)	N.Brit. & Merc. £1 1/2, fly. pd.				12 1/2	12 1/2	-	2 8 9									
84 1/2	86	84 1/2	81	Brazil 5% Fund. 1914				87	85	-2	2 5 0				21 1/2	18 1/2	45(6)	35(4)	Northern £10, £1 pd.				20x	20x	- 1/2	4 0 0									
95 1/2	80	97 1/2	83 1/2	Chili 6% (1929)				92 1/2	94 1/2	+2	5 10 1/2				19	12 1/2	19 1/2	12 1/2	Pearl (£1), fully pd.				20x	20x	-	2 11 0									
112	95 1/2	108 1/2	106 1/2	Do. 5% (1913)				108	108		7 7 3				37 1/2	34 1/2	+93(4)	+95(4)	Prudential £1, fully pd.				16	16	-	3 15 0									
110	98	106 1/2	96 1/2	Czechoslovakia 8%				100	100		3 0 0				114/-	103 1/8	+93(4)	+150(4)	Royal £1, with 4s. paid.				107 1/2	107 1/2	-	3 15 0									
70	57	72 1/2	57	Danzig 6 1/2				71	60	-11	10 16 9				11 1/2	9 1/2	19(6)	11(4)	Royal Exchange (£1)				9x	9x	- 1/2	3 10 3									
106 1/2	102	105 1/2	102 1/2	Egypt Unified 4%				103 1/2	102 1/2	-1	3 18 6				9 1/2	8 1/2	3(3/4)	3(3/4)	Royal £1, 10/- pd.				9x	9x	- 1/2	3 11 0									
25 1/2	17	18	16	French 4% (British)				17	18	+1	5 7 6				19	17 1/2	6(6/4)	6(6/4)	S. Un. & N. Scot. £20, £1 pd.				18x	18x	-	3 14 0									
69 1/2	53	63 1/2	53	German 7% Dawes Ln.				61	62	+1	11 5 9				99 1/2	84 1/2	15(6)	15(6)	Sun Insur. £1 with 1/2 pd.				88 1/3	87 1/3	-	3 0 0									
46	34	43	35	Do. 5 1/2 (Young Ln.)				41	42	+1	13 9 0				85	74 1/2	18(6)	18(6)	Sund. Life Assur. £1, fly pd				7x	7x	- 1/2	2 8 0									
40	29	38 1/2	30	Greek 6% Stab. Ln.				42 1/2	42 1/2		6 8 0w				21	19 1/2	130(6)	117(4)	Y. & O. £1, fully pd.				20	20	-	2 8 0									
52	38 1/2	45 1/2	38 1/2	Hungary 7 1/2				51 1/2	51 1/2		7 5 8 1/2				31 1/2	29 1/2	6(4)	3(4)	Anglo-American, Deb.				300	300	-	3 6 9									
80 1/2	78 1/2	82	77 1/2	Japanese 5 1/2 1936-65				79	82	+3	6 19 9				80	76	2(4)	2(4)	Anglo-Celtic Ord.				76 1/2	76 1/2	-	3 5 4									
87 1/2	83	89	83 1/2	Do. 6% (1924) Red 1959				86	88	+2	7 2 3				9 1/2	7 1/2	1(4)	1(4)	Atlas Electric, etc. £1				8 1/8	8 1/8	-6d	Nil									
144	105	118 1/2	110 1/2	Norwegian 4 1/2 1911				112 1/2	112 1/2		3 10 6				16 1/2	16 1/2	3(4)	3(4)	Brit. Assets Trust £5				17 1/6	18 1/6	+1/-	2 0 0									
53 1/2	41	56	52 1/2	Peru 7 1/2 1922				55 1/2	60	-16	11 13 9				91	87 1/2	14 1/2	14 1/2	For. Amer. £1, fully pd.				24 1/2	24 1/2	-3	4 1 6									
93 1/2	60	83	56 1/2	Poland 7%				19	18	-1	9 2 0y				154 1/2	148 1/2	4(4)	4(4)	Guardian Investment				149 1/2	149 1/2	-	3 7 10									
15 1/2	8 1/2	20 1/2	11 1/2	Rumanian 3 1/2 1908				117 1/2	117 1/2		2 19 7				305	293	7(6)	3(4)	Indus. and Gen. Ord.				300	297 1/2	-3	3 11 2									
160	110	116 1/2	117 1/2	U.K. & Argentine 1933				116	115 1/2	- 1/2	3 19 3				23 1/2	21 1/2	5 1/2	2(4)	Invest. Trust Def.				315	310	-5	3 17 6									
91 1/2	79	95 1/2	91	5 1/2 B. Certs. (1951)				95	95		3 3 0				303	283	31(4)	8(4)	Lake View Invest. 10/-				22x	22 1/2	+3d	3 12 0									
27 1/2	22	24 1/2	22	Do. C. Certs. (3% Max.)											303	283	31(4)	8(4)	Mercantile Investment.				28x	28x	-	4 0 0									
Corporation Stocks																Financial Trusts, &c.																			
119 1/2	116	118	111	Berlin 6% 1932-57				23 1/2	23 1/2		3 7 0				79	78 1/2	5(4)	4(4)	Merchants Trust Ord.				179 1/2	180 1/2	+1	4 3 0									
120	117	119	108 1/2	Birmingham 5 1/2 1946-56				111 1/2	111 1/2	+1 1/2	3 7 0				252 1/2	244 1/2	21(4)	2(4)	Metropolitan Trust				295	295	-	4 1 4									
84	64	85 1/2	65 1/2	Bolton 5% 1946-58				114	114 1/2		3 8 0				252 1/2	244 1/2	21(4)	2(4)	Scottish Investment (£5/-)				7 1/2	7 1/2	-	1 14 0									
106 1/2	103 1/2	103 1/2	100 1/2	Danzig 7% 1935-45				79x	70x	-9	10 0 0				255 1/2	246 1/2	31(4)	3(4)	Trustees Corp. Ord.				249 1/2	249 1/2	-	3 8 3									
106 1/2	103 1/2	103 1/2	100 1/2	E. London 5% 1960-70				118 1/2	118 1/2		3 16 0				243	238 1/2	5(6)	3(4)	United States Debenture				242 1/2	242 1/2	-	3 6 0									
97 1/2	83 1/2	95 1/2	83 1/2	Johannsb. 5 1/2 1937-52				101	101		5 9 3/4				17 1/2	15/-	2(4)	2(4)	Argentine Land, etc. 10/-				35x	35x	-	2 19 0									
106 1/2	85 1/2	93 1/2	97 1/2	L.C.C. (Dpt of) 4 1/2 1952				102	103 1/2	+1 1/2	4 3 0				35/-	37 1/8	Nil	Nil	Australian Estates, etc.				35x	35x	-	Nil									
Public Bonds																Breweries, &c.																			
120 1/2	111	121	104 1/2	Central Elec. 5% 1950-70				112	112		3 19 10				19 1/2	17 10 1/2	2(6)	2(6)	Brit. S. Africa 15/- fly. pd.				42/3	43 1/6	+1/3	3 9 6									
123 1/2	110 1/2	121	104 1/2	TRANSPORT BOARD—											30/-	26 1/6	10(4)	10(4)	Charterhouse Inv. £1				27 1/2	27 1/2	-	7 5 5									
109	100	104 1/2	92 1/2	4 1/2% "A" 1985-2023				114 1/2	112 1/2	-2	3 18 9				48 1/2	43 1/2	12 1/2	12 1/2	City of London R. & G. £1				18 1/8	18 1/8	-	4 15 4									
125	117 1/2	121	104 1/2	5% "T.F.A." 1942-72				105	105		3 7 9				102 1/6	88 1/8	7 1/2	7																	

(a) Interim dividend. (b) Final dividend. (c) Last two yearly dividends. (d) Paid in New Zealand currency. (e) Allowing for rate of exchange. (f) Flat yield.

(g) Yield on 3% basis. (h) Yield on 12½% basis. (i) Based on present value of £1. (j) Yield worked on redemption at par on February 1.

(k) Paid in Australian currency. (l) Interim dividend of 7½% on smaller capital. Final of 8½% on larger capital. Yield worked on a 10% dividend basis.

(m) Yield worked on basis of 12½-2%. (n) Yield basis 40% of face value. † Free of income tax. (o) Yield basis 45% of face value.

Year 1937 Mar. 10, inclusive		Last two Half-yearly Dividends		Name of Security		Price, Mar. 1937		Price, Mar. 1937		Rise or Fall		Yield Mar. 10, 1937		Prices, Year 1937 Jan. 1 to Mar. 10, inclusive		Last two Half-yearly Dividends		Name of Security		Price, Mar. 1937		Price, Mar. 1937		Rise or Fall		Yield Mar. 10, 1937			
High- est	Low- est	(a)	(b)	(c)										High- est	Low- est	(a)	(b)	(c)											
		%	%	%												%	%	%											
Iron, Coal, &c.—cont.																													
42 1/4	32 3/4	74	(c)	34	Hadfields 10/-	40/9	38/9	-2/-	1	18	9	64/6	53/3	m29	(c)	m29	Boots Pure Drug 5/-	56/3	54/6	-1/9	2	11	6	42 1/4	32 3/4	74	(c)	34	Hadfields 10/-
12/3	9/9	Nil	Nil	Nil	Har. & Wif. 6% Cm. Pt.	11/6	10/9	-9d	Nil			38/9	32/9	5(c)	71	(c)	Borax Deferred £1.....	34/3	33/3	-9d	4	10	6	12/3	9/9	Nil	Nil	Nil	Har. & Wif. 6% Cm. Pt.
37 3/4	29/3	24	(a)	5(b)	Horden Collieries £1	36/10/4	35/-	-1/10	4	5	9	27/9	21/6	4(c)	5(c)	Boval Deferred £1.....	23/3	23/11	-1/9	4	6	3	37 3/4	29/3	24	(a)	5(b)	Horden Collieries £1	
82/6	28/9	5(c)	5(c)	5(c)	Lambert Bros. Ord. £1	31/3	31/3		3	4	0	38/3	17/9	4(c)	5(b)	Bowaters Paper Mills £1	23/3	21/3	-1/9	8	9	5	82/6	28/9	5(c)	5(c)	5(c)	Lambert Bros. Ord. £1	
17 1/8	14/-	2(c)	Nil(c)	Nil(c)	Ocean Coal & Wilsons 10/-	16/10/4	15/3	-9d	Nil			64/6	56/3	5(a)	5(a)	Bristol Aeroplane 10/-	58/9	58/9	-2/6	4	0	0	17 1/8	14/-	2(c)	Nil(c)	Nil(c)	Ocean Coal & Wilsons 10/-	
16 1/4	12/6	24	(a)	15(a)	Powell Duffryn £1	25/6	25/9	+3d	4	13	0	39 1/4	35/4	5(b)	23(a)	British Match £1.....	36/-	36/-		4	6	0	16 1/4	12/6	24	(a)	15(a)	Powell Duffryn £1	
22 1/2	22/8	44	(b)	15(a)	Ruston & Hornsby £1	26/3	25/-	-1/3	4	0	0	6 1/2	5	120	(c)	120	Brit.-Amer. Tobacco £1	64x	6x		3	6	9	22 1/2	22/8	44	(b)	15(a)	Ruston & Hornsby £1
50/6	44/3	74	(b)	124(a)	Sheepbridge Cl. & In. £1	50/-	50/-		4	0	0	138/9	117/6	8(b)	7(a)	British Oxygen £1.....	121/3	120/-	-1/3	2	0	0	50/6	44/3	74	(b)	124(a)	Sheepbridge Cl. & In. £1	
40/6	37/5	54	(b)	34	Shippley Collieries Ord £1	40/-	40/7 1/2	+7 1/2d	4	8	6	30/1	21	Nil	Nil	Cable & Wir. £ A. Ord.	29/1	30	+1	4	1	0	40/6	37/5	54	(b)	34	Shippley Collieries Ord £1	
57/6	53/9	11	(c)	12(c)	S. Durham £ Ord. £1	56/10/6	56/10/6		4	4	0	111	101	4(c)	54(c)	Holding £ A. 5 1/2% Pr.	109 1/2	111	+1 1/2	4	19	0	57/6	53/9	11	(c)	12(c)	S. Durham £ Ord. £1	
33/6	30/7 1/2	5(c)	6(c)	6(c)	Steel & Iron B. Ord. £1	52/6	52/6		3	16	2	23 1/2	17	27 1/2	124(a)	124(a)	Coal (E. K.) Ord. £1.....	19/9	19 1/8		10	7	0	33/6	30/7 1/2	5(c)	6(c)	6(c)	Steel & Iron B. Ord. £1
55/3	52/-	6(c)	12(a)	12(a)	Tanton Collieries £1	57/6x	59/4 1/2x	+1/10	3	0	6	25/-	20/9	Nil(c)	20(c)	Crittall Manuf. Ord. 5/-	22/6	21/9	-9d	4	11	6	55/3	52/-	6(c)	12(a)	12(a)	Tanton Collieries £1	
60/-	57/-	16(c)	54	54	Stavely Coal, & Co. £1	39/-	39/9	-9d	2	10	6	39/3	56/0	10(c)	10(c)	De Havilland Aircraft £1	60/6	56/3	-3/9	3	11	6	60/-	57/-	16(c)	54	54	Stavely Coal, & Co. £1	
36/10/4	34/6	24	(a)	4(b)	Swan, Hunter £1	34/7 1/2	33/9	-1/10	4	3	0	36/8	32/3	8(c)	8(c)	Dunlop £1.....	33/3	33/-	-6d	4	16	0	36/10/4	34/6	24	(a)	4(b)	Swan, Hunter £1	
17/-	13/6	94	(b)	5	Thomas (Richard) (6/8)	15/6	14/8		6	13	3	50/7 1/2	45/-	10(b)	5	Eastwoods Dairy £1.....	47/6	47/6		6	6	0	17/-	13/6	94	(b)	5	Thomas (Richard) (6/8)	
25 7/8	21 7/8	Nil	Nil	Nil	Thornycroft, John, £1	23/9	25/-		2	6	3	32/6	21/9	12(c)	15(c)	Elec. & Musical Ind. 10/-	24/6	23/6	-1/-	4	5	0	25 7/8	21 7/8	Nil	Nil	Nil	Thornycroft, John, £1	
9/9	7/9	24	(c)	5	Un. Steel (S.A.) Ord. 5/-	12/2 1/2	12 1/2	+1/5	Nil			23/9	20/9	5	10(c)	Fairway Aviation 10/-	22/3	22/-	-3d	1	1	0	9/9	7/9	24	(c)	5	Un. Steel (S.A.) Ord. 5/-	
121/9	76 1/2	Nil	Nil	Nil	Un. States Steel \$100	121 1/2	31/6x	-1/-	4	16	0	68/3	63/3	6(b)	4(a)	Finlay (James) & Co. £1	66/6	66/3		3	0	3	121/9	76 1/2	Nil	Nil	Nil	Un. States Steel \$100	
34/6	30/6	5(c)	24	(a)	United Steel Cos. Ord. £1	35/6	34/6	-1/-	2	18	0	145/7 1/2	118/9	51(a)	194(b)	Gallagher Ltd. Ord. £1.....	125x	120x	-5/-	4	3	3	34/6	30/6	5(c)	24	(a)	United Steel Cos. Ord. £1	
39/11	35/-	8(c)	24	(a)	Victory 10/-	37/6	37/6					9/1 1/2	5/9	7(c)	Nil(c)	Gaumont-Brit. 10/-	8/3	7/6	-9d	1	1	0	39/11	35/-	8(c)	24	(a)	Victory 10/-	
39/11	35/-	8(c)	24	(a)	Ward (Thos. W.) £1	37/6	37/6					9/1 1/2	5/9	7(c)	Nil(c)	Gaumont-Brit. 10/-	8/3	7/6	-9d	1	1	0	39/11	35/-	8(c)	24	(a)	Ward (Thos. W.) £1	
49 1/4	40/10 1/4	6(c)	103(c)	6	Wearside Steel & Dr. £1	48/9	48/9		4	8	0	166/3	152/5	5(a)	15(b)	Harrisons & Cross. Det. £1	156/3	162/6	+6/3	2	9	0	49 1/4	40/10 1/4	6(c)	103(c)	6	Wearside Steel & Dr. £1	
156/3	142/6	22 1/2	(b)	124(a)	Whitehead Iron & St. £1	152/6	152/6		4	12	0	91/10 1/4	19/6	6(b)	15(b)	Harrods £1.....	27/6	27/6		3	1	0	156/3	142/6	22 1/2	(b)	124(a)	Whitehead Iron & St. £1	
83/9	76/8	10(c)	15	(a)	Yarrow & Co. £1.....	81/3	80/-	-1/3	3	5	0	27/9	25/9	20(c)	20(c)	Hawker Aircraft Ord 5/-	27/6	27/6		3	2	0	83/9	76/8	10(c)	15	(a)	Yarrow & Co. £1.....	
Textiles																													
12 1/2	8/6	Nil	Nil	Nil	Bleachers £1.....	11/3	10/9	-6d	Nil			5/5 1/2	4/4	10(c)	Nil(c)	Home & Col. Stores 4/-	5/1	5/-		Nil			12 1/2	8/6	Nil	Nil	Nil	Bleachers £1.....	
12 1/2	10/11	Nil	Nil	Nil	Bradford Dyers £1.....	11/3	11/-	-3d	Nil			62/6	48/9	7(c)	8(c)	Imperial Airways £1.....	61/3	68/9	-2/6	2	14	6	12 1/2	10/11	Nil	Nil	Nil	Bradford Dyers £1.....	
11 1/4	9/11	Nil	Nil	Nil	Brit. Celanese Ord. 10/-	10/1 1/2	9/6	-7 1/4d	Nil			41/10 1/4	38/-	54(b)	24(a)	Imperial Chem. Ord. £1	40/9	39/-	-1/-	4	2	0	11 1/4	9/11	Nil	Nil	Nil	Brit. Celanese Ord. 10/-	
15/6	12/9	Nil	Nil	Nil	Calico Printers £1.....	13/6	13/6					21/11	18/7 1/2	Nil(c)	Nil(c)	Imperial Smelt. Ord. £1	21/9	23/6	+1/9	1	1	0	15/6	12/9	Nil	Nil	Nil	Calico Printers £1.....	
55/-	49/-	13 1/2	(c)	10(c)	Coats, J. and P. £1.....	50/7 1/2	50/-x	-7 1/2d	4	0	0	57 1/2	56 1/2	7 1/2	17 1/2	Triplex Safety Co. £1.....	57 1/2	57 1/2		2	14	0	55/-	49/-	13 1/2	(c)	10(c)	Coats, J. and P. £1.....	
58/4	50/0	12 1/2	(a)	7(b)	Courtaulds £1.....	52/6x	53/6x	+7 1/4d	4	6	6	57 1/2	56 1/2	7 1/2	17 1/2	Triplex Safety Co. £1.....	57 1/2	57 1/2		2	14	0	58/4	50/0	12 1/2	(a)	7(b)	Courtaulds £1.....	
49/-	44/-	7 1/2	(b)	24	English Sew. Ctn. £1.....	45/-	46/3	-9d	Nil			78/3	67/6	22 1/2	22 1/2	International Tea 5/-	19/-	19/-		6	16	6	49/-	44/-	7 1/2	(b)	24	English Sew. Ctn. £1.....	
14/6	11/3	Nil	Nil	Nil	Fine Cotton Spinning £1	12/3	13/6		4	13	9	6/8	5	21/0	18/6	Lyons (J. Ord. £1.....	6/8	73/-	+4/3	6	2	0	14/6	11/3	Nil	Nil	Nil	Fine Cotton Spinning £1	
38/3	33	3(a)	54	(b)	Linen & Cotton Spinning £1	66/3	65/-	-1/3	3	18	0	70/7	78/9	25(b)	15(a)	Marks & Spencer 'A' 5/-	82/6	80/-	-2/6	2	10	0	38/3	33	3(a)	54	(b)	Linen & Cotton Spinning £1	
68/9	64/3	+10(c)	112(c)	6	Whitworth & Mitchell £1	20/6	20/-		4	10	0	2/6	2/3	4	5(c)	Maypole Dairy 2/-	2/4 1/2	2/8	+1 1/2	4	0	0	68/9	64/3	+10(c)	112(c)	6	Whitworth & Mitchell £1	
23/9	16/6	24	(b)	2(a)	Electrical Manuf. £1.....	55/6	54/-	-1/6	2	19	0	10/6	8/6	8	10(a)	Phillips (Godfrey) £1.....	45/-	44/3	-9d	5	8	0	23/9	16/6	24	(b)	2(a)	Electrical Manuf. £1.....	
56/7 1/2	49/9	6(c)	8	(a)	Associated Elec. £1.....	128/3	126/3		3	2	0	48/4	43/9	24	91(b)	Pinchin Johnson 10/-	53/6	50/-	-3/6	4	0	0	56/7 1/2	49/9	6(c)	8	(a)	Associated Elec. £1.....	
135 7/8	116/3	15(b)	5	(a)	British Insulated £1.....	95/-	95/-		3	3	0	56/-	50/6	71(a)	124(b)	Prices Trust Ord. 5/-	61/3	58/9	-2/6	2	11	0	135 7/8	116/3	15(b)	5	(a)	British Insulated £1.....	
99/9	90/7 1/2	15(b)	5	(a)	Callenders £1.....	72/6	70/-	-2/6	0	16	0	67/-	58/1 1/4	71(a)	124(b)	Radiation Ord. £1.....	63/9	65/-	+1/3	4	12	4	99/9	90/7 1/2	15(b)	5	(a)	Callenders £1.....	
78/-	63/-	6(a)	64	(b)	Crompton & Parkinson 5/-	35/-	35/-		Nil			67/-	60/9	34	111(b)	Reckitt & Sons Ord. £1	103/9	101/3	-2/6	4	8	10	78/-	63/-	6(a)	64	(b)	Crompton & Parkinson 5/-	
37/6	33/6	6(a)	15	(b)	General Electric £1.....	90/-	88/6	-1/6	3	7	6	115/7 1/2	100/-	22 1/2	22 1/2	Sears (C.) Ord. 5/-	103/9	101/3	-2/6	4	8	10	37/6	33/6	6(a)	15	(b)	General Electric £1.....	
37/6	33/6	6(a)	15	(b)	General Electric £1.....	90/-	88/6	-1/6	3	7	6	115/7 1/2	100/-	22 1/2	22 1/2	Sears (C.) Ord. 5/-	103/9	101/3	-2/6	4	8	10	37/6	33/6	6(a)	15	(b)	General Electric £1.....	
23/-	19/9	22 1/2	(b)	7 1/2	Henleys (W. T.) £1.....	21/6	20/-	-1/-	4	2	0	18/9	18/6	15(a)	15(a)	Wiggins Teape Ord. 10/-	40/9	40/6	-3d	4	8	10	23/-	19/9	22 1/2	(b)	7 1/2	Henleys (W. T.) £1.....	
54/6	47/6	2	(a)	5	Johnson & Phillips £1	32/6	33/9	+1/3	3	11	0	62/6	59/4	124	24(a)	Spillers Ord. £1.....	60/-	61/3	+1/6	4	17	6	54/6	47/6	2	(a)	5	Johnson & Phillips £1	
85/-	81/3	4(c)	6(c)	6(c)	Siemens £1.....	32/6	33/9	+1/3	3	11	0	54/3	50/6	15(c)	15(c)	Do. Deferred £1.....	51/-	52/-	+1/-	5	15	3	85/-	81/3	4(c)	6(c)	6(c)	Siemens £1.....	
Electric Light &c.—cont.																													
83/2	71/8	Nil(c)	30(c)	30(c)	Broad Street, no par	330/-	329/-	-1/-	3	1	4	81/70	17/9	Nil	Nil	Swed. Match, B. (kr. 25)	26/3	25/-	-1/3	Nil			83/2	71/8	Nil(c)	30(c)	30(c)	Broad Street, no par	
78/-	72/6	6(a)	10	(b)	Bournemouth & Poole	76/3	73/9	-2/6	4	1	4	91/6	83/3	41(a)	14(b)	Tale and Lyle £1.....	86/3	85/-	-1/3	4	5	10	78/-	72/6	6(a)	10	(b)	Bournemouth & Poole	
38/9	35/9	34	(a)	4(b)	British Power & Light	29/6	28/6	-1/-	4	3	6	77/6	62/9	5(a)	5(b)	Tilling, Thos. £1.....	66/3	65/-	-1/3	3	1	6	38/9	35/9	34	(a)	4(b)	British Power & Light	
46/6	43/0	34	(a)	4(b)	City of London £1.....	37/6x	36/-x	-1/6	4	2	9	77/6	67/8	5(a)	5(b)	Tobacco Stores, Ord. £1	70/-	67/6	-2/6	7	8	10 1/2	46/6	43/0	34	(a)	4(b)	City of London £1.....	
54/7 1/2	49/-	3(a)	7 1/2	(b)	Clyde Valley Elec. £1	45/-x	43/6x	-3/6	4	9	3	83/3</																	

(a) Interim dividend. (b) Final dividend. (c) Last two yearly dividends. (d) Yield worked on basis of 2% per cent. free of tax. (e) Yield worked on basis of 13½ annas per share of 2½ per cent. free of tax. (f) Based on current annual dividend rate \$2.00 per share. (g) Including bonus of 5% free of tax. (h) Calculated on basis of 13½ annas per share of 2½ per cent. free of tax. (i) Worked on a 60 per cent. dividend basis. (j) Free of Income Tax. (k) Yield worked on a 35% basis. (l) Special Jubilee bonus. (m) Based on a basis of £10 5s. 7d. per cent. less tax. (n) Yield worked on a 12½% basis.

(Continued from page 604)

TOTAL DEALINGS IN NEW YORK

	March 4	March 5	March 6*	March 8	March 9	March 10
Stock Exchange—						
Shares (No. Thous.)	2,730	2,830	1,770	3,180	2,390	2,820
Bonds (Thous. \$) ...	17,170	16,390	10,720	16,780	19,510	14,620
Curb—						
Shares (Thous.) ...	627	670	507	690	587	688

* Two-hour session.

AMERICAN SECURITY PRICES

	Mar. 3, Mar. 10, Mar. 11, 1937	1937	1937	1937	Mar. 3, Mar. 10, Mar. 11, 1937	1937	1937	1937
	(Close)	(Close)	(Latest)	(Close)	(Close)	(Close)	(Latest)	(Close)
1. Rails & Transport								
Atchafalpa	82	86½	87½	87½	51½	52	51½	51½
Balt. and Ohio	32½	37	37½	37½	133½	131	129½	129½
B.M.T.	48	42	43	43	44½	42½	42½	42½
Can. Pacific	17	16½	16½	16½	68½	65½	65	65
Ches. and Ohio	68½	67	66½	66½	18½	17½	17½	17½
Gen. Nthn. Ry. Pl.	52	55½	55½	55½	23½	23½	22½	22½
Illinois Central	31½	34½	35½	35½	11½	11½	11½	11½
N.Y. Central	48	54	53½	53½	27½	27½	27	27
Nor. Pac.	34½	36½	36	36	46	44½	44½	44½
Pennsylvania R.R.	44½	48½	48½	48½	68½	65	64	64
Southern Pac.	59½	65	65	65	39½	39½	38½	38½
Southern Ry.	34½	40	40½	40½	73	77½	78½	78½
Union Pac.	135½	146	145	145	240	253	252	252
Greyhound Cp. New	15½	15½	15½	15½	115	115	114½	114½
2. Utilities and Communications								
Am. Waterworks	25½	25½	25	25	109½	110	110	110
C.W. & S. (Cons. Gas of N.Y.)	3½	3½	3½	3½	72½	73½	74	74
Cons. Gas of N.Y.	41½	41½	41½	41½	60½	61½	60½	60½
Col. Gas & Electric	17½	17½	17½	17½	157½	152	151	151
Elec. Bond & Share	24½	25½	24½	24½	109½	113	112½	112½
Nat. Pwr. and Lt.	12½	12½	12	12	32½	32½	32½	32½
North American	29½	35½	35½	35½	96½	99	98½	98½
Pac. Gas & Electric	33	35½	35½	35½	62½	62½	62½	62½
Pac. Lighting	46	45½	46	46	103½	110	110	110
Stan. Gas & Elec.	12½	13½	13½	13½	147½	147	147	147
United Corp.	6½	6½	6½	6½	27½	27½	27	27
United Gas Imp.	14½	14½	14½	14½	69	69	69	69
Am. Tel. & Tel.	179½	175½	176½	176½	165	164	165	165
Int. Tel. and Tel.	13½	13½	13½	13½	48	48	47	47
Western Union	78	77	75½	75½	81	80	80	80
Radio	11½	12½	12	12	28½	27½	27½	27½
Radio B. Pref. New	77½	79½	79½	79½	35	34½	35½	35½
3. Extractive and Metal Industries								
Am. Rolling Mills	39½	44½	44½	44½	66	68½	68½	68½
Beth. Steel	102½	104½	104½	104½	102	103½	103½	103½
Beth. Steel Pref. x.d.	127½	125	125	125	91	94	94	94
Republic Steel	38½	45½	47½	47½	14½	15½	14½	14½
U.S. Steel	123½	125½	124½	124½	47½	46½	46½	46½
U.S. Steel Pref.	146	149	148½	148½	57	54	54½	54½
Alaska Juneau x.d.	15½	15	15½	15½	26½	27½	27½	27½
American Metal	65½	68½	68½	68½	43½	43	42½	42½
American Smelting	95½	105½	104½	104½	22½	23½	23½	23½
Anaconda	66½	69½	68½	68½	32½	32	31½	31½
Bohn Aluminium	47	45	45	45	23½	23½	23½	23½
Cerro de Pasco	83½	85½	85½	85½	15½	15½	15½	15½
Int. Nickel	72½	72½	72½	72½	95½	83	83½	83½
Kennecott x.d.	67½	68½	68½	68½	26½	24	24½	24½
Patio Mines	39½	40	39½	39½	56	52½	51	51
Texas Gulf Sulph.	93½	103½	103½	103½	30	32	32½	32½
U.S. Smelt.	93½	103½	103½	103½	49½	48½	49½	49½
Vanadium Corp.	33½	38½	38½	38½	61½	59	59½	59½
Atlantic Refining	33½	36½	36½	36½	18½	18½	18½	18½
Phillips Petroleum	54½	57½	58	58	70½	69½	71	71
Shell Union	33½	33½	33½	33½				
Shell Union Pref.	104½	104½	104½	104½				
Socony Vacuum	19½	19½	19½	19½				
Stand. Oil Calif.	49	49	49	49				
Stand. Oil N.J.	75	75½	75½	75½				
Texas Corp.	53½	59	59	59				

CAPITAL ISSUES

THE new issue market has again passed a quiet week, although it has produced the first large-scale issue of recent times in *Houndsditch Warehouse Company* 5 per cent. redeemable preference shares at par and 5s. ordinary shares at 200 per cent. premium. This concern, which appears under good investment auspices, has a steady record of expanding profits. The goodwill payment is accordingly large, and the earnings yield basis on the issue price of the shares is low. The ordinary shares, however, are a speculative investment with apparently favourable long-term prospects to compensate for a small present yield. *R. B. Pullin and Company*, whose 2s. shares have been offered at 100 per cent. premium, is a scientific instrument concern. Three years ago the earnings of this company were no greater than £2,976. An 11·4 per cent.

Investment For Appreciation
by L. L. B. ANGAS

Author of *Coming Rise in Gold Shares* (Feb. 1931); *Coming English Boom* (Sept. 1931); *Coming Rise in Wall Street* (Apr. 1933); *Coming American Boom* (Aug. 1934), etc., etc.
A method of forecasting and exploiting industrial cycles. Do not wait for a crisis to read this best seller. Descriptive folder available.
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yield basis for this issue is not unduly high, for although the company's technical status is good, its capital is small and the marketability of its shares may in due course be affected. Statements "for information only" have been published by *Nunnery Colliery Company*, *Lake George Mining*, *J. F. Willis (Cinderella Shoes)*, and *Clifford Williams and Son*.

TOTALS OF CAPITAL ISSUES DURING WEEK

Net Sales of National Savings Certificates, Week ended March 6, 1937, Dr. £150,000.

	Nominal Capital £	Conversions £	New Money £		
To the Public	1,260,000		2,044,000		
To Shareholders only	1,660,292	812,160	1,845,088		
By Stock Exchange Introduction	641,035		888,118		
By Permission to Deal	1,255,735		1,634,112		
Total Capital Raised—					
	Including Conversions £	Excluding Conversions £	Total offered for Subscription—		
			Including Conversions £	Excluding Conversions £	
1937 (New Basis)...	125,616,251	94,279,709	Whole Year (New Basis)—		
1937 (Old Basis)...	68,780,582	39,168,920	1936 ...	642,017,245	494,139,765
1936 (New Basis)...	129,860,002	85,789,499	1935 ...	698,313,125	357,525,440
1936 (Old Basis)...	103,973,628	59,803,125	Whole Year (Old Basis)—		
January 1 to date (Old Basis)...	93,827,558	26,132,751	1936 ...	402,470,003	255,570,993
1935	62,497,971	19,238,663	1935 ...	548,351,393	236,147,637
1934		169,043,750	1934 ...	410,980,300	169,108,700
1928			1933 ...	467,921,500	244,780,500

Destination of Capital. (Excluding Conversions)

	United Kingdom	British Empire (excluding United Kingdom)	Foreign Countries	Total
January 1 to date—				
1937 (New Basis)...	69,726,694	23,399,875	1,153,140	94,279,709
1937 (Old Basis)...	34,942,591	4,226,329	Nil	39,168,920

Nature of Borrowing (Excluding Conversions)

	Debentures	Preference	Ordinary	Total
January 1 to date—				
1937 (New Basis)...	23,326,087	10,284,768	60,668,854	94,279,709
1937 (Old Basis)...	17,180,933	5,217,537	16,770,450	39,168,920
1936 (New Basis)...	48,925,960	8,238,826	28,627,713	85,789,499
1936 (Old Basis)...	45,124,306	3,679,644	10,799,175	59,503,125
Whole Year (Old Basis)—				
1928 ...	212,917,900	45,062,600	111,777,800	369,758,100
1933 ...	222,064,300	12,733,700	9,982,500	244,780,500
1934 ...	102,789,300	21,461,000	44,878,400	169,108,700
1935 ...	167,185,509	31,696,741	27,265,387	226,147,637
1936 ...	160,521,116	24,423,647	70,626,230	255,570,993
Whole Year (New Basis)—				
1935 ...	193,599,713	48,806,822	115,118,905	357,525,440
1936 ...	184,255,833	41,580,731	288,303,201	494,139,765

PUBLIC OFFER

Houndsditch Warehouse Company, Ltd.—Issue of 800,000 5 per cent. redeemable cumulative £1 preference shares at par (redeemable on notice from 1942 at 2s. 6d. premium), and 1,000,000 5s. ordinary shares at 15s., 200,000 underwritten firm. Acquires warehouse and merchant business of same name, and shares of *Burstins, Ltd.*, *Houndsditch*. Profits before depreciation, years to March 31: 1934, £164,923; 1935, £190,125; 1936, £216,484; 9 months to Dec. 31, 1936, £225,247. Net assets £1,111,570, purchased for £1,900,000, payable by £1,351,000 cash and 2,196,000 ordinary shares (goodwill £788,430; premium will be applied to its reduction). Lists closed 11.15 a.m. March 10th.

BY OFFER FOR SALE

R. B. Pullin and Company, Ltd.—Offer for sale of 350,000 2s. ordinary shares at 4s. (firm application for 80,000 shares.) Acquires industrial scientific instrument business. Profits before directors' salaries, etc., after depreciation, periods to Oct. 31: 1934, £2,976; 1935, £11,106; 1936, £19,826. Net assets, £64,470, purchased for £69,990, payable by 699,900 shares (goodwill £5,520). Electric and General Industrial Trusts, Ltd., takes issue at 3s. 10.6d. per share (including expenses). Managing director receives 5 per cent. of net profits. Lists closed 9.1 a.m. March 9th. Heavily over-subscribed.

BY STOCK EXCHANGE INTRODUCTION

Lake George Mining Corporation.—Issued capital 2,220,000 10s. shares. Acquires assets (including shares in *Lake George Mines*) of *Lake George Metal Corporation* and shares of *Lake George Leases* (to be liquidated), owning New South Wales zinc, lead and pyrite mine. Estimated annual mine profit, treating daily 500 tons, £A. 202,000; at 1,000 tons, £A. 400,000. Total purchase considerations: 1,020,000 shares, liabilities and expenses of £2,000. Co. to pay preliminary expenses, £10,000.

Nunnery Colliery Company, Ltd.—Particulars of issue of 100,000 5 per cent. cumulative £1 preference shares and 100,000 £1 ordinary shares. Works three pits and owns a coking subsidiary. Standard tonnage 800,000 tons annually. Combined profits, before interest or depreciation: 1934, £66,957; 1935, £62,972; 1936 (estimated), £80,000. Fixed assets, £743,000; net liquid, £88,000. 30,000 ordinary shares issued as capitalised reserves. 45,000 offered to shareholders (one to four held) at 30s.; and 25,000 at 30s. less 9d. commission to Cazenove and Akroyds and Greenwood, who take also preference issues at par, less 3d. commission.

Clifford Williams and Sons, Ltd.—Issued capital 400,000 5s. shares. Ready-made clothing manufacturers. Net profits (after depreciation), years to June 30: 1934, £15,340; 1935, £24,397; 1936, £26,204. Total assets £104,379. 99,960 shares issued to shareholders as bonus, March, 1937.

J. F. Willis (Cinderella Shoes), Ltd.—Issued capital 55,000 6 per cent. cumulative £1 preference and 220,000 5s. ordinary shares. Acquires shoe-making business founded 1848. Net profits

SHORTER COMPANY COMMENTS

after depreciation, years to October 31: 1934, £6,418; 1935, £9,755; 1936, £10,084. Net assets, £93,896, purchased for £109,975, payable by 55,000 preference and 219,000 ordinary shares (goodwill £16,079). *Cheviot Trust* purchase 20,000 preference at 20s. 9d. and 50,000 ordinary shares at 4s. 10d., including expenses, and receive also 3,500 preference shares. Managing director receives 10 per cent. of net profits.

PRIVATE PLACING

Perak River Hydro-Electric.—This company has placed privately 350,000 5 per cent. cumulative £1 preference shares to finance extensions to the plant.

PUBLIC OFFER AND TENDER

Southampton Gaslight and Coke Company.—Issue of £50,000 3½ per cent. debenture stock redeemable at par, 1970, at 98, and sale by tender of £50,000 4 per cent. irredeemable preference stock at 100 minimum. Rank with existing stocks. Gas sold, 1936, 1,823 million cub. ft.; 64,169 consumers. Net revenue, 1936, £77,683; would leave £44,079 for ordinary.

BY TENDER

Newhaven Gas and Coke Company, Ltd.—Sale by tender of £1 ordinary shares to realise £3,764 (minimum 34s.) and 4½ per cent. redeemable £25 debentures to realise £1,900 (minimum, par) redeemable at par 1942. Profits, before interest, years to June 30: 1934, £2,818; 1935, £2,965; 1936, £3,214. 2,470 consumers.

ISSUES TO SHAREHOLDERS ONLY

African and European Investment Company, Ltd.—Issue of 519,206 £1 shares at £2. One new share for every four shares held on March 15, 1937, to redeem £676,800 6½ per cent. debentures at 120.

Bairns-Wear, Ltd.—Issue of 160,000 new 5s. ordinary shares at 7s. 6d. each and 50,000 new 5½ per cent. cumulative preference £1 shares at 21s. each.

Cornercroft, Ltd.—Issue of 90,000 4s. shares at 7s. each in proportion of four new for every seven held on February 18th.

Electrical Switchgear and Associated Manufacturers.—Issue of 25,000 additional 10s. ordinary shares at 25s. each in proportion of one new for every ten held on February 25th.

The North Charterland Exploration Company (1937), Ltd.—Issue of 1,320,227 shares of 1s. each fully paid and issue of 1,320,227 shares of 1s. each at par.

Slough Estates, Ltd.—Issue of 147,000 £1 ordinary shares at £2 10s.; one new for four held on February 24th.

South African Townships, Mining and Finance.—Issue of 1,600,000 10s. ordinary shares at 12s. 6d. each in proportion of one for every two held on February 15th.

Southend Stadium.—Issue of 101,500 1s. deferred shares at par. One new for every five deferred shares held on March 1st.

Wembley Stadium.—Issue of 50,000 1s. deferred shares at 2s. each. One new deferred share for every three held on February 15th.

Nchanga Consolidated Copper Mines.—2,500,000 £1 shares will be offered at par on April 2nd to holders of *Rhokana Corporation* ordinary and "A" shares, in proportion of one for one share of either class.

CONVERSIONS AND REPAYMENTS

Northern American Trust.—The Northern American Trust has decided to redeem on September 1, 1937, at 102 per cent., the 3½ per cent. debenture stock.

OFFER ABROAD

City of Buenos Aires.—An internal issue, under the auspices of the *Bemberg-Bracht* group, was made on March 10th, in Buenos Aires, of a loan of 20,000,000 pesos on behalf of the City of Buenos Aires to be secured, subject to prior charges, on the land tax, and to carry interest at rate of 4½ per cent. per annum free of all Argentine taxes, and to be redeemed by 1975 by means of an accumulative sinking fund of 1 per cent. Issue price 93½ per cent.

LONDON NEW ISSUE PRICES

Stock or Share	Issue price	Paid	Mar. 3, 1937	Mar.
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COMPANY MEETINGS

THE NATIONAL BANK OF EGYPT

BANK'S INCREASED PROFITS

EGYPT'S STRONG POSITION MAINTAINED

EFFECTS OF ANGLO-EGYPTIAN TREATY

SIR EDWARD COOK'S REVIEW

The thirty-seventh ordinary general meeting of the shareholders in the National Bank of Egypt was held on Thursday, March 11, 1937, at the head office of the bank in Cairo.

Sir Edward Cook, C.S.I., C.I.E. (the governor), presided.

DIRECTORS' REPORT AND ACCOUNTS

The directors' report was as follows:—

The directors present to the shareholders the balance sheet and profit and loss account for the year ending December 31, 1936.

The gross profit for the year, after providing for depreciation on the bank's buildings and furniture, for rebate of discount and for doubtful debts, amounts to:

£	s.	d.	£	s.	d.
			948,106	3	2

After deducting from this sum:—

For directors' fees	16,729	0	0
For current expenses	458,491	10	9

475,220 10 9

there remains 472,885 12 5

In conformity with Article 49 of the Bank's statutes a dividend of 4 per cent. is payable on the share capital 120,000 0 0

After this distribution there remains 352,885 12 5

Adding to this the balance brought forward from last year 206,984 4 0

the amount available is 559,869 16 5

From this amount the directors recommend the payment of an additional dividend of 11 per cent. on the share capital which will absorb 330,000 0 0

and to carry forward the balance of 229,869 16 5

The total dividend for the year will thus be at the rate of 15 per cent., equivalent to £1 10s. 0d. per share. An interim dividend of 8s. having been paid on September 1, 1936, there remains to be distributed the balance of £1 2s. 0d. per share.

BALANCE SHEET, DECEMBER 31, 1936

LIABILITIES

	L.E.	M.M.	£ST.	s.	d.
Share capital— 300,000 fully paid shares of £10 each	2,925,000	000	3,000,000	0	0
Statutory reserve fund	1,462,500	000	1,500,000	0	0
Special reserve	1,462,500	000	1,500,000	0	0
Current, deposit and other accounts	20,369,514	988	20,891,810	4	11
Egyptian Government	4,746,946	749	4,868,663	6	8
Sudan Government	1,035,821	305	1,062,380	17	9
Mixed Tribunals	1,928,809	262	1,978,265	18	2
Bankers' accounts	1,079,145	803	1,106,816	4	2
Cheques and bills payable	229,203	981	235,081	0	1
Rebate of discount on bills not yet due	2,652	049	2,720	1	0
Dividends unclaimed	27,244	914	27,943	10	0
Acceptances, etc.	1,255,888	541	1,288,090	16	3
Provision for payment of final dividend at the rate of 11 per cent. per annum	321,750	000	330,000	0	0
Profit and loss account balance	224,123	074	229,869	16	5
	37,071,100	726	38,021,641	15	5

ASSETS

	L.E.	M.M.	£ST.	s.	d.
Government securities and securities guaranteed by the Egyptian Government	19,059,140	994	19,547,836	18	4
Sundry securities	2,460,912	752	2,524,013	1	7
Advances on merchandise	2,737,724	230	2,807,922	5	9
Advances on securities	2,618,865	390	2,686,015	15	8
Advances otherwise secured	998,525	426	1,024,128	12	10
Sundry other advances	392,789	650	402,861	3	7
Bills of exchange	1,914,373	076	1,963,459	11	4
Local bills discounted	154,439	214	158,399	3	11
Buildings, furniture, etc.	218,405	990	224,006	2	10
Money at call and short notice	2,149,875	000	2,205,000	0	0
Bankers' accounts	660,148	407	677,075	5	9
Clients' liability for acceptances, etc., as per contra	1,255,888	541	1,288,090	16	3
Cash:— Notes L.E. 1,762,221 : 250 Gold and silver coin, etc. 687,790 : 806	2,450,012	056	2,512,832	17	7
	37,071,100	726	38,021,641	15	5

R. ROLO,

JOHN HOME,

Directors.

E. M. COOK,

Governor.

REPORT OF THE AUDITORS

We have examined the books of the National Bank of Egypt and in our opinion the above balance sheet is properly drawn up so as to exhibit a true and correct view of the state of the bank's affairs as shown by the books. We have also verified the cash, notes and securities at the head office and at the Cairo and Alexandria branches and have found the same correct. The London returns have been audited and certified by Messrs Deloitte, Plender, Griffiths and Company, Chartered Accountants.

J. C. SIDLEY,

W. G. CARMICHAEL,

Chartered Accountants.

Cairo, February 8, 1937.

ISSUE DEPARTMENT

	L.E.	M.M.	L.E.	M.M.
Notes issued			24,900,000	000
			24,900,000	000
Gold	6,240,583	308		
*British Treasury Bills and Treasury Bonds	6,209,416	692		
Securities:— Egyptian Government Securities and securities guaranteed by the Egyptian Government	1,500,000	000	12,450,000	000
British Treasury Bills and British War Loan	10,950,000	000		
			12,450,000	000
			24,900,000	000

* By authority of the Egyptian Government these Treasury Bills and Treasury Bonds are deposited in lieu of gold.

PROFIT AND LOSS ACCOUNT

	L.E.	M.M.	£ST.	s.	d.
Dr.					
Directors' remuneration	16,310	775	16,729	0	0
Current expenses	447,029	248	458,491	10	9
Interim dividend at the rate of 4 per cent. per annum	117,000	000	120,000	0	0
Provision for payment of final dividend at the rate of 11 per cent. per annum	321,750	000	330,000	0	0
Balance carried forward	224,123	074	229,869	16	5
	1,126,213	097	1,155,090	7	2
Cr.					
Gross profit for the year ending December 31, 1936, after providing for depreciation of buildings and furniture, for rebate of discount, and for doubtful debts	924,403	502	948,106	3	2
Balance brought forward from last year	201,809	595	206,984	4	0
	1,126,213	097	1,155,090	7	2

GOVERNOR'S SPEECH

Two events of major importance to Egypt have occurred since we last met: the re-alignment of certain European currencies and the conclusion of the Anglo-Egyptian Treaty.

No one among you and, I should think, scarcely anyone engaged in public affairs or with business interests here, will deny that Egypt stands to gain by anything which makes for greater freedom in her commercial relations with other countries. Her prosperity, her very solvency, depend on her export trade. She happily has many customers, for her cotton is the finest in the world. But if would-be purchasers are impoverished, or are pre-vented by restrictions imposed by their own governments from venting by transferring funds in payment, or are obliged to insure heavily against fluctuations in the exchange values of their currencies, the market for her cotton becomes narrowed, the price she obtains is affected and her own prosperity suffers.

We have therefore welcomed the currency changes made by several important countries last autumn, not because of their immediate consequences, but because of what, as we hope, they are leading to. I mean, first of all, the stabilisation of the leading currencies *inter se* and, secondly, the gradual demolition of that grotesque edifice of exchange restrictions, quotas, bi-lateral barter arrangements, sky-scraper tariffs and so on, which has at times threatened to bring international trade almost to a standstill.

The exchange arrangements made in September last, aiming at the relative stability of the pound sterling, the dollar and the franc, appear, so far as our information goes, to be working smoothly and there are indications that the leading countries are slowly evolving a new monetary technique, a new and more elastic form of the old gold standard. Other countries, whose currencies are in some measure dependent on or connected with one or other of those three, have felt the benefit of more stable exchanges. A promising beginning has also been made, by certain groups of countries, towards the removal of the restrictions I have referred to. In short, it is not too much to say that there has already been a substantial restoration of monetary equilibrium which, added to the recovery of raw commodity prices, has come as a tonic to the whole world.

All this is much to the good. We in Egypt, whose interests are so much concerned in the general well-being, earnestly hope that nothing will occur to arrest the extension of the improvement. We realise that, in a world which is busy re-arming, we do well to moderate our optimism. There are, moreover, other difficulties to be overcome. There is, for example, a belt of restrictionist countries which have got into a situation out of which they will not find it easy to extricate themselves. Even in those countries which are economically freer there are certain elements which should warn us against complacency. The boom, now so noticeable in Great Britain and elsewhere, is mostly confined to internal trade and appears, in some measure at least, to be dependent on the success of the arrangements made last autumn turns on the ability of the devaluing countries to maintain economic equilibrium at the new levels of their currencies; there is some danger of this proving difficult owing to an excessive rise in internal prices and in costs of production.

GOOD CONDITIONS

None the less, it cannot be denied that over a large part of the world, recovery is a fact; probably much of it will remain when

the artificial stimulus of re-armament expenditure comes to an end. Egypt has already felt the benefit. Nature, too, has been kind. This season's cotton crop has been of record size and there has again been a keen demand for it on the part of spinners abroad; the cultivators of cotton must have received this season from the merchants and exporters something in the neighbourhood of £E.26 millions, probably about £E.3½ millions more than in the previous year. The food crops have been good. The mortgage indebtedness of landowners is substantially less than before the war, while the prices of agricultural products are somewhat higher; those who are not hopelessly involved should now, therefore, be able to make headway in discharging their debts, assisted as they have been by the arrangements made by successive Governments on their behalf during the past five years with the mortgage institutions. As for the small agriculturist, who needs working capital for his seed, manure, etc., the facilities he can now obtain from the Crédit Agricole must have helped a great deal to keep him out of the hands of the moneylender. All the signs—such as savings bank deposits, the consumption of sugar, the state of the import trade—point to an appreciable increase in the national purchasing power. Egypt has further been fortunate in not having been obliged, like so many countries, to grapple with intractable problems of State finance or to add to the national debt in order to finance a series of Budget deficits. Even in the lean years of the slump, she was able to maintain her high reputation for the excellence of her financial administration. Her budget is well balanced; there is a substantial Treasury reserve, the accumulation of past surpluses; the balance of trade is satisfactory: her currency has for a generation been maintained without difficulty at a fixed ratio with the pound sterling; and her public debt, omitting the amount bought in by the State, is little more than two years' public revenues and only some £5 per head of the population.

RESULTS OF TREATY WITH GREAT BRITAIN

Is this enviable position likely to be compromised by the other important event of 1936, namely, the conclusion of the Treaty with Great Britain? We are not here concerned with its political aspects, though we may allow ourselves to welcome cordially an alliance between Egypt and a country which is not only a great world power, but also her best customer and bound to her by many years of co-operation. There are, however, in some quarters apprehensions of eventual repercussions, in the financial and economic fields, of the political freedom which Egypt has now obtained. Time alone can prove whether the Cassandras are right. I myself can only speak of what I see. Previous Governments, however desirous of ameliorating the condition of the people and of consolidating the country's economic strength, have been handicapped by the overshadowing of internal affairs by questions arising out of Egypt's political status. From that preoccupation His Majesty's Governments will henceforth be free. I have had too much experience of the results of putting new wine into old bottles to have retained any illusions as to the miracle-working power of political changes or reforms. But I am unaware of any reason why an administration, that is more responsible to and dependent on the people's will, should be less regardful of the people's interests. I have so far seen no signs, rather the contrary, of any desire to depart from those traditions which are the foundation of Egypt's financial strength—to adopt tempting but unhealthy expedients, to follow the broad and easy path of inflation, or to tamper with the sound position of her currency—and, until I do, I remain an optimist as to Egypt's financial future.

Elsewhere, both economists and practical financiers, marking the trade revival, which in some countries has just commenced and in others is already well-established, are now discussing what steps should be taken to prevent the boom from getting out of hand and how best to avoid, or at least to mitigate, the usual post-boom slump. Financial technique has greatly evolved in the last twenty years and no doubt we shall learn a good deal from the issue of this debate. But of one thing I am confident. If, despite the efforts of eminent planners, trade cycles refuse to be flattened out and if the present years of prosperity are again followed by a series of lean, those countries will suffer least which have most closely held to the old and well-tried maxims and meet the slump with their national finances in order, their budgets in equilibrium and their currencies undamaged by manipulation—as Egypt's are to-day.

PROBLEMS BEFORE THE GOVERNMENT

I do not mean that the task before the Government is simple. Many problems confront them. Egypt's defence expenditure has hitherto absorbed an exceptionally small proportion of her

revenues; there will now, as the result of the Treaty, have to be financed a heavy initial outlay, together with some new recurring charges. We know that this matter is receiving the careful attention of those responsible for the financial administration; Egypt has fortunately her "bas de laine" in the form of a good reserve and, with a continuance of the present growth in prosperity, I have no doubt that the necessary funds will be found without undue strain on the national resources or postponement of those schemes for the betterment of living conditions which, by common consent, are so urgently needed.

A more difficult problem, which can only be solved by long-range methods over a number of years, arises from the fact that the population is increasing faster than the growth of the cultivable area. Thanks to the efforts and enthusiasm of a group of far-seeing men, the number absorbed in local industries has of late years substantially increased. But such possibilities are limited, and, though not immediately pressing, the problem will sooner or later have to be solved how to anticipate and prevent in Egypt those social and other difficulties which have so often arisen from increasing pressure on the soil.

But this is looking far ahead. Meanwhile, in the new era that has opened for Egypt, you will, I am confident, desire us to continue our policy of close co-operation with whatever Government is in charge of the administration. Three years ago I spoke to you of the evolution of the Bank since its foundation in 1898 and of the much more responsible position it had gradually come to occupy in the country. I reminded you that consideration for the public interests and our duty to the Government obliged us on occasions to be guided by motives other than those of profit-making and also, as a general rule, restricted the character of the business in which we engaged. At the same time, our purely commercial business is of importance, both to the country and to you as shareholders. The general improvement in business conditions in Egypt during the past year is reflected in the figures which you have before you, from which you will see that the net profits, after making full provision for bad and doubtful debts, depreciation and other contingencies, have increased from £426,684 to £472,885. We propose, with your approval, to pay a dividend of 15 per cent., absorbing £450,000, and to add the remaining £22,885 to the carry-forward, on which, you will remember, we made a draft of £23,315 in the previous year.

FURTHER IMPROVEMENT IN SUDAN

There has been a further improvement in conditions in the Sudan, the total of whose foreign trade has increased for the third year in succession. Her cotton, cotton-seed and gum, which account for 75 per cent. of the exports, were again in good demand. An abnormally large quantity of maize was exported, and the stocks accumulated from previous years were quickly liquidated. The import statistics show that the purchasing power of the people continues to increase: it is satisfactory to note that the Sudan is now purchasing more of her requirements from Egypt. The past few years have shown a remarkable increase in the yield obtainable from cotton in the important Gezira area; this is mainly the fruit of painstaking research which has evolved a type of cotton much more resistant to pests than that formerly sown. The cultivation of rain-grown cotton in the Nuba mountains and the Kordofan provinces is being further extended by the Government, and the conditions in the Tokar area are also very satisfactory.

The general improvement in conditions is reflected in the financial position of the Government. The Budget is well balanced, and the Government, while providing for various administrative improvements, is prudently building up reserves against the less favourable years that experience shows are to be expected. As for future prospects, it is difficult to look far ahead, owing to the great dependence of Sudanese trade on climatic conditions, but the outlook is good; weather conditions have been favourable in the important cultivated areas, crops throughout the country are excellent and it seems certain that another prosperous year is in sight.

CHANGES IN THE BOARD

There have been several changes in the board since our last meeting. By the resignation of Dr Hafiz Afifi Pasha, we have lost a valued colleague and a wise counsellor; our loss is, however, the country's gain, for no more suitable representative could have been chosen as Egypt's first Ambassador in London.

During the course of the year we invited two new members, Sadek Wahba Pasha and Ahmed Abdel Wahab Pasha, to join the board. Both of them have rendered distinguished service to their country, the former both as a Cabinet Minister and as a representative of Egypt abroad, the latter as Under-Secretary of State,

and subsequently as Minister for Finance. Abdel Wahab Pasha's great experience and exceptional insight into Egypt's economic and financial problems are of particular value to the board of the National Bank.

Ali Maher Pasha cannot be called a new member, for he was first elected to the board in 1929. Since he was last a member he has held with great distinction the highest office in the State, and, now that he is once more a private individual, I am sure you will welcome his return.

These three nominations require your confirmation. The directors retiring by rotation are M. Léon Suarés and Sir Otto Niemeyer; I am glad to say that they offer themselves for re-election.

HUNGARIAN GENERAL CREDITBANK

SUCCESSFUL RESULTS—INCREASED PROFIT

BOARD'S SOUND DIVIDEND POLICY

At their meeting, held on March 2nd, the board of directors of the Hungarian General Creditbank approved the balance sheet for the business year 1936. The profit and loss account closes (apart from the profit brought over from 1935), after deducting the amounts proposed to be written off, totalling 986,961.07 pengő, shows a net profit of 2,388,741.93 pengő, as against 2,214,569.68 pengő in the previous year. This amount, plus the balance of 1,801,217.90 pengő brought over from 1935, leaves 4,189,959.83 pengő available for the general meeting.

ALLOCATIONS

With respect to the appropriation of the net profits, the board—with a view to the general interest of credit policy attaching to this question—decided, duly weighing all considerations, to propose to the general meeting to suspend again the payment of a dividend this year. Accordingly, the board resolved to move to the general meeting, convoked for March 19, 1937, to allocate out of the amount at their disposal: 500,000 pengő for the endowment of the ordinary reserve fund, 200,000 pengő for the depreciation reserve fund, 1,000,000 pengő for the employees' pension funds, and to carry forward to the account of 1937 the remaining 2,489,959.83 pengő.

The Bank was again able during the past year to increase its current business activity and enlarge its custom accordingly. The brisk trend of the Bank's business is shown by the extension of the field of both ordinary and new business, in particular, in the rise in the turnover of foreign exchanges and of current accounts, in the advance of the cash turnover and, also, in the increase in the number of customers. The significant advance in the amount of deposits entrusted to the Bank is likewise deserving of mention.

INCREASED DEPOSITS

Deposits advanced, as against the previous year, by 9.3 million pengő (from 199.2 to 208.5 million pengő) whereof 3 million pengő (66.2 as against 63.2 million pengő in the previous year) represent the increase in savings deposits, and 6.3 million pengő (from 136 to 142.3 million pengő) that of current account deposits. This advance is particularly remarkable in view of the slow pace at which the accumulation of capital moves in Hungary, especially since it proceeds but to a slight extent from undertakings belonging to the sphere of interests of the Bank, and is due, in the main, to deposits on behalf of new customers.

FOREIGN LIABILITIES

Foreign liabilities, which in the balance sheet are included in the item "Sundry Creditors," stand at 29.5 million pengő, and show, as compared to their figure of 43.9 million pengő last year, a setback of 14.4 million pengő. It must be observed here that the foreign liabilities of the Bank declined by the end of the year 1936 to one-third of their amount in 1931.

Cash in hand and clearing account deposits aggregate 21.2 million pengő, as against 22 million pengő in the previous year. The amount of debtors and bills, standing at 214.6 million pengő, shows likewise no notable change, as against last year's figure of 216.2 million pengő; debtors figure at 129.6 million pengő and bills at 85 million pengő.

BOARD'S CONSERVATIVE VALUATION

Stocks and participations figure at 58.1 million pengő, as against 58.7 million pengő in the previous year. Last year, already, the

LONDON AND NORTH-EASTERN RAILWAY COMPANY

IMPROVED RESULTS

The fourteenth ordinary general meeting of the London and North-Eastern Railway Company was held, on the 5th instant, at the Hotel Great Central, London.

Mr William Whitelaw (the chairman), in the course of his speech, said: The development of our passenger traffic has continued in a gratifying manner, about five and a half million more passenger journeys, exclusive of season tickets, having been added to the previous year's increase of eight millions, and our receipts have increased by £482,000. Receipts from first-class fares showed an increase of £69,395, from second-class £9,979, from third-class £367,000, and from workmen's fares £36,246. Receipts from parcels and miscellaneous traffic increased by £27,000.

There has been a welcome, though moderate, improvement in our freight carryings. From merchandise (excluding Classes 1 to 6) and livestock traffic we have obtained an increase of about £551,000, while our receipts from minerals and merchandise in Classes 1 to 6 were £174,000 higher. These increases would have been considerably larger but for the poor agricultural results of the year. The originating tonnage of sugar beet fell by 370,000 tons, or 30 per cent., and our potato traffic was 55,000 tons lower (or 9 per cent.), these decreases being due partly to poor crops and partly to road competition. On the other hand, iron and steel originating traffic of all kinds increased by 1,851,000 tons, or 17 per cent., and timber traffic by 142,000 tons, or 7 per cent. An increase of £488,000 in receipts from coal and coke was entirely due to landsale business. The originating tonnage of landsale coal increased by 3,237,000 tons, or 8½ per cent., while the originating tonnage of shipment coal decreased by 511,000 tons, or 1½ per cent. The continued decline in the tonnage of coal carried for shipment affects both our rail and dock revenue to a serious extent.

NET REVENUE AND WAGES

Net revenue declined after 1930 until it reached the low level of £26,425,000 in 1932. Then an improvement began, and net revenue gradually increased until it stood at £35,731,000 last year. That figure is still £1,985,000 below the net revenue for 1930, and, on the results of that year, wages and conditions were modified by the Wages Board in Decision No. 119, which was accepted by all.

The position to-day is that wages and conditions of labour have been improved since March, 1931, to an extent which has cost the companies nearly £2,500,000 a year, while their financial position is, at the end of 1936, still worse by nearly £2,000,000 than it was at December 31, 1930, on the accounts of which year Decision No. 119 was based.

In the view of your directors no further improvement in salaries and wages of the conciliation grades or in the conditions of labour is warranted until the financial position of 1930 has been secured to the stockholders.

The judicial decisions of the House of Lords as to the interpretation of the Railways (Valuation for Rating) Act, 1930, to which reference was made last year, resulted in negotiations between the local authorities and the four main line railway companies which culminated in an arrangement as to the amount at which the annual value for rating purposes of those parts of the undertakings of the four main line railway companies which are situated in England and Wales should be fixed. Under that arrangement the amount of this company's valuation for each of the years 1931-41 was agreed at a compromise figure of £1,100,000, which compares with a previous valuation of roughly double that amount.

PROSPECTS

In speaking of our immediate prospects we are entitled to anticipate some improvement during the year in our traffic of all kinds, especially in the carriage of coal; on the other hand, we cannot ignore the certainty that our locomotive coal will cost us more as our older contracts expire, and that the higher rates of wages which ruled for only 4½ months last year will be payable for the full twelve months of the current year. There is also the certainty that the prices of iron, steel, copper and all electrical equipment will show large increases over those ruling during 1936; it is possible that increased costs will be so considerable as to require us to modify or even abandon some of the works which we have in contemplation in connection with the Railways (Agreement) Act, 1935.

The balance available enables us to recommend the payment of the dividends on the first preference stock and the redeemable preference stock at the full rates, and a dividend of 10s. per cent. on the second preference stock.

The report was adopted.

assessment of stocks and participations was well below their market rate at December 31, 1935. The reserves resulting herefrom have experienced quite a considerable rise since, for the very noteworthy advance of quotations within the year 1936 was altogether disregarded.

The mortgage loans of the Bank aggregate 31.2 million pengő, as against 32.6 million pengő in the previous year.

The guarantees of the Bank stand at 41.1 million pengő, and show, as against the previous year, a numerical decline of 3 million pengő. This, however, is attributable wholly to the depreciation in rates of foreign exchanges, whereas, apart from this decline in rates, an advance of guarantees, undertaken on behalf of customers in Hungary, might be registered.

PROFIT AND LOSS ACCOUNT

With regard to the profit and loss account, it is to be mentioned that, owing to the further shrinkage of the interest margin, the yields from interest have suffered a decline, as against the previous year, whereas other earnings show an advance. The results of the goods departments continued to be favourable. Expenditure, on the other hand, shows an advance, due partly to the an increased outlay for personal expenses, consequent to the engagement of new employees, made necessary by the lively business activity and partly to the increased burdens of taxation. Social measures for improving the situation of the staff, for placing the unemployed younger generation and extraordinary donations for charitable purposes also contributed to raise this item.

Finally, the board is able to show that last year the Bank's business activities, embracing all fields of Hungarian economy, have materially increased, owing to the gradual revival of economic circulation and by exploiting intensely all business opportunities that offered. These business activities being based on the ever-extending custom of the Bank, on the one hand, and on the undertakings belonging to her sphere of interests, on the other, the Bank means to continue cultivating as hitherto with an equal care her relations to these two important factors of her economic activity.

ANGLO-INTERNATIONAL BANK, LIMITED

CONSERVATION OF LIQUID RESOURCES

The eleventh ordinary general meeting of the Anglo-International Bank, Limited, was held, on the 5th instant, in London. Sir Bertram Hornsby, C.B.E., the chairman, in the course of his speech, said:—During the last six years Austria has steadily pursued a policy of retrenchment and reform. Her banking structure has been reorganised, the currency has been kept stable, external credit has improved, and in November last it was considered unnecessary to prolong the regime, instituted in 1922, under which the national finances had been subject to the control of the League of Nations.

Czechoslovakia's foreign trade increased in value by about 1,307 kronen, the total turnover in 1936 being 15,996 million kronen. The balance in her favour fell, however, from 1,203 million kronen to 176 million kronen.

According to such figures as are available, Germany's foreign trade, which showed for 1934 an adverse balance of 284 million marks, and for 1935 a favourable balance of 111 million marks, yielded a surplus of 550 million marks in 1936—an improvement over the three years of 834 million marks. It is regrettable that this striking improvement has not resulted in substantial payments to Germany's foreign creditors and that it has been necessary to agree to a prolongation of the German Standstill Agreement for a further year with only minor modifications.

Hungary has benefited considerably during the past year from higher grain prices, her tourist traffic is proving an increasing source of revenue and her Budget is in a healthier condition than at any time during the last seven years.

Jugoslavia's State finances have improved, and she would appear to be justified in looking forward to a steady return to prosperity.

In the still unsettled state of international affairs we are adhering to the policy of keeping all available resources in liquid form; in all the circumstances, revenue must necessarily be restricted; on the other hand, we are effecting every possible economy, and I may say that since 1931 our expenses have been more than halved; current expenditure is more than covered by current income.

The report was unanimously adopted.

BRITANNIC ASSURANCE COMPANY, LIMITED

PROGRESS IN ALL BRANCHES

STRONG FINANCIAL POSITION

MR J. A. JEFFERSON'S ADDRESS

The seventy-first annual ordinary general meeting of the shareholders of the Britannic Assurance Company, Limited, was held on March 5 at the chief offices, Broad Street Corner, Birmingham, Mr J. A. Jefferson, F.I.A., chairman and general manager, presiding.

Mr Jefferson, in moving the adoption of the report, said:—

The directors' report of the year's working is one of sound and solid progress in all branches—the increase in funds for the year of £1,860,000 constituting a record.

You will appreciate that the finding of new investments has been extremely difficult. We have had to buy gilt-edged stocks despite the belief that they would ultimately depreciate in value, and indeed some of our purchases made in the last two or three years already show some depreciation, but, on the other hand, I am pleased to tell you that any fall that has occurred in Government stocks during the past year has been covered several times by the appreciation of our ordinary stocks during the same period.

In view of these remarks I offer no excuse for again transferring £100,000 to investment reserve fund, namely, £40,000 from the ordinary branch and £60,000 from the industrial branch surpluses.

At our meeting last year I expressed the opinion that our financial strength was not exceeded by that of any other life office in the country, and I feel it will give pleasure to everyone connected with the Britannic—policyholders, staff and shareholders alike—when I state that our position at the end of 1936 was even stronger than at the end of 1935.

NEW INDUSTRIAL BRANCH PROSPECTUS

I referred last year to the introduction of a new industrial branch prospectus, and it is now possible to review a complete year's working. The prospectus was designed to attract more business at the younger ages and on the lives of the bread-winners, and I am pleased to report that our efforts to this end have had the desired effect—the average sum assured per policy issued showing a welcome increase.

GENERAL BRANCH

As stated in the directors' report, the premium income amounted to £184,614, being an increase of just over £14,000 on last year's figure. The profit for the year of £9,475 shows a substantial advance.

REPORT AND ACCOUNTS

In the life branches the total funds now amount to £27,687,738. The total income in these branches amounted to £6,432,000, representing an increase of £224,000 over the previous year. The total claims during the year were £2,390,000, which is actually some £240,000 less than in the previous year. The total claims paid by the company to date amount to over £45,000,000.

ORDINARY BRANCH

Our premium income amounted to £1,340,656, showing an increase of £40,863 over the previous year. The average sum assured per new policy issued was £191 as compared with £177 a year ago, and our records show that we are doing more and more whole-life business, which to me is a pleasing feature.

Whilst we are still able to show the excellent gross rate of interest of £5 4s. 2d. per cent., this is some 3s. per cent. less than that reported for 1935, and as the result of heavier income tax our net rate of £4 7s. 8d. per cent. shows a reduction of no less than 3s. 10d. per cent.

Claims by death are practically identical with last year, but maturities are lower by over £127,000.

Despite the increased amount of new business to which I have already referred, I am pleased to say there has been a slight fall in the total expense rate. This rate now amounts to 13.19 per cent., which I consider very satisfactory.

Notwithstanding the fall reported in the net rate of interest

Mr Britt was able to report a small increase in the surplus earned, and the directors have, therefore, no hesitation in maintaining the present rate of bonus to policyholders, namely, 38s. per £100 sum assured.

After making the transfers shown to investment reserve fund and to the staff pension fund, the total ordinary branch funds at the end of the year passed the tenth milestone and amounted to £10,515,284, showing a record increase of £722,151.

INDUSTRIAL BRANCH

The premium income in the industrial branch is now £3,784,107, showing an increase of £136,253 over the previous year. The total funds amount to £14,250,000, and show a record increase of £866,045.

The gross interest yield in this branch, which still stands at the very satisfactory figure of £5 5s. 8d. per cent., shows a drop in comparison with last year of 2s. 10d. per cent. Here again, owing to heavier income tax, our net yield shows a still greater drop of practically 4s. 4d. per cent. Despite this we are still able to show an excellent net yield of just over £4 13s. per cent.—a yield which still gives a satisfactory margin of £1 13s. per cent. over and above our valuation rate of 3 per cent.

On the other side of the account our claims by death amounted to the record figure of £1,216,620, and included in this figure is the substantial sum of £57,794 added voluntarily as cash bonuses.

In regard to our claims under maturing policies, including the sum of £40,821 added voluntarily as bonuses, we paid away to living clients the sum of £533,992. Surrenders for cash amount to £132,770 which I am pleased to say shows a further reduction of just £10,000, and reflects the more prosperous times we are now experiencing.

There has been a reduction in our total expense ratio in this branch of 1.15 per cent. to 33.24, and this is the more gratifying following as it does the decrease in our expenses of three-quarters of one per cent. in the previous year.

Once again we have allotted the substantial sum of £225,000 to be used for the benefit of Britannic policyholders, and the sum of £16,500 has been set aside for British Legal policyholders.

BALANCE SHEET

On the liability side the general reserve fund has been increased to £425,000 by again transferring £100,000 from profit and loss account. This is in accord with our policy of building up reserves during times of prosperity.

Our investment reserve funds now amount to £1,500,000, being £500,000 in the ordinary branch and £1,000,000 in the industrial branch, and I am sure you will be pleased to know that they are reserves in every sense of the word, as the market values of our assets are far in excess of the values as shown in the balance sheet.

Turning to the assets side, British Government securities have increased by £1,288,435 and constitute 23.08 per cent. of our total assets.

Our holding under the heading of municipal and county securities has increased by £116,712, and this is largely made up of money lent to municipal authorities on short-term mortgages.

We have, during the year, reduced our holding in foreign government securities from £614,496 to £474,212, and foreign municipal securities also show a substantial decrease of practically £64,000; in fact, our entire holding in foreign securities of all kinds amounts to only four and a half per cent. of the total assets.

Debenture stocks and preference stocks show an increase of £81,782 and £175,914 respectively, and once again our ordinary stocks show the second highest increase during the year of £367,347. Our holdings have been selected with the greatest care, and at the beginning of 1936 they showed a very considerable appreciation over cost prices, whilst during the year 1936 this appreciation improved still further so that our position in regard to these investments is very satisfactory.

The directors' report concludes with an expression of thanks to the staff of the company both inside and out.

Mr Murray Laing, in seconding the report, said a most satisfactory feature of the year's results had been the fact that both in the ordinary and industrial branches they had been able not only to maintain the rate of bonus to policyholders out of the profits earned in the year, but to add to the unallotted balance carried forward to the succeeding year.

The report and accounts were unanimously adopted.

SCOTTISH EQUITABLE LIFE ASSURANCE SOCIETY

INCREASE IN NEW BUSINESS

STABILITY OF INTEREST RATES

The annual general meeting of the Scottish Equitable Life Assurance Society was held, on the 11th instant, in Edinburgh.

The Right Honourable the Earl of Stair, D.S.O. (president of the society) was in the chair.

In submitting the report and balance sheet for approval, the chairman of the board of directors, Lieut.-Col. the Right Honourable the Viscount Younger of Leckie, D.S.O., D.L., referred to the fact that the accounts covered the period from March 2 to the fact that the accounts covered the period from the directors' December 31, 1936, the broken period arising from the directors' decision, announced in the Press in October last, to change the date of the society's accounts to correspond with the calendar year.

Various considerations led to this decision, the most important being that future legislation may probably make such a change compulsory. Further, in view of the anticipated adoption at the next actuarial investigation of the new mortality tables, which are now available, duplication of work is avoided by making the change in the financial year now.

RATE OF INTEREST MAINTAINED

Over the ten months the average gross yield has been at the rate of £5 os. 8d. per cent. per annum on the whole funds. To get the true effective gross rate the balance sheet reserve of £250,000 and the carry-forward of £131,198 should be omitted from the calculation, which brings out a yield of £5 4s. 3d. per cent. A comparison with the figures for the previous years of the quinquennium is instructive:—

	Per cent.
10 months to December 31, 1936	£5 4 3
Year to March 1, 1936	5 4 3
Year to March 1, 1935	5 4 1
Year to March 1, 1934	5 4 10

The variations are negligible and, in view of the general decline in interest rates over the period, the stability of the society's interest earnings may be regarded as very satisfactory.

CLAIMS EXPERIENCED

Claims by death fluctuate materially from year to year, and, as was anticipated, the exceptionally low mortality which was referred to at last year's meeting has not been continued, the period under review exhibiting results approximating to the society's normal.

APPRECIATION IN STOCK EXCHANGE SECURITIES

A valuation of Stock Exchange securities shows further appreciation. At the end of each year in the present quinquennium an increase in the margin between our book values and the corresponding market values has been recorded. The hidden reserve thus created is a substantial one, and it is important to have such a buffer against depreciation in Stock Exchange values—a minor example of which has been seen in many classes of securities since the date of our accounts.

INCREASED NEW BUSINESS

New proposals completed amount to £2,013,347, or £1,595,132 after deducting reassurances, which is £166,101 in excess of the corresponding period of the year to March 1, 1936. The directors deem it prudent to observe a strict limit in respect of the amount at risk on any one life.

The adoption of the report was duly carried, and, on the motion of Sir Robert Gilmour of Liberton and Craigmillar, Bt., the retiring directors were re-elected and Mr Howard F. Bowser was elected an extraordinary director of the society.

UNITED KINGDOM PROVIDENT INSTITUTION

ANOTHER RECORD YEAR

The annual meeting of the members of the United Kingdom Temperance and General Provident Institution was held, on the 10th instant, in London.

Sir Ernest J. P. Benn, Bt. (the chairman), in the course of his speech, said:—There are differences of opinion about the virtues attaching to cheap money and low interest rates, and for my part I view with satisfaction the recent indication of an end of the period of abnormally low figures. There was until quite recently a danger that the authorities, with the acquiescence of the big banks, might endeavour to prolong the period of cheap money unduly, thus bringing about a trade boom of unnatural dimensions. As I reminded you last year, insurance premium tables and bonuses are calculated upon rates above those obtainable in the last few years and if money were always to be artificially cheapened then premiums would have to advance and bonuses would need to be reduced. You will see, therefore, that we are not in any way alarmed by the present indications of a return to more normal conditions.

GROWTH IN FUNDS

Turning to our own fund, I was able last year to report to you that the book figure of £23,000,000 at which our life fund stood was appreciably below the real value of our assets. Your investment department has functioned to such good effect that no less than three-quarters of a million was added to our appreciation during 1936. We have escaped the worst of the recent fall in market values, and even to-day our secret reserves are in round figures as substantial as they were a year ago. This is, of course, quite apart from, and in addition to, the £800,000 increase in our funds shown in your accounts.

Commodity prices rose between 1933 and 1935, and, in view of the abundant and growing output of gold, are likely to continue to rise. Similarly, interest rates commenced to rise in the years 1935-36, and it would seem that, apart from some new sort of official manipulation, they are likely to continue to rise for some time to come.

Last year I was able to report an increase of net new business of more than £500,000 over the preceding year, an exceptional increase due to special circumstances, such as the revision of premium rates and the fact that 1935 was our bonus year. It is therefore the more gratifying to report that once more all previous records have been broken. Our satisfaction in this result is increased by the fact that the new business of 1936 is of a more satisfactory character. There was a satisfactory rise in the amount of whole life assurance written by us. For the past two years I have stressed the special value of this type of cover, the original and still the best and cheapest of all forms of assurance, and the argument is as good as ever to-day.

Speaking from this chair only three years ago, Lord Clwyd remarked that we were within measurable distance of the £4,000,000 mark. Now we have passed the £4,600,000, and although we have still some distance to go to attain the £5,000,000 I, for one, should hesitate to say that our wonderful field force will not, in the very near future, reach the next milestone in their unending marathon.

Both gross and net rates of interest earned on the life assurance fund show a rise of one penny as compared with the rates earned in 1935. Seeing that we have also managed by means of careful exchanges of investments to secure a further appreciation of capital values, this result may be regarded as highly satisfactory. The mortality of our members during the past year has been decidedly lighter than the general average and appreciably better than that of the previous year.

DOUBLE SECURITY PENSION POLICY

In recent years there has developed a strong desire to insure a guaranteed income rather than a lump sum, and our Family Man's policy was the first important manifestation of this tendency. In addition to the lump sum at death the Family Man's policy provides an income payable to dependents in the event of the premature death of the assured and continuing during the period when this provision is most likely to be required. We have recently introduced the Double Security Pension policy. The new policy, while not superseding the Family Man's contract, makes greater provision for those cases where death takes place later and the widow survives her husband by a long period. We believe this policy makes a definite step forward in the practice of life assurance.

The report and accounts were adopted.

HARRODS, LIMITED

LARGE INCREASE IN PROFITS

The forty-seventh annual general meeting of Harrods, Limited, was held, on the 8th instant, Sir Woodman Burbidge, Bt., C.B.E. (chairman of the company), presiding.

The Chairman, in moving the adoption of the report and accounts, said:—I always look forward with pleasure to these annual meetings, but my pleasure is increased this year by the very satisfactory results I am able to put before you. The total net profit for the year, after charging all working expenses, depreciations and directors' fees, is £800,320, an increase over the previous year of £70,889. This net profit is the second largest in the history of the company. We still maintain our succession of increases in net profit. Comparing the year 1933 with the year 1937, a period of five years, the increase in net profit is £161,671, or more than 25 per cent.

The gross profit on trading shows an increase of £141,400 at £2,434,864. This result is a reflection of the very satisfactory increase in the total volume of our trade for the year. Dividends received from the subsidiary companies, Dickins and Jones and D. H. Evans, amounted to £126,856, an increase of £6,690.

I now come to the profit and loss and appropriation account. There is a balance available for distribution of £640,776. It is proposed to pay a final dividend of 11 per cent. (making 16 per cent. for the year) and a bonus of 2½ per cent. on the ordinary stock, leaving a balance to carry forward of £191,725. In future the directors propose, assuming, of course, that the annual net profits of the company justify it, to pay a dividend on the ordinary stock of 16 per cent., and any increased distribution recommended will be in the form of a bonus.

RESULTS OF SUBSIDIARIES

The trading results of our Manchester branch for the past year were satisfactory. We are in the favourable position of being able to report an increase, not only in the volume of sales, but also in the net profit earned.

The subsidiary, Dickins and Jones, Limited, also shows improved trading results for the year. The net profits (before deducting debenture interest and preference stock dividend) amount to £120,504, an increase of £6,361. They have raised the dividend on the ordinary stock to 12½ per cent., against 10 per cent. for the previous year. The net profit, after charging debenture interest, shows an increase of £55,000 over that of four years ago.

The net profit for the year of our subsidiary D. H. Evans and Company, Limited, is £114,477, which is a small decrease of £974 on the previous year. I consider this an exceptionally good result, having regard to the fact that during the whole of the period under review they have been rebuilding the front portion of the store on Oxford Street.

After crediting the surplus arising from the sale of the eastern block of the Oxford Street premises, this company's general reserve amounted to £802,000, and with subsequent transfers from profit and loss it now stands at £822,505. D. H. Evans propose to capitalise £599,806 of their general reserve account and to issue fully-paid ordinary shares for this amount as a bonus to Harrods.

The investment in D. H. Evans appears in Harrods balance sheet at £581,502. This amount represents the cash consideration of £281,308, and the par value of the 300,194 Harrods ordinary shares of £1 given to D. H. Evans shareholders in exchange for their shares. Although these Harrods ordinary shares were issued at par, they were quoted on the market at the time of issue in June, 1928, at more than three times this figure, and it will, therefore, be seen that on this basis the real cost of the ordinary shares of D. H. Evans was considerably in excess of the present book figure of £581,502. An adjustment to bring this figure more into conformity with such real cost may be given effect to in the reserve in Harrod's balance sheet next year.

CURRENT YEAR'S OUTLOOK

As to the prospects for the current year, I take quite a hopeful view, not only as to a continuance of the trade recovery, but I believe the current year will witness a greater and even more widespread development than the year 1936.

Coming to our own particular business, I am of the opinion that the retail distributive trade has even better times ahead. My review with you to-day cannot, I feel sure, have failed to impress you as to the financial strength and stability, efficient organisation and sound administration of this business, also that in every other respect we are prepared and well equipped to reap the fullest advantage from the continuing prosperity to which I have referred. It is still true that "there is only one Harrods."

The report and accounts were unanimously adopted.

DAVIS AND TIMMINS LIMITED

DIVIDEND DOUBLED—GOOD PROSPECTS

The thirty-eighth annual general meeting of Davis and Timmins Limited was held, on the 10th instant, in London.

Mr F. Le Neve Foster (chairman) presided, and in moving the adoption of the report said that the results showed a substantial advance on those of the previous year. The net profit carried down was £35,218, which was more than double the figure for the previous year of £17,118. In addition, following the precedent of the last two years, they had retained a proportion of the profits of their principal subsidiary company in that company as a measure of prudence. The directors recommended a final dividend on the ordinary shares of 12½ per cent., making 17½ per cent. for the year, as against 8 per cent. for last year. The balance shown on general reserve and undivided account of £82,071 exceeded the amount of ordinary capital and covered goodwill and patents, £39,307, more than twice.

It was proposed to subdivide each of the issued and unissued £1 ordinary shares into four shares of 5s. each. It was also proposed to make an issue of 20,000 ordinary shares of 5s. each by offering the same with renunciation rights to the ordinary shareholders in the proportion of one new share for every 16 ordinary shares of 5s. each held. The price proposed was 15s. per share, which compared with the market price should represent a small free-of-tax bonus to shareholders.

Their order book to-day was in a better state than for many years past and perhaps on record, outside the war years. Of the orders on hand, armaments contracts represented only a very small proportion. With the benefit of increasing works efficiency they had every reason to look forward to another good year.

The most striking event affecting their business which had happened since last they met was a substantial rise in the price of copper and other base metals affecting their raw materials.

During the short period from the commencement of this year, the price of brass rod had increased by over 60 per cent. Some reasonable and steady rise in commodity prices from the low level of the past few years was to be expected, but it was difficult to believe that so steep an increase was attributable entirely to genuine trade requirements.

The report was unanimously adopted.

GOVERNMENT RETURNS, &c.

NATIONAL ACCOUNTS

The total ordinary revenue for the week ended March 6, 1937, amounted to £27,904,000, against ordinary expenditure of £27,128,000. After allowing for a decrease in Exchequer Balances of £317,891, the operations for the week, as shown below, increased the gross National Debt by £1,657,000, to approximately £7,928 millions.†

(000's omitted)			
Treasury Bills.....	+ 2,345	Public Department Advances	430
Land Settlement (Fac.)	+ 17	National Savings Certificates	150
		Other debt (War Loan Acts).....	120
		Tithe Act.....	5
	+ 2,362		705

† Including £375 millions on Account of Exchange Equalisation Fund and Borrowing for Statutory Sinking Fund.

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(NATIONAL JOINT STOCK BANK)
ESTABLISHED 1889

PAID-UP CAPITAL AND
RESERVES - - - - - FMK
432,300,000

DEPOSITS AND CREDIT
BALANCES December, 1936 3,425,500,000

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A complete analysis of the approximate position of the National Debt at December 31, 1936, appeared in *The Economist* for January 2, 1937.

REVENUE	Estimate for the year 1936-37	Total Receipts into the Exchequer			
		April 1, 1935, to Mar. 7, 1936	April 1, 1936, to Mar. 6, 1937	Week ended Mar. 7, 1936	Week ended Mar. 6, 1937
ORDINARY REVENUE	£	£	£	£	£
Inland Revenue—					
Income Tax	259,000,000	219,247,000	233,990,000	11,779,000	14,719,000
Sur-tax	56,500,000	40,910,000	41,880,000	2,880,000	3,080,000
Estate, etc., Duties	89,000,000	81,850,000	80,390,000	1,890,000	1,910,000
Stamps	27,000,000	19,800,000	24,590,000	230,000	1,400,000
Excess Profits Duty and Corporation Profits Tax, Land Tax and Mineral Rights Duty	750,000	500,000	500,000	...	...
Total Inland Revenue.....	433,000,000	362,967,000	381,950,000	16,789,000	21,139,000
Customs and Excise—					
Customs.....	207,525,000	183,272,000	195,588,000	4,297,000	5,216,000
Excise.....	110,000,000	100,700,000	102,800,000	900,000	1,000,000
Total Customs and Excise	317,525,000	283,972,000	298,388,000	5,197,000	6,216,000
Motor Vehicle Duties (Exchequer Share)	5,000,000	5,078,000	5,150,000	227,000	...
Post Office (Net Receipt)	11,256,000	14,500,000	14,300,000	250,000	450,000
Crown Lands	1,350,000	1,320,000	1,320,000	...	...
Receipts from Sundry Loans	5,000,000	4,915,404	4,549,601	69,883	68,833
Miscellaneous Receipts.....	23,250,000	17,369,016	17,050,111	...	29,922
Total Ordinary Revenue	798,381,000	680,121,420	722,707,712	22,532,883	27,903,755
SELF-BALANCING REVENUE					
Post Office.....	71,944,000	59,900,000	64,400,000	950,000	900,000
Motor Vehicle Duties apportioned to Road Fund	26,500,000	25,220,000	27,189,000	...	...
Total Self-balancing Revenue	98,444,000	85,120,000	91,589,000	950,000	900,000
Total	...	775,241,420	814,296,712	23,482,883	28,803,755

EXPENDITURE	Estimate for the year 1936-37	Total Issues out of the Exchequer to meet payments			
		April 1, 1935, to Mar. 7, 1936	April 1, 1936, to Mar. 6, 1937	Week ended Mar. 7, 1936	Week ended Mar. 6, 1937
ORDINARY EXPENDITURE	£	£	£	£	£
Interest and Management of National Debt	224,000,000	209,147,071	208,461,277	9,375,183	8,421,410
Payments to Northern Ireland Exchequer.....	7,500,000	5,684,574	6,656,139	383,989	414,107
Other Consolidated Fund Services.....	3,200,000	2,981,891	2,858,023	...	...
Post Office Fund.....	600,000	1,126,817	1,020,529	...	...
Total	235,300,000	218,940,353	218,395,968	9,759,172	8,835,517
Total Supply Services (excluding Post Office)	578,055,000	474,951,214	521,009,364	11,891,814	18,292,320
Total Ordinary Expenditure	813,355,000	693,891,567	739,405,332	21,650,986	27,127,837
New Sinking Fund (1928) (Finance Acts, 1928 and 1936)	...	10,235,392	10,347,019	2,898,457	2,750,783
Total (excluding Self-Balancing Expenditure)	813,355,000	704,126,959	749,752,351	24,549,443	29,878,620
SELF-BALANCING EXPENDITURE					
Post Office.....	71,944,000	59,900,000	64,400,000	950,000	900,000
Road Fund	26,500,000	25,220,000	27,189,000	...	...
Total Self-Balancing Expenditure	98,444,000	85,120,000	91,589,000	950,000	900,000
Total	...	789,246,959	841,341,351	25,499,443	30,778,620

† Estimated Expenditure as per Financial Statement (H.C. 77) ... 797,897,000
Add:—
Supplementary Estimates

41,058,000 15,458,000
Less:—Provision made in the Budget

25,600,000 813,355,000

The aggregate revenue from April 1, 1936, to March 6, 1937, is shown below:—

(000's omitted)			
Expenditure.....	£ 739,405	Revenue	£ 722,708
		Decrease in Balances.....	197
		Gross borrowing	£ 26,847
		Less:	
		New Sinking Fund*	10,347
		Net borrowing	16,500
	739,405		739,405

* Authority will be sought in the Finance Bill to meet the Statutory Sinking Funds by borrowing.

POSITION OF THE FLOATING DEBT

	Mar. 7, '36	Mar. 31, '36	Mar. 6, '37	Movement Week ended Mar. 6, '37
Ways and Means Advances Outstanding	£	£	£	£
Advances by Bank of England.....	36,175,000	19,055,000	39,730,000	— 430,000
Advances by Public Department	764,280,000	763,115,000	681,710,000*	+ 2,345,000
Treasury Bills outstanding	800,435,000	782,170,000	721,440,000	+ 1,915,000
Total Floating Debt	...	...	...	...

* Includes £4,000, the proceeds of which were not carried to the Exchequer within the period of the Account.

TREASURY BILLS BY PUBLIC TENDER

Tenders for £45,000,000 Treasury bills were opened on March 5, 1937. The amount applied for was £75,050,000. Tenders were accepted for Treasury bills at three months dated Monday to Friday at £99 17s. 3d., about 39 per cent. and above in full; Saturday at £99 17s. 4d. and above in full. The average rate per cent. was 10s. 8.67d. The amount allotted was £45,000,000.

Date	Amount Offered	Total Applications	Amount Allotted	Average Rate %
January 4, 1935	£ 30,000,000	£ 49,560,000	£ 27,500,000	£ s. d. 0 6 1.64
July 5, 1935	40,000,000	60,905,000	40,000,000	0 12 4.32
January 3, 1936	35,000,000	68,075,000	35,000,000	0 10 10.72
July 3, 1936	50,000,000	72,750,000	50,000,000	0 12 5.63
January 1, 1937	40,000,000	75,450,000	40,000,000	0 10 5.19
February 26, 1937.....	40,000,000	74,175,000	40,000,000	0 10 5.19
March 5, 1937	45,000,000	75,050,000	45,000,000	0 10 8.67

NATIONAL SAVINGS CERTIFICATES

Total Sales of Savings Certificates	No. of Certificates	Value
Week ended February 13, 1937	732,352	£ 549,264
Week ended February 20, 1937	657,332	492,969
February, 1916, to February 20, 1937	1,285,839,224	1,010,817,258

At the end of January 1937, the amount remaining to the credit of investors in Savings Certificates, excluding interest, was £390,340,230.

THE BANKERS' GAZETTE

BANK OF ENGLAND

RETURN FOR WEEK ENDED WEDNESDAY,
MARCH 10, 1937

ISSUE DEPARTMENT

Notes Issued:—	£	Government Debt	£ 11,015,100
In Circulation	464,475,109	Other Government Securities	187,010,532
In Banking Department	49,185,552	Other Securities	1,965,394
		Silver Coin	8,974
		Amount of Fiduciary Issue	200,000,000
		Gold Coin and Bullion	313,660,661
	513,660,661		513,660,661

BANKING DEPARTMENT

Proprietors' Capital	£ 14,553,000	Government Securities	£ 90,074,300
Reserve	3,713,388	Other Securities:—	
Public Deposits*	16,957,487	Discounts and	
Other Deposits	£ 93,826,734	Advances	£ 4,245,537
Other Accounts	£ 37,667,443	Securities	£ 22,299,093
	131,494,177	Notes	28,544,830
		Gold and Silver Coin	49,185,552
			913,570
	168,718,052		168,718,052

Including Exchequer, Savings Banks, Commissioners of National Debt, and Dividend Accounts.

Both Departments	Amount, Mar. 10, 1937	Inc. or Dec. on Last Week	Inc. or Dec. on Last Year
Note circulation.....	£ 464,475,109	+ 3,520,724	+ 59,937,815
Public deposits	16,957,487	+ 1,782,769	+ 2,718,645
Bankers' deposits	93,826,734	+ 58,957	+ 2,257,146
Other deposits	37,667,443	+ 32,638	+ 1,033,595
Total outside liabilities	612,926,773	+ 5,329,814	+ 68,517,201
Capital and rest	18,266,388	+ 19,898	+ 2,337
Government debt and securities	288,099,932	+ 5,343,905	— 47,656,797
Discounts and advances	4,245,537	— 49,405	— 5,699,080
Other securities	24,264,487	— 1,288	+ 7,692,211
Silver coin in issue department	8,974	— 894	+ 1,033,613
Coin and bullion (bank's reserves)	314,574,231	+ 57,494	— 113,216,817
Reserves of notes and coin in banking department	50,099,122	— 3,463,230	— 6,720,998
Proportion of reserve to outside liabilities			
(a) Banking Department only ("proportion")	33.7%	— 2.8%	— 6.3%
(b) Gold stocks to deposits and notes ("reserve ratio")	51.3%	— 0.4%	+ 14.4%

(000's omitted)

Date	Issue Department		Banking Department			Gold in or out of Bank	Bank Rate
	Notes Issued	Circulation	Public Deposits	Bankers' Deposits	Other Deposits		
1937	£	£	£	£	£	£	%
Feb. 17	513,661	453,337	24,394	90,551	36,657	Nil	2
" 24	513,661	455,087	12,971	100,419	37,876	Nil	2
Mar. 3	513,661	460,954	15,175	93,768	37,700	Nil	2
" 10	513,661	464,475	16,957	93,827	37,667	Nil	2

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MONTHLY STATEMENT OF LONDON CLEARING BANKS

(000's omitted)

Average Weekly Balance FEBRUARY, 1937	Barclays Bank Limited	Coutts and Co.	District Bank Limited	Glyn, Mills and Co.	Lloyds Bank Limited	Martins Bank Limited	Midland Bank Limited	National Bank Limited	National Provincial Bank Limited	West- minster Bank Limited	Williams Deacon's Bank Limited	Aggregate
ASSETS	£	£	£	£	£	£	£	£	£	£	£	£
Coin, bank notes and balances with the Bank of England.....	42,712	2,034	7,668	3,853	40,641	8,895	48,784	3,151	31,195	37,481	3,678	230,092
Balances with and cheques in course of collection on other Banks in Great Britain and Ireland ...	11,520	768	2,098	1,308	10,873	2,799	12,509	196	6,426	9,050	1,779	59,326
Items in transit.....	...	...	...	...	4,237	802	...	...	...	...	...	5,039
Money at call and short notice	23,704	2,469	7,583	6,321	29,920	4,014	26,675	5,295	25,270	29,157	6,051	166,459
Bills discounted.....	61,172	1,196	4,374	632	54,638	2,445	76,852	1,547	39,113	63,497	1,154	306,620
Investments	109,408	9,099	29,805	15,710	117,351	30,197	130,003	15,480	88,758	112,070	13,393	671,274
Advances to customers and other accounts ...	181,105	10,622	28,203	11,068	153,223	43,329	195,929	15,493	125,034	127,149	12,303	903,458
Liabilities of customers for acceptances, endor- sements, etc.	10,138	476	8,492	2,875	32,606	9,141	19,758	234	8,512	21,481	1,522	115,235
Bank premises account... Investments in affiliated banks and subsidiary companies	7,454	412	1,554	740	7,615	2,603	9,923	705	7,342	5,258	1,083	44,689
	6,969	...	...	...	3,325	...	7,745	...	2,514	2,993	...	23,546
	454,182	27,076	89,777	42,507	454,429	104,225	528,178	42,101	334,164	408,136	40,963	2,525,738
Ratio of cash to current, deposit and other ac- counts.....	10.22	8.27	10.18	10.20	10.24	10.15	10.11	8.31	10.12	10.19	10.00	10.12
LIABILITIES												
Capital paid up	15,858	1,000	2,976	1,060	15,810	4,160	14,248	1,500	9,479	9,320	1,875	77,286
Reserve fund	10,250	1,000	2,976	530	9,000	3,300	11,500	1,120	8,000	9,320	800	57,796
Current, deposit and other accounts	417,936	24,600	75,333	37,762	397,007	87,604	482,672	37,911	308,173	368,001	36,766	2,273,765
Acceptances, endor- sements, etc.....	10,138	476	8,492	2,875	32,606	9,141	19,758	234	8,512	21,481	1,522	115,235
Notes in circulation	...	...	...	...	6	...	...	1,336	...	14	...	1,376
Reduction of bank premises account	...	...	...	280	...	...	...	...	...	...	...	280
	454,182	27,076	89,777	42,507	454,429	104,225	528,178	42,101	334,164	408,136	40,963	2,525,738

NATIONAL BANK OF BELGIUM.—In belgas (000's omitted)

ASSETS	Mar. 5, 1936	Feb. 4, 1937	Feb. 11, 1937	Feb. 18, 1937	Feb. 25, 1937	Mar. 4, 1937
Gold	3,933,314	3,683,699	3,685,639	3,687,282	3,690,275	3,692,477
Silver and other coin	63,586	55,313	54,749	57,046	56,951	53,465
Securities	1,180,710	1,359,598	1,355,861	1,352,555	1,363,495	1,359,870
Advances	92,073	40,127	32,546	33,140	33,697	41,164
LIABILITIES						
Notes in circulation ..	4,102,248	4,512,659	4,493,282	4,460,804	4,477,399	4,491,517
Deposits: Govt.	34,004	62,705	17,212	29,450	25,309	91,133
Other	725,746	749,902	804,818	826,281	828,214	750,817

NATIONAL BANK OF HUNGARY.—In Hungarian Pengő (000's omitted)

ASSETS	Feb. 29, 1936	Feb. 7, 1937	Feb. 15, 1937	Feb. 23, 1937	Feb. 28, 1937
Metal reserve—					
Gold coin and bullion	78,936	84,056	84,056	84,056	84,056
Foreign Exchange	33,414	46,110	45,395	46,228	46,576
Token money	12,299	9,356	10,820	11,386	10,190
Inland bills, warrants and securities ..	513,823	453,993	425,708	428,695	461,757
Advances to Treasury	80,530	101,382	101,382	101,382	101,382
LIABILITIES					
Notes in circulation	392,611	393,482	368,495	356,662	418,256
Current accounts, deposits, etc.	122,344	205,904	209,246	229,062	202,380
Cash certificates	104,298	92,901	92,901	92,901	92,901
Other liabilities	163,368	147,708	146,828	146,218	147,117

NETHERLANDS BANK.—In florins (000's omitted)

ASSETS	Mar. 9, 1936	Feb. 8, 1937	Feb. 15, 1937	Feb. 22, 1937	Mar. 1, 1937	Mar. 8, 1937
Gold	680,268	869,578	869,564	878,620	878,620	919,578
Silver	19,681	18,533	19,167	19,533	18,651	17,894
Home bills discounted	28,098	21,653	21,543	21,438	19,869	19,880
Loans and advances in current account ..	125,609	174,261	173,306	172,651	177,636	174,211
LIABILITIES						
Notes in circulation ..	769,153	780,536	772,234	774,965	814,336	794,368
Deposits	108,655	323,065	330,723	336,851	299,994	356,881

SWISS NATIONAL BANK.—In francs (000's omitted)†

ASSETS	Mar. 7, 1936	Feb. 6, 1937	Feb. 13, 1937	Feb. 20, 1937	Feb. 27, 1937	Mar. 6, 1937
Gold	1,475,512	2,717,260	2,717,457	2,717,532	2,717,567	2,717,623
Of which held abroad ..	276,462	629,732	629,732	629,732	629,732	629,732
Discounts	155,059	20,755	21,185	21,846	12,758	12,876
Confederation Bills ...	75,631	18,800	17,700	17,200	17,200	16,500
Advances	68,210	41,398	40,482	40,234	40,274	41,231
Securities	44,886	17,679	18,122	18,131	18,131	18,131
LIABILITIES						
Notes in circulation ..	1,249,480	1,349,834	1,319,492	1,319,090	1,375,639	1,355,431
Deposits	512,302	1,446,594	1,491,321	1,480,834	1,411,747	1,433,513

† Gold revalued from Oct. 7, 1936. N.B.—Exchange Equalisation Fund and assets included in returns Dec. 31, 1936, onwards at 538,583,653 fcs.

NATIONAL BANK OF DENMARK.—In kroner (000's omitted)

ASSETS	Feb. 29, 1936	Oct. 31, 1936	Nov. 30, 1936	Dec. 31, 1936	Jan. 30, 1937	Feb. 27, 1937
Gold coin and bullion ..	117,982	117,944	117,937	117,930	117,723	117,916
Loans and discounts	116,043	120,985	122,812	117,216	104,199	98,066
Securities	84,105	59,485	55,201	49,557	55,533	56,372
Emergency Fund	135,193	133,170	133,108	130,732	116,395	116,389
Advances to Treasury ..	73,270	55,070	77,641	90,918	13,816	40,172
LIABILITIES						
Circulation	375,246	407,359	384,882	388,588	378,878	374,729
Deposits	66,898	30,960	49,376	68,699	36,628	33,263

U.S. FEDERAL RESERVE BANKS.—In \$'s (000's omitted)

U.S.F.R. BANKS	Mar. 12, 1936	Feb. 18, 1937	Feb. 25, 1937	Mar. 4, 1937	Mar. 11, 1937
RESOURCES					
Gold Certificates on hand and due from the Treasury	7,667,830	8,847,880	8,847,380	8,847,400	8,846,410
Total reserves	8,028,010	9,144,250	9,129,480	9,125,260	9,120,630
Total cash reserves	344,930	284,440	270,620	266,400	263,020
Total bills discounted	4,920	3,040	4,110	7,340	4,920
Bills bought in open market	4,880	3,070	9,080	3,080	3,080
Total bills on hand	30,190	23,230	23,350	23,110	23,040
Industrial advances	2,430,290	2,430,230	2,430,230	2,430,230	2,430,230
Total U.S. Govt. securities	2,470,260	2,458,570	2,460,770	2,463,750	2,461,270
Total bills and securities	11,116,540	12,463,940	12,385,100	12,355,280	12,264,290
Total resources	11,116,540	12,463,940	12,385,100	12,355,280	12,264,290
LIABILITIES					
Federal Reserve notes in actual circulation	3,731,530	4,160,200	4,167,930	4,195,440	4,169,470
Aggregate of excess member- bank reserves over re- quirements	3,010,000	2,190,000	2,100,000	1,310,000	1,380,000
Deposits—Member-bank— reserve account	5,786,170	6,767,740	6,705,290	6,690,140	6,749,100
Government deposits	391,110	162,360	179,330	216,470	186,380
Total deposits	6,514,190	7,230,190	7,187,180	7,156,870	7,173,900
Capital paid in and surplus	1,116,540	1,263,940	1,238,510	1,235,520	1,264,290
Ratio of total reserves to deposit and F.R. note liabilities combined	78.4%	80.3%	80.4%	80.4%	80.4%
U.S.F.R. BANKS AND TREASURY COMBINED					
RESOURCES					
Monetary Gold Stock	10,170,000	11,403,000	11,425,000	11,443,000	11,484,000
Treasury and National Bank Currency	2,503,000	2,530,000	2,532,000	2,535,000	2,537,000
LIABILITIES					
Money in Circulation	5,840,000	6,351,000	6,372,000	6,407,000	6,376,000
Treasury Cash and De- posits with Federal Re- serve Banks	2,909,000	2,737,000	2,782,000	2,836,000	2,858,000

NEW YORK FEDERAL RESERVE BANK.—In \$'s (000's omitted)

	Mar. 12, 1936	Feb. 18, 1937	Feb. 25, 1937	Mar. 4, 1937	Mar. 11, 1937
Total gold reserves	3,263,690	3,642,320	3,612,590	3,491,640	3,431,700
Total bills discounted	3,590	2,010	2,730	2,960	2,550
Bills bought in open market	1,740	1,080	1,100	1,090	1,090
Total U.S. Govt. securities ..	734,380	652,290	652,280	652,280	652,260
Total bills and securities	747,320	661,210	661,940	662,130	662,110
Deposits—Member-bank— reserve account	2,623,760	3,132,620	3,102,640	2,987,400	2,961,690
Ratio of total res. to dep. and Federal Res. note liabilities combined	83.1%	98.5%	98.5%	85.9%	85.7%

FEDERAL RESERVE REPORTING MEMBER BANKS.

	Feb. 19, 1936	Jan. 20, 1937	Jan. 27, 1937	Feb. 5, 1937	Feb. 10, 1937	Feb. 17, 1937
Loans	7,991	8,923	8,943	8,941	8,964	8,968
Investments	13,109	13,734	13,684	13,638	13,591	13,621
Reserve with Federal Reserve Bank	4,772	5,325	5,355	5,330	5,351	5,333
Due from banks	2,333	2,308	2,255	2,249	2,221	2,321
Demand deposits	14,112	15,547	15,530	15,493	15,552	15,604
Time deposits	4,889	5,025	5,052	5,077	5,095	5,093
Government deposits	524	560	526	476	434	383
Due to banks	5,659	6,480	6,443	6,405	6,360	6,452

BANK OF CANADA.—In \$'s (000's omitted)

	Mar. 4, 1936	Feb. 17, 1937	Feb. 24, 1937	Mar. 3, 1937
ASSETS				
Reserve, of which	189,351	195,562	198,840	196,941
Gold coin and bullion	180,140	179,475	179,423	179,408
Dominion Government securities	108,628	160,948	157,428	155,611
LIABILITIES				
Note circulation	85,109	119,556	118,582	120,501
Deposits: Dominion Government	21,282	34,461	30,883	26,145
Chartered banks	186,452	192,947	197,075	195,437
Ratio of reserves to notes and deposit liabilities	64.3%	56.2%	57.2%	57.3%

BANK OF FRANCE.—In francs* (000's omitted)

ASSETS	Mar. 6, 1936	Feb. 12, 1937	Feb. 19, 1937	Feb. 26, 1937	Mar. 5, 1937
Gold	65,945,601	57,358,742	57,358,742	57,358,742	57,358,742
Advances on Gold Coin	1,247,235	1,147,538	1,140,484	1,140,484	1,140,484
Commercial Bills	9,390,278	9,446,023	9,494,164	10,527,485	9,573,774

BANK OF GREECE.—In drachmae (000's omitted)

	Feb. 29, 1936	Feb. 7, 1937	Feb. 15, 1937	Feb. 23, 1937	Feb. 28, 1937
ASSETS					
Gold and gold exchange	3,357,836	3,351,995	3,356,515	3,376,556	3,388,891
State Gold Bonds	367,292	353,969	356,969	552,238	552,238
Bills discounted	290,904	470,768	476,141	482,122	499,138
Advances	4,582,489	4,541,511	2,397,758	2,460,920	2,458,019
State Debt	2,714,111	3,605,111	3,605,111	3,605,111	3,605,111
LIABILITIES					
Notes in circulation	5,529,775	6,037,695	5,967,773	6,027,361	6,061,268
Deposit and current a/c's	5,308,552	6,065,056	3,991,539	4,985,838	4,141,674
Foreign exchange liabilities	250,340	174,794	148,913	161,393	159,879

CENTRAL BANK OF TURKEY.—In £T (000's omitted)

	Feb. 29, 1936	Feb. 7, 1937	Feb. 13, 1937	Feb. 20, 1937	Feb. 27, 1937
ASSETS					
Gold	29,984	34,846	36,702	36,704	36,704
Foreign Exchange	16,403	40,957	39,589	41,991	42,790
Treasury Bonds	147,421	146,345	146,345	146,345	145,975
Bills	14,272	24,718	24,247	24,242	18,242
Securities	38,750	41,005	41,004	41,003	41,003
Advances	4,229	9,958	9,152	8,213	7,940
LIABILITIES					
Note Circulation					
Ordinary	147,421	146,345	146,345	146,344	145,975
Supplementary	19,000	39,000	39,000	39,000	35,000
Deposits	16,758	13,504	12,784	12,939	13,389
Foreign Exchange Liabilities	20,322	25,873	27,379	26,133	26,525
Miscellaneous	55,475	82,290	80,712	84,737	84,695

* Includes outstanding clearing balances.

BANK OF FINLAND.—In F. Marks (000's omitted)

	Feb. 29, 1936	Feb. 8, 1937	Feb. 15, 1937	Feb. 23, 1937	Feb. 27, 1937
ASSETS					
Gold reserve	489,344	603,175	603,175	603,150	603,147
Gold abroad not included in the gold reserve		211,432	211,432	211,432	211,432
Foreign correspondents	1,263,327	1,681,903	1,701,672	1,732,677	1,746,682
Foreign bills, bank notes, and coupons	94,656	90,877	92,670	92,746	89,853
Inland bills and other home loans	906,270	1,008,306	1,008,013	1,061,902	1,051,069
Finnish and foreign bonds	400,225	420,159	417,258	396,447	397,755
LIABILITIES					
Notes in circulation	1,444,703	1,601,367	1,631,016	1,628,850	1,756,602
Government deposits at sight	236,297	496,096	508,084	572,646	530,878
Other deposits at sight	307,188	720,165	685,934	649,551	512,604
Ratio of ordinary cover to liabilities at sight	82.99	76.08	75.56	76.61	77.13

BANK OF LATVIA.—In lats (000's omitted)

	Mar. 2, 1936	Feb. 1, 1937	Feb. 8, 1937	Feb. 15, 1937	Feb. 22, 1937	Mar. 1, 1937
ASSETS						
Gold coin and bullion	46,387	76,877	76,878	76,881	76,881	76,881
Silver coin	15,120	15,951	15,998	16,034	16,008	15,849
Balance abroad	6,540	31,768	32,770	33,751	33,313	35,064
Treas. notes and small change	8,245	10,149	10,495	9,770	9,225	7,716
Short-term bills	50,748	49,981	48,645	48,686	49,057	50,337
Loans against securities	58,015	68,585	68,100	66,746	67,857	68,985
LIABILITIES						
Notes in circulation	37,833	42,130	41,832	41,985	43,150	45,423
Deposits	21,537	20,207	20,261	20,268	20,259	20,698
Current accounts	80,601	120,562	120,910	119,980	120,445	117,280
Government accounts	37,536	63,253	62,628	62,676	62,334	64,237

‡ Gold francs up to and including September 28, 1936, only.

BANK OF JAPAN.—In yen (000's omitted)

	Feb. 1, 1936	Jan. 9, 1937	Jan. 16, 1937	Jan. 23, 1937	Jan. 30, 1937
ASSETS					
Gold coin and bullion	507,471	548,558	551,103	551,682	552,576
Other coin and bullion	30,420	29,753	31,949	32,093	30,458
Discounts	602,495	524,826	524,475	524,514	536,116
Advances	156,971	218,548	222,747	223,758	225,019
Advances on foreign bills	164,293	36,300	36,187	61,248	164,366
Government bonds	477,437	610,457	591,102	579,763	601,718
LIABILITIES					
Notes	1,447,257	1,458,694	1,413,729	1,463,019	1,586,002
Government deposits	324,755	260,330	311,997	308,345	298,181
Other deposits	62,986	26,175	71,287	60,541	76,088

MONEY AND EXCHANGE RATES

LONDON MONEY RATES

	Mar. 4, 1937	Mar. 5, 1937	Mar. 6, 1937	Mar. 8, 1937	Mar. 9, 1937	Mar. 10, 1937	Mar. 11, 1937
Bank rate (changed from 2½% June 30, 1932).....	2	2	2	2	2	2	2
Market rates of discount—							
60 days' bankers' drafts	4½-5	4½-5	4½-5	4½-5	4½-5	4½-5	4½-5
3 months' do.	4½-5	4½-5	4½-5	4½-5	4½-5	4½-5	4½-5
4 months' do.	4½-5	4½-5	4½-5	4½-5	4½-5	4½-5	4½-5
6 months' do.	4½-5	4½-5	4½-5	4½-5	4½-5	4½-5	4½-5
Discount Treasury Bills—							
2 months'	4½-5	4½-5	4½-5	4½-5	4½-5	4½-5	4½-5
3 months'	4½-5	4½-5	4½-5	4½-5	4½-5	4½-5	4½-5
Loans—Day-to-day.....	1	1	1	1	1	1	1
Short	1	1	1	1	1	1	1
Deposit allowances: Bank	1	1	1	1	1	1	1
Discount houses at call	1	1	1	1	1	1	1
At notice	1	1	1	1	1	1	1

Comparison with previous weeks

		Short Loans	Bank Bills			Trade Bills		
			3 Months	4 Months	6 Months	3 Months	4 Months	6 Months
1937	%	%	%	%	2-2	%	%	
Feb. 11	1	1	1	1	2-2	2-2	2-3	
18	1	1	1	1	2-2	2-2	2-3	
25	1	1	1	1	2-2	2-2	2-3	
Mar. 4	1	1	1	1	2-2	2-2	2-3	
11	1	1	1	1	2-2	2-2	2-3	

LONDON RATES OF EXCHANGE

I.—Spot Rates

(Range of the day's business)

London on	Par of Exch. per £	Mar. 5, 1937	Mar. 6, 1937	Mar. 8, 1937	Mar. 9, 1937	Mar. 10, 1937	Mar. 11, 1937
New York, \$.	14.86½	4.87½-88½	4.87½-88½	4.87½-88½	4.87½-88½	4.88½-89½	4.88½-88½
Montreal, \$.	4.86½	4.87½-88½	4.87½-88½	4.87½-88½	4.87½-88½	4.88½-89½	4.88½-88½
Paris, Fr.	124.21	105-107½	107-108½	106½-108½	106½-107½	106½-107½	106½-107
Brussels, Bel.	35.00(a)	28.82-84	28.80-85	28.85-85	28.92-97	28.95-98	28.98-99
Milan, L.	92.46	92½-93	92½-93	92½-93	92½-93	92½-93	92½-93
Zurich, Fr.	25.22½	21.36-41	21.37½-41	21.38-41	21.39-41	21.40-43	21.41-43
Athens, Dr.	375	540-555	540-555	540-555	540-555	540-555	540-555
He'stors, M.	193.23	226-227	226-227	226-227	226-227	226-227	226-227
Madrid, Pt.	25.22½	69-70½	69-70½	70-80½	70-80½	70-80½	70-80½
Lisbon, Esc.	110	110-110½	110-110½	110-110½	110-110½	110-110½	110-110½
Amst'dm, Fl.	12.107	8.90½-91	8.90½-92	8.91-92½	8.91-93	8.92-94	8.92½-94½
Berlin, Mk.	20.43	12.13-16	12.12-15	12.13-15	12.12-15	12.12-16	12.13-16
Registered Marks—							
Vienna, Sch.	34.58½	25½-27½	25½-27½	25½-27½	25½-27½	25½-27½	25½-27½
Bu'pest, Pen.	27.82½	26-28	26-28	26-28	26-28	26-28	26-28
Prague, Kc.	164½	139½-140½	139½-140½	139½-140½	139½-140½	139½-140½	139½-140½
Danzig, Gul.	25.00	25½-26½	25½-26½	25½-26½	25½-26½	25½-26½	25½-26½
Warsaw, Zl.	43.38	25½-26½	25½-26½	25½-26½	25½-26½	25½-26½	25½-26½
Riga, Lat.	25.22½	24½-25½	24½-25½	24½-25½	24½-25½	24½-25½	24½-25½
Bucharest, Lei	813.8	660-675	660-675	660-675	660-675	660-675	660-675
Const'ple, Pat	110½	613½	613½	613½	613½	613½	613½
Belgrade, Din.	276.32	208-218	208-218	208-218	208-218	208-218	208-218
Kovno, Lit.	48.66	28½-29½	28½-29½	28½-29½	28½-29½	28½-29½	28½-29½
Sofia, Lev.	673.66	390-420	390-420	390-420	390-420	390-420	390-420
Tallinn, E. Kr.	18.159	17½-18½	17½-18½	17½-18½	17½-18½	17½-18½	17½-18½
Oslo, Kr.	18.159	19-35-45	19-35-45	19-35-45	19-35-45	19-35-45	19-35-45
St'holm, Kr.	18.159	19-35-45	19-35-45	19-35-45	19-35-45	19-35-45	19-35-45
Cop'hgen, Kr.	18.159	22-35-45	22-35-45	22-35-45	22-35-45	22-35-45	22-35-45
Alex'dria, Pst.	974	18½-19½	18½-19½	18½-19½	18½-19½	18½-19½	18½-19½
Br. India Rup.	18½	18½-19½	18½-19½	18½-19½	18½-19½	18½-19½	18½-19½
Hong Kong, \$.	14½-15½	14½-15½	14½-15½	14½-15½	14½-15½	14½-15½	14½-15½
Kobe, Yen	24.58½	13½-14½	13½-14½	13½-14½	13½-14½	13½-14½	13½-14½
Shanghai, \$.	14½-15½	14½-15½	14½-15½	14½-15½	14½-15½	14½-15½	14½-15½
Singapore, \$.	28½	28½-29½	28½-29½	28½-29½	28½-29½	28½-29½	28½-29½
Batavia, F.	12.11	8.84½-89½	8.85-90	8.85-90	8.85-90	8.85-90	8.85-90
Rio, Mil.	15.899	16.20-16½	16.15-16½	16.15-16½	16.15-16½	16.15-16½	16.15-16½
B. Aires, \$.	11.45	16.12½	16.12½	16.12½	16.12½	16.12½	16.12½
Valparaiso, \$.	40	128½-129½	128½-129½	128½-129½	128½-129½	128½-129½	128½-129½
M'video, \$.	514½	26½-27	26½-27	26½-27	26½-27	26½-27	26½-27
Lima, Sol.	17.38	18½-19½	18½-19½	18½-19½	18½-19½	18½-19½	18½-19½
Mexico, Pes.	9.76	17½-18½	17½-18½	17½-18½	17½-18½	17½-18½	17½-18½
Manila, Pes.	24.60½	24½-25½	24½-25½	24½-25½	24½-25½	24½-25½	24½-25½
Moscow, Rbls.	25½m	25½m	25½m	25½m	25½m	25½m	25½m
P'ngkok, Bakt	121-82d.	22-22½	22-22½	22-22½	22-22½	22-22½	22-22½

Usance: T.T., except Alexandria (Sight); Rio de Janeiro, Lima, Valparaiso (90 days).
 * Sellers. † Pence per unit of local currency. ‡ Par \$ 2.33½ since dollar devaluation on February 1, 1934.
 (a) Prior to devaluation on April 2, 1935. (b) Official rate. (c) Per cent. discount.
 (d) Latest "export" rate. (e) Official rate is 4½d. sellers. (f) Official rate is \$15 sellers.
 (g) Average remittance rate for importers. Rate for payments to the Bank of England:—(i) For account Controller of Anglo-Italian debts; (j) under Anglo-Spanish Agreement; (k) under Anglo-Turkish Agreement. (l) Nominal. (m) Approximate. Dealings in Roubles at 4½ French francs to 1 Rouble.

II.—Forward Rates

(Closing quotations)

	Mar. 5, 1937	Mar. 6, 1937	Mar. 8, 1937	Mar. 9, 1937	Mar. 10, 1937	Mar. 11, 1937
London on	Per £	Per £	Per £	Per £	Per £	Per £
New York, cent.	1 Month (p) 1½-1½	2 " (p) 1½-1½	3 " (p) 1½-1½	4 " (p) 1½-1½	5 " (p) 1½-1½	6 " (p) 1½-1½
Paris, frs.	1 Month (d) 1½-1½	2 " (d) 1½-1½	3 " (d) 1½-1½	4 " (d) 1½-1½	5 " (d) 1½-1½	6 " (d) 1½-1½
Amsterdam c'nt.	1 Month (p) 1½-1½	2 " (p) 1½-1½	3 " (p) 1½-1½	4 " (p) 1½-1½	5 " (p) 1½-1½	6 " (p) 1½-1½
Brussels, cent.	1 Month (p) 1½-1½	2 " (p) 1½-1½	3 " (p) 1½-1½	4 " (p) 1½-1½	5 " (p) 1½-1½	6 " (p) 1½-1½
Geneva, cent.	1 Month (p) 1½-1½	2 " (p) 1½-1½	3 " (p) 1½-1½	4 " (p) 1½-1½	5 " (p) 1½-1½	6 " (p) 1½-1½

(p) Premium, i.e. "under spot."

(d) Discount, i.e. "over spot."

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OVERSEAS RAILWAY RECEIPTS

Name	Weeks	Ending	Present Mileage	Gross Receipts for Week		Gross Aggregate Receipts	
				1936	+ or -	1936	+ or -
INDIAN							
Assam Bengal	47	Feb. 23	1,330	Rs. 5,20,800	- 2,077	Rs. 1,59,17,944	+ 8,41,536
Bani L. Ry.	46	10	292	130,600	- 23,100	13,11,100	- 3,36,800
Bengal & N. Western	22	20	2,107	12,00,048	- 93,035	1,50,20,514	+ 5,27,313
Bombay-Nagpur	47	20	3,268	12,52,000	- 4,99,000	7,14,76,111	- 48,77,692
Bombay, Bar. & C.I.	49	28	3,072	29,06,000	- 1,13,450	10,69,87,000	+ 59,89,000
Madras & S. Mahr.	46	10	3,229	21,52,000	+ 19,621	6,42,88,908	+ 25,93,146
Rohilk'd & Kumaon	22	20	3,572	22,71,777	- 2,776	29,60,236	+ 1,28,400
South Indian	46	10	2,532	14,66,668	- 26,609	4,61,16,133	+ 8,89,915

† 10 days.

‡ 8 days.

CANADIAN

Canadian National ..	9	Mar. 7	2,356	\$ 3,816,991	+ 512,971	\$ 32,162,199	+ 3,049,118
Canadian Pacific ..	9	7	1,723	2,633,000	+ 220,000	22,551,000	+ 1,543,000

SOUTH AMERICAN

Antofagasta (Chili and Bolivia) ..	10	Mar. 7	834	\$ 18,110	+ 4,410	\$ 153,790	+ 15,350
Argentine N.E.	36	6	753	\$ 17,483	+ 195	\$ 315,538	+ 35,278
B.A. and Pacific	36	6	2,860	\$ 2,003,000	+ 285,000	\$ 52,575,300	+ 3,242,300
B.A. Central	35	Feb. 27	...	\$ 157,200	- 75,640	\$ 5,080,000	+ 1,064,600
B.A. Gt. Southern ..	36	Mar. 6	5,034	\$ 23,656,000	+ 880,000	\$ 86,365,000	+ 7,015,000
B.A. Western	36	6	1,930	\$ 226,798	+ 63,697	\$ 3,207,214	+ 545,894
Central Argentine ...	36	6	3,700	\$ 204,000	- 89,000	\$ 1,718,095	+ 131,787
Central Uruguayana ..	35	Feb. 27	273	\$ 187,029	- 76,700	\$ 5,418,180	+ 1,058,190
C. Urq. (East Ext.) ..	35	27	311	\$ 13,302	- 1,816	\$ 435,223	+ 63,197
C. Urq. (W. Ext.) ...	35	27	185	\$ 7,651	- 111	\$ 79,418	+ 9,716
C. Urq. (W. Ext.) ...	35	27	211	\$ 1,752	- 148	\$ 54,920	+ 5,901
Cordoba Central	36	Mar. 6	1,218	\$ 1,100	- 45	\$ 36,953	+ 6,010
Entre Rios	36	6	810	\$ 470,000	+ 69,000	\$ 19,211,000	+ 1,596,000
G. Westn. of Brazil ..	10	6	1,082	\$ 12,363	+ 2,739	\$ 472,218	+ 73,460
Leopoldina	10	6	1,918	\$ 187,300	+ 453,000	\$ 16,781,000	+ 1,548,000
Leopoldina Term.	10	6	...	\$ 23,413	+ 7,142	\$ 208,946	+ 33,732
Nitrate	9	Feb. 28	397	\$ 400,000	+ 87,000	\$ 3,365,000	+ 163,000
Paraguay Central	36	Mar. 6	274	\$ 143,961	+ 3,068	\$ 29,791	+ 437
Salvador	36	Mar. 6	100	\$ 2,841,000	+ 275,000	\$ 72,238	+ 103,062
San Paulo	9	Feb. 28	153	\$ 43,000	+ 18,400	\$ 95,626,000	+ 148,500
United of Havana ...	36	Mar. 6	1,353	\$ 1,032,000	+ 787,000	\$ 21,540,000	+ 1,017,000
				\$ 33,750	+ 10,954	\$ 255,069	+ 10,760
				\$ 71,217	+ 25,663	\$ 797,439	+ 61,091

* Converted at average official rate during week ended Mar. 6, 1937, 16-12 pesos to the £.
 † Free market rate. ‡ Receipts in Argentine pesos. § Fortnight.
 ¶ Converted at official rate. ** Converted at "controlled free" rate.
 †† Converted at the "free" rate as a result of a decision of the High Court.

OTHER OVERSEAS

Egyptian Delta Light	47	Feb. 20	621	£ 9,917	+ 284	£ 228,737	+ 2,392
Railways	9	Mar. 4	...	£ 1,883	+ 942	£ 19,287	+ 320
Egyptian Markets ...	34	Aug. 29	104	Ps. 14,208	- 62,843	£ 840,732	- 724,859
Gr. Southn. of Spain	9	Feb. 28	483	£ 351,700	+ 38,000	£ 2,587,400	+ 435,000
Mexican Railway ...	9	Feb. 28	483	£ 351,700	+ 38,000	£ 2,587,400	+ 435,000

SUEZ CANAL RECEIPTS

Suez Canal	10	Feb. 28	...	£ 273,300	- 18,700	£ 935,700	+ 800
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† 10 days.

TRAMWAYS WEEKLY GROSS RECEIPTS

Anglo-Agrozine	9	Mar. 4	325	£ 619,514	- 87,986	£ 5,882,438	- 3,471
B. Aires Lacroze	35	Feb. 28	...	£ 81,611	- 1,801	£ 2,413,511	- 83,189
Burley, Colne and	9	Mar. 6	76	£ 5,304	+ 108	£ 45,811	+ 1,485
Nelson J. Trstpt.	9	Mar. 6	...	£ 1,24,912	+ 2,812	£ 5,79,471	+ 16,766
Colcutta Tramways.	8	Feb. 24	...	£ 3,005	+ 42	£ 24,784	+ 970
Isle of Thanet Elec.	48	Mar. 3	...	£ 29,036	+ 978	£ 1,422,780	+ 21,316
Liverpool Corp.	9	Feb. 28	...	£ 40,522	+ 173	£ 2,03,600	+ 3,960
Madras Electric.	9	Feb. 28	...	£ 40,522	+ 173	£ 2,03,600	+ 3,960

† Fortnight.

MONTHLY TRAFFICS

Company	Months	Ending	De- scription	Receipts for Month		Receipts to Date	
				1937	+ or -	1937	+ or -
Bolivar	2	Feb. 28	Gross	£ 5,700	- 950	£ 11,100	- 1,050
La Guaira and Caracas	2	Feb. 28	Gross	£ 4,925	+ 700	£ 11,195	+ 2,545
Midland of W. Australia	7	Jan. 31	Gross	£ 12,814	- 2,014	£ 94,868	- 3,583
Peruvian Corporation	8	Feb. 28	Gross	£ 74,301	+ 4,339	£ 644,887	+ 28,831
Samana and Santiago	2	Feb. 28	Gross	£ 2,420	- 248	£ 3,970	- 645
Shanghai Electric	2	Feb. 28	Net	£ 383,261	+ 30,326	£ 780,522	+ 24,119
Singapore Traction	5	Feb. 28	Gross	£ 194,000	+ 15,000	£ 924,000	+ 15,000
Suez Canal	2	Feb. 28	Gross	£ 935,700	- 800	£ 1,966,700	+ 400

INCREASED TIN DIVIDENDS.—Some important tin dividends are announced. Sungei Besi Mines is paying an interim of 2½ per cent. against 7½ per cent. Ayer Hitam Tin Dredging is paying an interim dividend of 15 per cent., also a bonus of 5 per cent., against an interim of 5 per cent. a year ago. Pelephat Tin is paying an interim dividend of 2½ per cent. on March 22nd, and Kepong Tin is maintaining its interim distribution at 2½ per cent. Tanjong Tin is paying an interim dividend of 5 per cent., and Pari Tin an interim of 7½ per cent. against 2½ per cent. Tronoh Mines interim of 12½ per cent., against 7½ per cent. Jdris Hydraulic Tin is paying an interim dividend of 5 per cent., against 2½ per cent. Kinta Tin pays 5 per cent. against 2½ per cent. and Southern Tronoh Tin is paying 7½ per cent., against 2½ per cent.

MAYPOLE DAIRY.—Deferred ordinary dividend of 5 per cent. for 1936, against 4½ per cent.

HOME AND COLONIAL STORES.—No dividend on ordinary shares for 1936 (as for 1935).

MEADOW DAIRY.—Dividends for 1936 of 10 per cent. on preferred ordinary and 5 per cent. on ordinary (same).

DIVIDEND ANNOUNCEMENTS

Rate % per Annum, except where marked % or Stated in Cash *

Name of Company	* Interim or † Final	Date of Pay- ment	Comparison with Last Year	* Total	
				Latest Year	Previous Year
RAILWAYS					
Entre Rios Railways 4½ Deb. ...	4½%	...	...	%	%
BANKS					
Eastern Bank	4½%†	...	3½%†	7	6
Guaranty Trust Co. of New York	3%*	Apr. 1	Same	...	...
INSURANCE					
British Oak Insurance	...	...	...	5	5
Eagle Star, etc., Insurance	21½%†	Apr. 1	...	27½	25
Do. do First Interim	62½%*	Apr. 1	61%*	...	...
Employers' Liability Assurance ..	2½ p.s.†	...	Same	3½ p.s.	3½ p.s.
TEA AND RUBBER					
Bukit Jlok Rubber	7½%†	...	...	12½	7½
Bukit Tambun Rubber	4%*	Mar. 23	Nil*	...	...
Ceylon and Indian Planters	2½%*	Mar. 31	Nil*	...	...
Gadek Rubber	...	Apr. 2	...	6	2½
Goila Kalumpung Rubber	...	...	...	6½	5
Hope Tea	5%*	...	2½%*	...	...
Johore River Rubber	...	Apr. 3	...	5	4
Klangang Produce	11½%†	...	5½%†	15	8
Lendu Rubber	...	Mar. 22	First	2½	Nil
Narborough (F.M.S.) Rubber	5½%*	Apr. 10	...	...	...
North Malay Rubber	...	...	...	7½	4
Rambutan Rubber	4%†	Mar. 27	...	6	3½
Rubber Estates of Johore	...	Apr. 7	...	5	3
Sungei Choh Rubber	...	...	...	4	2
Tebrau Rubber	4%*	...	Nil*	...	...
Woodend (Ceylon) Rubber	...	...	...	2½	...
MINING					
Anaconda Copper	25 cts. p.s.	Mar. 29	...	...	...
Goldfields Rhodesian Development	5½%*	Apr. 2	Same	...	...
Leonora Corporation	21½%†	Apr. 3	Same	5	7½
Minerals Separation	15½%†	Mar. 23	10½%†	25	20
New Zealand Crown Mines	...	Mar. 23	12½	12½	12½
Sungei Best Mines	21½%*	Mar. 24	7½%*	...	...
Wanderer Consolidated Gold	6½%*	Apr. 8	Same	...	...
OTHER COMPANIES					
Anglo-Siam Corporation	21½%*	Mar. 31	Same	...	...
Argus Press	21½%†	...	Same	25	25
Bairds and Dalmeilington	...	...	...	12½	8
British Columbia Power A	45c. p.s.	...	40c. p.s.	...	...
British Oil and Cake Mills	...	...	...	10	10
British Power and Light	4½%*	Apr. 1	Same	6	6
British Siam Co.	...	Mar. 20	...	15	15
Broom and Wade	7½%*	...	5%*	...	...
Brown Brothers and Co.	10½%†	...	8½%†	12½	11½
Buttons	61½%†	...	Same	10½	10½
Caledonian Trust	6½%†	Mar. 24	5½%†	9	8
Clarendon Property	7½%*	Mar. 31	Same	...	...
Craven Brothers (Manchester)	7½%*	...	First year	12½	...
Daniell and Sons' Breweries	10½%†	...	9-58½%†	15	13½
Doulton and Co.	...	...	...	7½	Nil
Dunsmuir Iron and Steel	6%*	Apr. 5	...	...	...
Flemons	7½%*	...	Same	15	15
Foster (M. B.) and Sons	12%*	...	11½%†	17½	17
Halford Cycle (old)	6d. p.s.	...	Same	...	...
Harding Tilton and Hartley	17½%*	...	12½%†	27½	22½
Hickleton Main Colliery	3½%†	...	...	...	...
Hide and Co.	...	Apr. 1	...	16½	...
Hoffmann Manufacturing	14%†	...	11½%†	20½	15½
Indestructible Paint	16½%†	Apr. 30	13½%†	22½	20
International Paint	12½%†	...	11½%†	16	14
Jones and Higgins	9½%*	Mar. 31	Same	12½	12½
Ketton Portland Cement	7½%*	...	Same	10	10
Lamson Paragon Supply	20½%*	Mar. 25	Same	30	30
Lawrence (Frederick)	4%*	...	Same	7	7
London Associated Electricity	6½%†	...	4½%†	8½	7
Maple and Co.	...	...	...	8	6
Mappin and Webb	...	...	...	...	...
Matthews (James and Geo. H.) ..	2½%*	Mar. 31	...	5	4½
Maypole Dairy	...	...	...	...	...
Melchers and Seale	12½%†	...	Same	17½	17½
Midland Tar Distillers	2½%*	Mar. 31	Same	7	7
North Wales Power	9½%*	...	8½%†	11	11½
Phillips (Godfrey)	12½%†	...	11½%†	22½	20
Pinchin Johnson and Co.	(s) 12½%*	...	Same	13	13
Projectile and Engineering	15%*	...	7½%†	20	12½
Raukunas and Rapier	6½%†	...	...	81	2½
Reckitt and Sons	7½%†	...	Same	22½	22½
Rubber Regenerating	5%*	Mar. 24	Nil*	...	...
Rylands and Sons	6½%*	...	...	3	1½
Scottish Iron and Steel	9%*	...	...	8	7
Scottish Western Investment	2½%*	Mar. 24	8½%†	14	13
Second Scottish Investment	9%†	May 1	...	13	...
Shanghai Electric	6½%†	...	Same	13	...
South Metropolitan Electric	6½%†	Mar. 23	Same	9	9
Totalisators (Deferred)	...	...	...	56½	Nil
Trustee Investment Trust	...	Apr. 3	...	3	2
Tunnel Portland Cement	15½%†	...	...	25	25
United Carlo Gatti	10%†	...	Same	14	14
Vickers, Limited	...	Apr. 3	...	(s) 10	8
Walsall Conduits	6½%†	...	...	...	...
Wardle and Davenport	1½%*	Mar. 31	Same	...	...
Wearmouth Coal	3½%†	Apr. 6	...	6	5
Wellworthy Piston Rings	2½%*	Mar. 23	Nil*	...	...
Wool Exchange, etc., Investments	1%*	...	2%*	...	...

* Free of income tax. (c) Paid on £2,052,580 more capital.
 (s) Also scrip bonus of one share for every ten held.

SETTLE, SPEAKMAN AND COMPANY.—Ordinary dividend 8½ per cent. for year against 7½ per cent.; to reserve, £15,000 (against £10,000); forward, £14,174 (against £11,451).

CABLES INVESTMENT TRUST.—Interim ordinary dividend 2 per cent. Dividend for first 11½ months 1½ per cent.

CAMMELL LAIRD AND COMPANY.—Net profit £171,653 for 1936, compared with £110,688 for 1935. Ordinary dividend raised from 3½ per cent. to 5 per cent. £22,389 carried forward.

D. GESTETNER.—Interim ordinary dividend 17½ per cent., against 15 per cent. The net profit for half-year to February 28, 1937, £104,869; £81,882 in the corresponding period of last year. Both home and export sales for the six months have beaten all previous records.

SWAN AND EDGAR, LTD.—Net profit for year to January 31, 1937, £129,409, compared with £128,380. Ordinary dividend 8½ per cent., against 6 per cent. To staff pension fund £5,000, as before. Carry forward increased from £7

COMMERCE AND TRADE

SURVEY OF COMMODITY MARKETS

THE past week witnessed another burst of speculative activity on some of the principal commodity markets. Consumers, frightened by rumours of a coming shortage of supplies, are anxious to make sure of their requirements over a longer period; speculators, knowing that supplies cannot be increased appreciably in the short-run, are also bidding for the limited quantity of materials available. Consequently, quotations are being rushed up out of all relationship to the long-term trend of supplies and consumption. The implications of these developments are discussed in a Note of the Week on page 580.

The non-ferrous metal markets, in particular, have been caught in this vicious circle. Thus, the quotation for tin rose by no less than £50 per ton during the past week. Copper rose from £70 15s. to £77 2s. 6d. per ton, while the quotation for spelter was rushed up from £31 1s. 3d. to £36 5s. per ton and that of lead from £32 8s. 9d. to £35 18s. 9d. per ton. These movements cannot be explained by reference to underlying statistical trends. Nor is it possible to "take a view" concerning the future trend of quotations under present conditions. Among other primary products, rubber, cotton, raw sugar and wheat were also marked up sharply this week. Since the heavy shipments of wheat from Argentina during the past few weeks were absorbed without much of a setback in prices, a further marked advance during the next few months, that is until this year's crops are harvested, is a probability.

The stringency of iron and steel materials is as pronounced as ever; and, since supplies are not increasing at a rate proportionate to the expansion of demand, prices may be expected to continue their upward trend. Even coal supplies, which have been in excess of requirements until recently, are now deficient in certain districts and for certain purposes.

In the United States, too, quotations for many primary products turned sharply upwards during the past week. Thus, on Wednesday last, Moody's daily index of staple commodity prices (December 31, 1931 = 100) stood at 218.2, against 211.0 a week earlier, 205.8 a month ago and 170.4 on the corresponding day last year.

COAL

SHEFFIELD.—Inland demand for all classes of industrial fuel is strong and the requirements of the heavy trades and of general industry leave only a comparatively small tonnage for export. Collieries are working up to the quota. Coking smalls are becoming increasingly difficult to obtain, and the position is likely to become still more stringent on completion of the big extension of coking facilities at present in hand in the district. Supplies of all grades of metallurgical coke are on the short side. There is a big inquiry for gas coke. Household fuel requirements are heavy as a result of the inclement weather. On the export market there is a further strengthening of demand. There are plenty of inquiries for shipment, and collieries can easily dispose of all available supplies. The higher prices ruling have not deterred foreign buyers of steam and coking coal.

NEWCASTLE-ON-TYNE.—The active conditions ruling since the beginning of the year, continue, and, under persistent demand, collieries are now pretty well sold for this year. Northumberland steam collieries are heavily booked, and during the last week have received substantial orders from the Scandinavian State Railways for delivery over this year. These steam collieries also have a good trade to home ports from which there is a strong demand for sized coal. In the Durham section demand for gas and coking coals is as keen as ever, whilst bunkers have a steady trade to foreign coaling stations.

GLASGOW.—Work has now resumed at the collieries recently on strike, and business is now moving more evenly, but the supply position generally remains tight, and difficulties continue to be experienced in arranging new business. This applies chiefly to export trade. Little coal is now available for shipment this month, while some of the collieries are fully booked up for a longer period ahead. A strong position rules in the home market, where industrial demands remain on a heavy scale, and only limited tonnages are coming on offer. Prices remain strong all round. The monthly ascertainment of the results of the Scottish collieries for January showed a profit balance of £198,063, equal to 1s. 8-6d. per ton, against £193,837, or 1s. 7-14d. per ton in January of last year. The proceeds this year were 13s. 10-87d. per ton, against 12s. 11-2d. per ton a year ago.

CARDIFF.—Shipments at the South Wales docks continue active, and practically all classes of coal are still scarce. On Wednesday the Central Council granted supplementary allocations for output, inland supply, and export supply, and the official view has been expressed that these will enable the coalfield to meet current demand. Prices for prompt position are very firm and for both large and small best steam grades they are averaging from 5s. to 6s. per ton above the old minimum schedule. There are several forward contract inquiries in the market, and actual commitments already assure the coalfield a considerable increase of exports over those in the first half of 1936. To meet this greater demand the original quotas for the second quarter of the year which have already been allocated are substantially in excess of actual shipments in the corresponding period of last year. The market in coke is also strong, and there is a fair demand for patent fuel. Foreign and coastwise shipments at the South Wales docks last week totalled 402,400 tons, against 294,346 tons a year ago, and for the ten weeks ended March 7th the increase over the corresponding period in 1936 exceeds 500,000 tons.

IRON AND STEEL

LONDON.—The weekly report of the London Iron and Steel Exchange indicates that little new business has been transacted during the past week owing to the difficulty of finding suppliers in a position to accept orders. The scarcity has become accentuated, and whilst the demand is increasing as a result of the normal spring expansion in trade, production seems to be in danger of declining owing to the scarcity of raw materials, and few of the steelworks are prepared to take fresh business except for far forward delivery.

The output of pig iron for the next month or two is earmarked against contracts, and although there may be some increase in home production in the near future it is very unlikely that this will be sufficient to meet the heavy demand from the steelworks and the foundries.

In the semi-finished steel department the pressure to obtain supplies is growing, and in several cases consumers have had to curtail severely their production of finished steel owing to lack of supplies. Deliveries of Continental steel against the quota are much in arrears, and there seems no likelihood of an early improvement in the position.

There is still a scarcity of finished steel although the works are operating as near at capacity as their supplies of raw materials will permit. Great efforts are being made to maintain deliveries, but consumers complain of the interruption to work caused by delays. Little export trade has been transacted of late, and, for the time being, most of the steelworks are refusing orders in an attempt to overtake home demand.

MIDDLESBROUGH.—Producers of both foundry pig iron and East Coast hematite are fully sold. After the requirements of their own foundries have been met, any surplus is taken up immediately against existing contracts, chiefly with home users, but small parcels are being shipped to the Continent against contracts of long standing.

Re-rollers are still anxious to obtain supplies of semi-manufactured steel; although the output of this class of material in this area is at capacity, it is not sufficient to cover requirements. Finished steel of all classes is in strong demand.

It is understood that heavy steel scrap will now be graded into three qualities, and although official prices have not been announced, it is stated that 69s. per ton has been paid for No. 1 quality, 67s. for No. 2, and 62s. for No. 3, all delivered at works. Arrivals of iron ore are up to last month's level, but little is heard of new business, the last freight paid Bilbao-Middlesbrough, being 11s. 3d. Blast furnace coke is extremely scarce, the quotation of 27s. 6d. per ton delivered at furnaces here being nominal with the tendency upwards.

SHEFFIELD.—At the moment interest is centred on iron and steel scrap. The scheme designed to control the distribution of supplies and to stabilise prices has not met with unanimous approval, but it is hoped that as a result of further meetings a plan will be evolved in which all merchants will feel able to co-operate. The shortage of materials is causing much difficulty to scrap consumers, and it remains to be seen whether the present proposals will have the effect of bringing supplies more readily into the market. At the moment there is little or no indication of this. It is stated that the official prices for the Sheffield area are as follows: Heavy basic steel, 65s. per ton; light basic, 57s. 6d.; low sulphur and phosphorus acid steel, 72s. 6d. and 80s.; high-speed steel up to £55, according to specification; alloy steel with a 3 per cent. nickel minimum, £8 5s.; heavy wrought iron suitable for shearing, up to 74s.; heavy steelworks cast iron, 67s. 6d.; light ditto, 62s. 6d.; foundry cast iron, up to 75s. according to quality and specification.

Business in the iron market is hampered by the inability of makers to accept new business, the majority being fully booked under contract over the next few months. Foundry pig iron is scarce, and only a few small parcels of forge are obtainable for early delivery. The freeing of pig iron imports from the duty is not expected to bring in much material in view of the increasing Continental demand and rising prices. Makers of hematites are refusing to add further to their commitments for the present. The higher quotations for finished iron have not hampered the flow of business, and the raising of the price of marked bars by 27s. 6d. per ton this week was fully expected. Demand for basic steel billets continues to outstrip supply, and deliveries are falling into arrears. Acid billets are also in strong request. Official returns show that steel production in Sheffield in January totalled 136,000 tons, of which basic open-hearth steel accounted for 77,100 tons. There is a steady flow of orders to all the great steel producing and engineering firms in this area, some of the latter having sufficient work in hand to last over the next two years.

GLASGOW.—Consumers are finding it almost impossible to place business with West of Scotland steelmakers and others. Existing contracts are sufficient to absorb the bulk of the possible supply for some months to come and the uncertainty regarding supplies of raw material being available in sufficient quantity to enable work to be continued on the present scale has not been removed. The situation in regard to the re-rolling industry is not yet showing signs of improvement. All branches have well filled order books and buyers are numerous, but regular deliveries of raw materials cannot be obtained either from home or Continental makers. The demand for all classes of finished steel is exceptionally heavy. Machinery makers are overwhelmed with work and structural and other engineering trades in this district are all busy and have work on hand to keep them steadily employed for many months. They also are finding new business plentiful.

CARDIFF.—The demand for tinplates is very active and further premiums have been realised on the minimum schedule prices. Sales have been arranged on the basis of between 22s. and 23s. per basis box, and of the works are fully employed at their allocated quota of 70 per cent. of capacity. Steel bars are unchanged at £6 2s. 6d. per ton, but it is expected that the prices will be substantially increased from April 1st. Galvanised sheets are unchanged at £15 15s. per ton f.o.b. Shipments of tinplates at the Swansea last week totalled 7,788 tons, compared with 3,812 tons in the corresponding week last year, and the increase to date this year is 30,000 tons, or 87 per cent.

OTHER METALS

COPPER.—Although the market position showed no new developments, the cash price advanced this week by a further £6 7s. 6d. to £77 2s. 6d. a ton, the highest since 1929. On Monday the United States producers, who had been trying to keep their domestic price down, were forced to raise it from 15 to 16.25 cents a lb., to prevent large exports to Europe. This movement was itself a consequence of earlier increases on the London market, but it was, nevertheless, seized upon here as a fresh bull point.

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Following the recent increases, a wide "backwardation" has developed—i.e., "forward" copper is considerably cheaper than spot; this development indicates the unhealthy nature of the present copper boom.

Sales on the London Metal Exchange: 3,750 tons on Monday, against 5,600 tons last week; 4,500 tons on Tuesday, against 4,800 tons last week; 7,100 tons on Wednesday, against 4,750 tons last week. Domestic spot was quoted at 17-25 cents per lb. in New York on Wednesday, against 16-12½ cents a week ago and 13-17½ cents a month ago. Wednesday's official closing price for standard cash in London was £77 2s. 6d. to £77 10s., compared with £70 15s. to £70 17s. 6d. a week ago. Stocks of refined copper in British official warehouses at the end of last week, at 32,121 tons, showed a decrease of 2,812 tons, while stocks of rough copper, at 507 tons, were 100 tons smaller.

LEAD AND SELLER.—On Tuesday of this week, the price of spelter overtook that of lead—a development which had been expected for some time past, despite the undoubted fact that lead is in a stronger position than its "sister" metal. But spelter is attracting attention at the present time on the assumption that the United States may shortly become an importer. There has been no news of importance for either market this week, and present indications are that lead and spelter will continue to move in sympathy with other metals.

Sales of lead on the London Metal Exchange: 4,000 tons on Monday, against 3,000 tons last week; 3,500 tons on Tuesday, against 2,100 tons last week; 9,000 tons on Wednesday, against 2,750 tons last week. The New York quotation on Wednesday was 7-75 cents per lb., against 7-00 cents a week ago and 6-00 cents a month ago. The official closing quotation in London for soft foreign for shipment during the current month was £36 per ton, compared with £32 8s. 9d. a week ago.

Sales of spelter on the London Metal Exchange: 6,500 tons on Monday, against 3,500 tons last week; 8,000 tons on Tuesday, against 3,600 tons last week; 7,700 tons on Wednesday, against 5,000 tons last week. Wednesday's quotation in East St. Louis was 7-50 cents per lb., against 7-00 cents the week before and 6-40 cents a month earlier. Wednesday's official closing quotation in London for "good ordinary brands" for shipment during the current month was £36 5s. per ton, against £31 1s. 3d. last week.

TIN.—Tin was the centre of attention on the London Metal Exchange this week. At its meeting in Paris on Friday of last week, the International Tin Committee decided to maintain the production quota unchanged at 100 per cent. of the standard tonnages during the second quarter of the year. As we point out in a Note of the Week, the Committee expressed the view that this decision would involve the addition of 1,600 tons to stocks monthly; moreover, the Committee also drew attention to the surplus capacity available for use if needed.

Less than three weeks ago, it was argued by Messrs Vivian Younger and Bond, Ltd., that tin prices would decline in the absence of a reduction in the quota. Yet neither last week's decision on the quota, nor the communiqué of the International Committee, was able to check the advance of prices. The market appears to consider the I.T.C. as unduly bearish, and has rushed up the price to over £300 a ton this week. It is thought possible that restriction may be suspended altogether, for the time being. But, with the market in its present mood, it is impossible to foresee how prices are likely to develop in the immediate future.

Sales of tin on the London Metal Exchange: 950 tons on Monday, against 425 tons last week; 900 tons on Tuesday, against 350 tons last week; 1,400 tons on Wednesday, against 1,075 tons last week. The New York quotation on Wednesday was 65-75 cents per lb., against 56-87½ cents a week ago and 50-65 cents a month ago. Wednesday's official closing quotation in London for standard cash was £301 to £301 10s. per ton, compared with £250 5s. to £250 10s. a week ago. Stocks of tin in London and Liverpool at the end of last week totalled 1,698 tons, a decrease of 754 tons on the week.

OTHER NON-FERROUS METALS.—Among other non-ferrous metals, aluminium ingots and bars for home delivery were again quoted on Wednesday at £100 per ton, and rolling billets at £102 per ton. Nickel, for home and export, was maintained at £180 to £185 per ton. Quicksilver, on the spot, was quoted at £14 6s. per flask of 76 lbs., the same as last week. Chinese antimony was quoted at £75 per ton ex warehouse, the same as last week. Chinese wolfram for "March-April" shipment was quoted at 46s. 6d. to 47s. 6d. per unit, c.i.f., compared with 46s. to 47s. last week. Refined platinum was steady on Wednesday at £11 15s. an ounce.

TEXTILES

COTTON.—**Manchester.**—All other matters have been overshadowed by the further stiff advance in raw cotton prices. Spinners and manufacturers have put up their quotations and, considering the advances required, a fair amount of business has been done. Numerous offers from foreign customers, however, have lagged behind Manchester rates. The rise in raw cotton prices has been due to heavy trade and speculative buying. It is expected that by the end of this month 1,000,000 bales out of the 3,000,000 bales of loan cotton held by the Washington Government will have been sold. It is probable that the Government will control the next crop, but many private firms are estimating an increase in the acreage of fully 10 per cent. A good deal of the speculative buying of cotton has come from London and France.

Yarn quotations have again been advanced to meet the rise in raw cotton prices. A healthy demand has been experienced, especially in American twists. Ring yarns are decidedly scarce, reports being received of looms standing idle owing to the impossibility of getting yarn. The rising trend of prices in Egyptian qualities has stimulated business, total sales being more encouraging.

COTTON PRICES

	1937				Corresponding Date	
	Feb. 17	Feb. 24	Mar. 3	Mar. 10	1935	1936
Raw Cotton—Mid. American	7-19	7-35	7-58	8-01	6-63	6-27
" Sakellaridis Fully Good Fair						
Egyptian	9-82	10-25	10-48	11-22	8-39	9-39
Yarns—32's twist	12½	12½	13½	13½	10	10½
" 40's twist	12½	12½	13½	13½	10½	10½
" 60's twist (Egyptian)	17½	18	188	19	16	16
82-in. Printers, 116 yds., 16 by 16, 32's and 50's	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.
	20 3	20 5	20 8	21 0	17 8	17 0
36-in. Shirtings, 75 yds., 19 by 19, 32's and 40's	28 2	28 4	28 7	29 0	24 4	24 0
38-in. ditto, 38 yds., 18 by 18, 10 lb.	11 2	11 3	11 5	11 7	10 6	9 11
38-in. ditto, 37½ yds., 16 by 15, 8½ lb.	10 2	10 3	10 5	10 7	9 4	8 11

Inquiry in the cloth section has been active and numerous buyers have searched the market for manufacturers who are in a position to grant early delivery terms. Despite the scarcity of many styles, turnover has been fairly encouraging. Indent business, however, for India has been at a low ebb, but a fair amount of buying has taken place in fancies and Rangoon. A little more activity has shown itself in fine fabrics for and white shirtings. Printed and dyed sorts have moved off fairly well for Java and the Straits Settlements. Useful lines have been booked in for Java and the Straits Settlements. Dress materials have been sold for the Dominions and more contracts have been arranged in standard goods and fancies for the home trade.

JUTE.—**Dundee.**—Strikes were in progress in several mills in India for nearly one month, and, when they were extending, they suddenly collapsed on February 28th. Since then, however, there have been fresh Calcutta goods market is therefore very steady, but prices are not strikes during February, stocks of hessians at the end of that month showed an increase of 4½ million yards in Calcutta, heavy goods remaining is contemplating intervention on the working hours question in the Indian jute mills, but so far nothing definite is known on that matter.

Inquiries are being made in the Dundee market for three million sand bags for export, and there has been a fair business in jute yarns for export. Prices remain quite firm all round. The raw jute market continues to waver of speculation in the Calcutta "futka" market. The mills are meantime showing little interest. One or two of them have been buying new crop fibre, though sowings have not yet commenced in the majority of districts. Weather is stated to be satisfactory for ploughing.

The full group of Daisee-2/3 is offered at £19 5s. per ton and short groups at £19 10s., with PR quoted at £19 12s. 6d. and Daisee-4 at £17 17s. 6d., while Tossa-2/3 is rather higher at £20 for the full group nominal in the absence of offers and CCP Hearts have been sold at £19 5s., March-April.

Hessian yarns are being sold steadily at 2s. 1d. for common 8 lb. cops and 2s. 2d. for 8 lb. spools for early delivery, while ½d. more has been obtained for export. Twist has continued firm at 3½d. lowest for 3 ply 8 lb., but sucking 24 lb. weft has been done at 2½d. and 8 lb. chains at 3½d. Rove is quiet at the unchanged rates of £21 for 48 lb. and £16 15s. for 200 lb., and the finer yarns are quiet at 2s. 4d. for fourth grade Rio 8 lb. warp.

A moderate business is taking place in jute cloth at from 2½d. for 10 oz. 40 in. and 2½d. for 8 oz. Buyers are endeavouring to purchase at less but manufacturers are refusing to shade these terms, and indeed, can command ½d. more in the case of some widths and weights, notably the wide widths. Linoleum hessians and heavy goods are quiet.

GRAIN MARKETS

WHEAT.—Last week's improvement has been well maintained, and wheat prices have scored a fresh advance, despite large shipments and increasing port stocks in the United Kingdom. The major factor in this week's rise has been renewed purchasing by Germany and Italy.

On Wednesday last, "May" futures were quoted in Chicago at 137½ cents per bushel, against 133½ cents the week before and 135½ cents a month ago. Quotations in London, Wednesday: No. 1 Northern Manitoba, ex ship, 53s. to 53s. 6d. per 496 lbs., against 51s. 6d. to 52s. a week ago; No. 2 Northern Manitoba, ex ship, 52s. to 52s. 6d., against 50s. 6d. to 51s. 6d. a week ago. According to *The Corn Trade News* total shipments of wheat and flour last week totalled 1,979,000 quarters, against 2,017,000 quarters in the previous week and 1,289,000 quarters in the corresponding week a year ago.

FLOUR.—In sympathy with wheat, flour has become dearer this week. Wednesday's London quotations (excluding quota payments) were: Straight run, delivered Home Counties, 40s. 6d. per 280 lbs., against 39s. 6d. a week ago; delivered inner London, 40s., as compared with 39s. a week ago. Manitoba patents, ex store, 40s. 6d. to 42s., against 39s. to 40s. 6d. a week ago. Australian, ex store, 33s. to 33s. 6d., against 32s. to 32s. 6d. last week.

BARLEY.—The price of barley is gradually improving. There are few offers of English barley on the market. "May" futures were quoted at 8½ cents per bushel in Winnipeg on Wednesday, against 80½ cents a week ago. Quotations per 448 lbs. in London on Wednesday were: "English feed," at farm, 36s. to 38s., as against 34s. to 36s. a week ago; "English malting," at farm, 38s. to 45s., against 36s. to 45s. last week. Californian (new), ex ship, 51s. to 60s., against 54s. 6d. last week; Chilean, brewing (new), ex ship, 44s. 9d. to 50s., against 44s. 9d. to 50s. a week ago.

OATS.—On Wednesday, "May" futures were quoted at 48½ cents a bushel in Chicago, against 45½ cents a week ago and 51½ cents last month. Quotations in London, Wednesday: "English Black," at farm, 24s. to 26s. per 336 lbs., against 24s. to 26s. a week ago; "English White," at farm, 24s. to 26s., against 24s. to 26s. a week earlier; mixed Canadian feed (Vancouver), landed, 23s. 9d. per 320 lbs., compared with 23s. 3d. last week.

MAIZE.—In response to an active demand, maize prices are again higher this week. "May" futures were quoted on Wednesday at 108½ cents per bushel in Chicago, against 104½ cents a week ago and 107½ cents last month. Quotations in London, Wednesday: "Plate," landed, 26s. per 480 lbs., compared with 25s. 6d. a week ago; "Plate," ex ship, 25s. as against 24s. 6d. a week ago; "Plate," March, 25s. 9d., as against 25s. 3d. a week ago; yellow maize meal, ex wharf, was quoted at £6 17s. 6d. to £7 per ton, as against £6 10s. to £6 12s. 6d. last week.

AMERICAN WHEAT MARKETS.—The following table shows wheat quotations for selected weeks in 1935-37:—

NEAREST FUTURE	Jan. 2, 1935	Dec. 31, 1935	Mar. 11, 1936	Dec. 30, 1936	Mar. 3, 1937	Mar. 10, 1937
Winnipeg (No. 1, Manitoba) —Cents per 60 lb.	82½	84½	84½	129	127½	132½
Chicago (No. 2, Winter) —Cents per 60 lb.	86½	101½	99½	135½	133½	137½

The visible supply of wheat in Canada amounts to 88,101,000 bushels against 91,247,000 bushels last week, and 116,718,000 bushels in the corresponding week last year.

SALES AND PRICES OF BRITISH CEREALS.—The following table gives the estimated sale of home-grown wheat during the harvest years 1933-34 to 1936-37:—

	1933-1934	1934-1935	1935-1936	1936-1937
Estimated sales of home-grown wheat—	Cwts.	Cwts.	Cwts.	Cwts.
1 week to March 6	295,205	247,335	283,632	244,731
27 weeks to March 6	8,450,484	10,067,969	10,217,728	7,574,716
Average price of English wheat per cwt.	s. d. 4 5	s. d. 4 7	s. d. 6 3	s. d. 8 11

The following is a statement showing the quantities sold and the average price of British cereals in the past two weeks, and for the corresponding weeks in each of the years from 1933 to 1936:—

Week ended	QUANTITIES SOLD			AVERAGE PRICE PER CWT.		
	Wheat	Barley	Oats	Wheat	Barley	Oats
	Cwts.	Cwts.	Cwts.	s. d.	s. d.	s. d.
March 4, 1933	208,323	119,878	52,127	5 2	6 5	6 1
March 3, 1934	285,205	109,025	72,315	4 5	8 9	6 4
March 9, 1935	247,335	144,518	40,565	4 7	7 10	6 9
March 7, 1936	283,632	136,739	51,787	6 3	7 9	6 0
February 27, 1937	258,841	181,535	74,140	9 1	10 0	8 4
March 6, 1937	244,731	133,058	64,833	8 11	9 10	8 2

OTHER FOODS

BACON.—Demand showed an improvement this week, and the market had a better tone. The official quotations (per cwt. for No. 1 Sizable) which formed the basis for dealings on the London Provision Exchange this week were: English, 86s. to 90s.; Canadian, 77s.; Danish, 86s., against 86s. to 90s., 77s., and 86s. last week. Arrivals in London last week included: Danish, 13,410 bales; Canadian, 6,889; Dutch, 2,318; Lithuanian, 1,061; and Polish, 3,021; as against 14,127, 6,642, 2,365, 1,195 and 3,017 bales, respectively, in the previous week.

BUTTER.—Demand for butter was more active and prices showed a firmer tendency. Quotations (per cwt.) on the London Provision Exchange on Wednesday were: New Zealand, finest salted, 94s. to 95s.; Australian, choicest salted, 95s.; Danish, 125s.; compared with 91s., 91s., and 120s., respectively, a week ago.

CHEESE.—There was a firmer market for New Zealand cheese this week, with other makes steady. Quotations (per cwt.) on the London Provision Exchange on Wednesday were as follows: English, finest farmers, 86s. to 88s.; Canadian, finest coloured, 71s. to 72s.; and New Zealand, finest coloured, 57s. 6d. to 58s.; against 86s. to 88s., 71s. to 72s., and 56s., respectively, a week ago.

COCOA.—London prices remain on the up grade, but the New York market has suffered a slight setback. The spot quotation in New York on Wednesday was 11½ cents per lb., as against 11½ cents per lb. last week. In London, on Wednesday last, good fermented new crop, Accra, March-April, was quoted at 51s. 3d. per 50 kilos, c.i.f. Continent, against 50s. 3d. a week ago. Last week's movements of cocoa in London were as follows: Landed, 27,682 bags; delivered, for home consumption, 5,248 bags; exported, 119 bags; stocks, 167,763 bags, against 128,902 bags a year ago.

COFFEE.—The London spot market was quietly steady. The New York market was quiet and unchanged. On Wednesday, Rio No. 7 (cash) was quoted at 9½ cents per lb. in New York, as compared with 9½ cents per lb. last week and 9½ cents per lb. a month ago. Movements of coffee in London last week were as follows: Brazilian, landed, nil; delivered, for home consumption, 35 cwt.; exports, 12 cwt.; stocks, 3,234 cwt., against 11,382 a year ago. Central and other South American: Landed, 11,040 cwt.; delivered for home consumption, 3,109 cwt.; exported, 1,744 cwt.; stocks, 81,828 cwt., against 84,696 last year. Other kinds: Landed, 3,269 cwt.; delivered, for home consumption, 5,266 cwt.; exported, 899 cwt.; stocks, 117,992 cwt., against 154,961 last year.

EGGS.—The markets have been liberally supplied with English and Irish eggs this week, and prices have eased. At Smithfield, on Wednesday, English (ordinary packing, Grade 1, about 15-15½ lb.) realised 11s. 9d. to 12s. per 120, as against 13s. 3d. to 13s. 9d. last week; while Danish (15½ lb.) made 11s. 6d. to 11s. 9d., as against 11s. 9d. to 12s. 6d. last week.

FRUIT.—A steady business has been transacted at Covent Garden this week, according to *The Fruitgrower's* report. Prices remain moderate. The inquiry for apples is consistent, and prices for all imported varieties are maintained at a moderate figure. Pears continue to sell well, and prices are well maintained considering the heavier arrivals from South Africa and Argentina. Hothouse grapes, in short supply, are firm in price; but the much larger arrivals of South African grapes sell at lower rates. South African plums are going out well at steady prices, while peaches from the same source show little change. A few English forced strawberries have put in an appearance. Good samples of oranges are firm, and lemons are doing rather better; but grapefruit are a slow item.

MEAT.—Business at Smithfield has been on a rather quiet scale this week, with prices showing little alteration. On Wednesday last, Argentine chilled hindquarters were quoted at 3s. 4d. to 3s. 10d. per 8 lbs., as compared with 3s. 4d. to 3s. 10d. per 8 lbs., against 3s. 4d. to 3s. 10d. a week ago. According to the Smithfield Market official report, supplies during last week amounted to 9,390 tons, a decrease of 375 tons on the corresponding week last year. Beef and bacon 1,160 tons, as compared with 5,360, 2,623 and 1,162 tons, respectively, in the same week of 1936.

PEPPER.—On Wednesday, Singapore white Muntok, spot, was quoted at 6d. per lb. in bond, against 6d. per lb. a week earlier. Black Lampung, spot, in bond, was quoted at 3½d. per lb. sellers, compared with 3½d. per lb. last week. Movements of pepper in London last week were as follows: Black, landed, 3 tons; delivered, 6 tons; stocks, 1,786 against 1,684 last year. White, landed, 68 tons; delivered, 27; stocks, 11,814, compared with 12,951 a year ago.

RICE.—The spot price of Burma No. 2, cleaned, was 10s. 3d. per cwt., ex warehouse, on Wednesday, as compared with 10s. 3d. per cwt. a week

ago. "March-April," in singles to Continent and U.K., was quoted at 8s. 10½d. per cwt., against 9s. 1½d. last week. Movements in London last week were as follows: Landed, 2 tons; delivered, 40; stocks, 1,094 tons, against 2,890 a year ago.

SUGAR.—Raw sugar has been a firm market in London this week. The New York spot quotation, after advancing on Monday to 3-60 cents per lb., was 3-55 cents on Wednesday, as compared with 3-48 cents per lb. last week and 3-55 cents per lb. a month ago. Wednesday's sales of raw sugar in London included "May" delivery at 6s. 8d. to 6s. 8½d., against 6s. 4½d. to 6s. 5d. a week ago. Movements of raw sugar in public warehouses in London and Liverpool last week were as follows: Imports, 3,058 tons, against 11,473 in the previous week and 5,053 in the same week of 1936; deliveries, 16,366 tons, against 15,341 and 17,897 tons, respectively; stocks, 220,532 tons, against 233,840 and 243,581 tons, respectively.

TEA.—The following table shows the average prices (compiled by the Tea Brokers' Association) of tea sold in Mincing Lane on Garden Account in recent weeks:—

Week ended	Northern India	Southern India	Ceylon	Java	Sumatra	Africa	Total
	d.	d.	d.	d.	d.	d.	d.
Mar. 5, 1936	13-07	13-12	15-17	11-05	10-33	11-94	13-39
Jan. 28, 1937	13-77	12-49	15-92	12-60	11-42	12-69	14-18
Feb. 4, "	13-63	13-38	15-78	13-22	11-23	12-68	14-06
Feb. 11, "	13-72	13-73	15-87	12-59	11-29	13-00	14-16
Feb. 18, "	14-04	14-19	16-15	13-35	11-93	13-21	14-53
Feb. 25, "	14-82	14-71	16-60	14-35	11-94	13-65	14-84
Mar. 4, "	14-34	14-76	16-78	13-35	12-24	13-52	14-92

The quantities catalogued for this week's public auctions comprised 52,018 packages of Indian and 19,291 packages of Ceylon tea. Demand for the Indian grades was fairly active and the market was about steady. At Tuesday's Ceylon auctions an irregular tendency was apparent. Teas up to 1s. 3d. a lb. were fully firm, but fine teas, especially light liquoring types, were inclined easier.

VEGETABLES.—Supplies of cucumbers are increasing at Covent Garden, says *The Fruitgrower*, and prices are easier. Canary Island tomatoes have also declined in price. English and French asparagus are receiving fair attention, and the former is slightly dearer. House-grown beans are an increasing item and have been reduced in price, while Madeira beans are also easier. Mushrooms show an advance, and onions are a better trade. Greenstuff continues plentiful, while forced rhubarb is coming in for an improved inquiry.

The Potato Marketing Board announced this week that the available supply of maincrop potatoes in Great Britain, as at midnight on February 13th-14th, was approximately 980,000 tons. This estimate is stated to indicate the possibility of a slight deficiency. It was also announced this week that a Committee, representing the Potato Marketing Board and the National Federation of Fish Friers, will be set up immediately to secure greater co-operation between these two bodies. Meanwhile, the potato trade at the various London markets shows few new features. Best samples remain in steady demand, and at the Borough on Tuesday best siltland King Edward were again quoted at 9s. to 9s. 6d. per cwt., ex market.

MISCELLANEOUS COMMODITIES

VEGETABLE OILS AND OILSEEDS.—Oilseeds generally are steady but business is of only moderate volume. A fair trade has begun in new crop Indian linseed, shipment of which will begin very shortly. Up to £14 7s. 6d. per ton has been paid for Bombay and £14 for Calcutta, March loading, with about 2s. 6d. less for April. Some business has also been done in Plate in near positions to Hull around £12 plus duty. The quantity of linseed afloat for Europe has increased to 186,000 tons (including 8,600 tons from India), due to extraordinarily heavy shipments at River Plate ports. Last week Argentina shipped no less than 74,000 tons, bringing the total export of the new crop to over half a million tons, equal to 30 per cent. of the estimated total yield. A very large proportion was destined for the United States, so that there is now afloat for that country over 119,000 tons, against 32,000 tons a year ago. America is reported to be negotiating for new crop Bombay. A fair amount of interest has been shown by the Continent in Plate seed. Cottonseed is steady in sympathy with Alexandria, and some demand in near positions is reported, but later shipment is neglected.

Vegetable oils generally are steadier. Linseed oil is in fair demand by consumers, and is slightly dearer on the week and about 20s. per ton above the figure of a month ago. Cotton oil is in some request, and Egyptian crude ex Hull is reported sold at £28 10s. per ton, naked, March-April delivery. Soya, ground nut and palm kernel oils are firmer, and rapeseed steady and unchanged. Oilcakes continue in good demand and late quotations are maintained.

FURS.—On Monday last a large silver fox sale opened in London, which occupied the greater part of this week. Total offerings amounted to approximately 100,000 skins, consisting mostly of medium and low qualities. The sale was well attended by London merchants, who bought large quantities on their own and on Continental account. Foreign visitors, however, were not very numerous. Prices tended slightly easier, being approximately 5 to 10 per cent. lower than in January. The decline was mainly due to the smaller interest in the cheaper quality skins and not to weakness in the undertone of the market. The basic position remains strong, a fact which was also demonstrated by the strong opening prices paid at Leningrad. Detailed reports of the Leningrad sale, which opened on Sunday, have not yet reached London, but prices were generally slightly higher than those quoted of late on the free market here.

RUBBER.—Prices have recorded a sharp advance this week. The movement was due partly to more active buying by genuine consumers (including certain American interests) and partly to the action of speculators, who have been encouraged by the heavy decline in U.K. stocks and by the strength of commodities in general. Interest now centres round the action likely to be taken to relieve the threatened shortage of near rubber by the International Committee at its meeting next Tuesday. The spot price in New York on Wednesday was 23½ cents per lb., compared with 21½ cents per lb. a week ago and 21½ cents a month ago. Wednesday's official buyers' price for standard ribbed smoked sheet on the spot in London was 11½d. per lb., as against 10½d. on the corresponding day last week. In forward positions, business has been done at 11½d. to 11½d. for "April" shipment, as against 10½d. a week ago. Stocks in London and Liverpool at the end of last week totalled 59,829 tons, against 63,793 tons a week earlier. A year ago stocks amounted to 154,889 tons.

WHOLESALE COMMODITY PRICES

UNITED KINGDOM: LONDON, March 10th.

The prices in the following are revised with the assistance of an eminent firm in each department

CEREALS AND MEAT				POTATOES—				WOOL—			
GRAIN, Etc.—				English King Edward				English Southdown, greasy, per lb.			
Wheat—	s. d.	s. d.	s. d.	per cwt.				18			
No. 2, N. Man. 496 lb.	52	0	52	0 9 6				16			
Eng. Gaz. av., per cwt.	8	11		SPICES—				Queensland, sed. super cmbg.			
Barley, Eng. Gaz. av.	9	10		Pepper, per lb.—				N.S.W. greasy, super cmbg.			
Oats—	8	2		Black Lampong				N.Z., grsy., half-bred 50-56			
Maize, La Plata, landed	26	0		White Muntok				Crossbred 40-44			
480 lb.	26	0		Cinnamon—1st sort, per lb.				Best heavy ox and heifer			
Flour, Lon. stan. ex mill,	38	9		Cloves—Zanzibar, per lb.				Best cow			
280 lb.	38	9		Ginger—per cwt.—				Best calf			
Rice, No. 2 Burma, per cwt.	8	10		African				INDIGO—			
MEAT—				Jamaica, ord. to good				Sole Bends 8/14 lb.—			
Beef, per 8 lbs.—				Mace				per lb.			
English long sides	4	2	4	Nutmegs, 65's				Bark Tanned Sole			
Argentine chilled hinds	3	4	3	SUGAR—				Shoulders for DS Hides			
Mutton, per 8 lbs.—				(Duty, 11/8 per cwt.)				Do. Eng. or WS do.			
English wethers	6	4	7	Crushed, 86", prpt.				Bellies from DS do.			
N.Z. frozen	3	4	3	Orange Pekoe				Do. Eng. or WS do.			
Lamb, per 8 lbs.—				B.W.I., crystallized				Dressing Hides			
N.Z. frozen	4	6	5	Java, white, c. & f. India				Ro. Eng. Calif. 20/30 lb.			
Pork, English, per 8 lbs.	5	8	6	Oct.-Dec.				Aust Bends Avg. 7/11 lb.			
OTHER FOODS				Nominal.				VEGETABLE OILS—			
BACON—				Yellow Crystals				Linseed, naked, p. ton net			
English	86	0	90	Cubes				Rape, refined			
Irish	82	0	91	Crushed				Cotton-seed, crude			
Danish	86	0		Granulated				Coconut, crude			
Dutch	82	0		Home Grown				Palm			
HAMS—				TEA—				Oil Cakes, Linseed, Eng.			
Canadian	90	0	94	Indian—per lb.—				per ton			
United States	94	0	95	Pekoe				Oil Seeds—Linseed—			
BUTTER—				Broken Pekoe				La Plata, p. ton, Mar.			
Australian	95	0		Orange Pekoe				Calcutta—per ton			
New Zealand	94	0	95	Broken Orange Pekoe				Turpentine, per cwt.			
Danish	125	0		Ceylon—per lb.—				Motor Spirit, No. 1,			
CHEESE—				Pekoe				London			
Canadian	71	0	72	Broken Pekoe				Petroleum, Amer. rifd.			
New Zealand	57	0	58	Orange Pekoe				bri. London, per gall.			
English Cheddars	86	0	88	Broken Orange				Fuel oil, in bulk, for			
Dutch	52	6	58	Broken Orange				contracts, ex instal.			
COCOA—				TOBACCO—				Thames			
(Duty, British grown,				(Duty, 9/6-10/8 per lb.)				Furnace, per gall.			
11/8; foreign, 14/- cwt.)				Empire growth, 7/5				Diesel, per gall.			
Accra, f.f. foreign, per cwt.	51	6	52	8/3 per lb.)				RUBBER—			
Trinidad	80	0	85	Virginia leaf—				St. ribbed smoked sheet			
Grenada	68	0	73	Common to fine				per lb.			
COFFEE—				Rhodesian leaf				Fine hard para.			
(Duty, British grown,				Nyasaland leaf				per lb.			
4/8; foreign, 14/- cwt.)				strips				SHELLAC—			
Santos supr. c. & f. cwt.	50	0		East Indian leaf				TN Orange			
Colombian, good	56	0	65	strips				per cwt.			
Costa Rica, med. to good	62	0	85	COTTON—				SHELLS—			
East Indian, bags	62	0	80	Mid-American				W. Aust. M.-o.-P.			
Kenya, medium	65	0	80	Sakellaridis, f.g.f.				TALLOW—			
EGGS—				Yarns, 32's twist				London town			
English	11	9	12	60's twist				per cwt.			
Danish	11	6	11	FLAX—				TIMBER—			
FRUIT—Oranges—				Livonian ZK				Swedish u/s 3 x 8			
Valencia	9	0	14	Pernau HD				per std.			
Jaffa	8	0	12	Stanetz Medium 1st sort				2 1/2 x 7			
Lemons, Malaga	16	0	18	HEMP—				per std.			
Sicilian	25	0	34	Italian P.C.				Pitchpine			
Apples: Amer. (var.) brls.	10	9	13	Manilla, Mar.-May "J2"				per load			
" (var.) boxes	10	9	13	Sisal, African				Rio Deals			
Onions—				JUTE—				Teak			
Valencia, case	6	0	8	Native 1st mks				Honduras Mahg. logs			
Egyptian, bags	7	0	10	c.i.f. H.A.R.B.				per c.ft.			
Grapes, Almeria, barrels	7	0	10	Daisee 2/3 c.i.f. Dundee				Ash			
Grapefruit, Jaffa	7	0	10	Mar.-Apr.				English Oak Planks			
Amer.	7	0	10	SILK—				Ash			
LARD—				Canton				West Indian			
Irish finest bladders	72	0	80	Tussah				West Indian			
U.S.	68	0	69	Japan							

† These prices are for fuel oil for inland consumption—other than for use in Diesel-engined road vehicles—and do not include the Government tax.

UNITED STATES

New York quotations unless otherwise stated

	Mar. 11, 1936	Feb. 10, 1937	Mar. 3, 1937	Mar. 10, 1937		Mar. 11, 1936	Feb. 10, 1937	Mar. 3, 1937	Mar. 10, 1937
Wheat, No. 2, Winter, nearest future, Chicago, per bushel	99½	135½	133½	137½	Sugar, Cuban Centrifugals, 96 deg., spot, per lb.	3-50	3-55	3-48	3-55
Maize, nearest future, Chicago, per bushel	60½	107½	104½	108½	Cotton, middling, spot, per lb.	11-41	13-11	13-87	14-44
Oats, nearest future, Chicago, per bushel	27½	51½	45½	48½	Rubber, smoked sheet, spot, per lb.	15½	21½	21½	23½
Rye, nearest future, Chicago, per bushel	56½	111½	106	108½	Petroleum, Mid-continent crude 32 deg., to 33-90, at well, per barrel	104	116	116	116
Barley, nearest future, Chicago, per bushel	(a)	85	82	82	Copper, "Electrolytic," Domestic, spot, per lb.	8-82½	13-17½	16-12½	17-25
Coffee, Rio No. 7, cash, per lb.	6½	9½	9½	9½	Copper, "Electrolytic," Export prompt, per lb.	9-05	13-40	16-35	17-47½
" Santos No. 4, cash, per lb.	9½	12½	11½	11½	Spelter, East St. Louis, spot, per lb.	4-90	6-40	7-00	7-50
Cocoa, Accra, nearest future, per lb.	5-06	9-62	10-90	11-00	Lead, spot, per lb.	4-60	6-00	7-00	7-75
					Tin, "Strait," spot, per lb.	48-00	50-65	56-87½	65-75

(a) Nominal.

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The Air Force, as SIR PHILIP SASOON told the House on Monday, is being expanded so as to be able to combat the strongest foreign air force within striking distance of our shores. In no other element is the scale of the arms race more apparent than in the air. In 1937-38 the Air Force, which was not in existence in 1914, receives for the first time more money than the Army. We shall, besides rebuilding and expanding the Navy, be building a first-line Air Force, including first-class reserves in a ratio of 3 to 1, of about 7,500 machines. A vast number of new stations is being built up and down the country; old stations at home and overseas are being enlarged; and a big shadow aircraft industry is being organised alongside the normal aircraft industry.

MR DUFF COOPER did not indicate on Tuesday the extent of the revolution now taking place in the organisation and equipment of the Army. But the Army and Ordnance Factory Estimates show it. It is now known that the Army is to be highly mobile, mechanised to as great a degree as any Continental army. It is to be completely refurnished with the latest types of machine-guns, field guns, light transport, and equipment. Moreover, the increase of £8½ millions in the 1937-38 Estimates for guns and ammunition over those of 1936-37, coupled with the borrowing of an additional £8 millions this year for the Ordnance Factories, reflects the reorganisation of the Army's artillery which the new combined howitzer and field gun is to achieve. While the WAR

SECRETARY did not enter the controversy over the future use of a British Army as an expeditionary force, it is clear that the Army is being reorganised as a formidable striking or stemming force, capable of being swiftly thrown into any theatre of war at home or abroad.

In all three Services, the exigencies of modern warfare have decreed a vast increase in expenditure on semi-permanent works: naval and air bases at home and overseas, wireless stations, fuel, munition and reserve aircraft stores, Government and shadow factories, and transport vehicles. The net impression created by the Estimates for the first year of the Five-Years programme is that the enforced abandonment of the "no major war for ten years" presumption has endowed each Service with the funds to meet any and every one of its requirements. From now onwards in this country, as in our European neighbours' camps, the watchword is to be "on a war footing." We are all to proceed as though war to-morrow were the predominant possibility.

In these circumstances the British citizen-taxpayer, while conceding to his Government the duty and the means to re-arm, will devoutly pray that the men may be found to emancipate a hag-ridden Continent from its besetting war psychosis. And if, unhappily, fears do not prove liars, the British citizen can only pray that, at least at home, we shall not lack statesmen of vision and energy.

Germany's Reply

AFTER a silence of nearly four months the German Government have now resumed the diplomatic conversations which began on the morrow of March 7, 1936. That was the day when HERR HITLER shattered the Pact of Locarno by his military re-occupation of the Rhineland. On the 12th of this March the Ministry of Foreign Affairs in Berlin handed to the BRITISH AMBASSADOR a reply to the hitherto unanswered British Memorandum of November 19th, and HERR VON RIBBENTROP has returned to his post in London to discuss this document with MR EDEN.

These long and interrupted exchanges of views arose from HERR HITLER's offer—made at the moment when his troops were crossing the Rhine—to take an active and leading part in the negotiation of a general and permanent settlement for the whole of Europe. At that moment—and it was a gloomy one—the offer was greeted by all men of goodwill in the West European democracies as the bow in the cloud. This hope of a better future played its part in reconciling us to an indefensible *fait accompli*. In the months that followed we watched with dismay the gradual fading of the light. If it were now to be rekindled we should welcome it, perhaps more cautiously but certainly not less sincerely, than a year ago.

This country and France are of one mind in their deep and constant desire for a general and lasting European settlement; and if once it became apparent that this was what Germany, too, was genuinely seeking, then the Germans would immediately find the West European Powers disposed to make their own contributions, with alacrity and with no small-mindedness. Financial assistance to Germany and arrangements for her access to colonial raw materials and even the restitution of some, at any rate, of her former colonies are possibilities which would assuredly become practical politics if HERR HITLER's offer of March, 1936, were to materialise in March, 1937.

On the other hand, public opinion in this country as

well as in France would be less willing than ever to make concessions to Germany as long as there was any suspicion that, so far from obtaining a general settlement in return for them, we should merely be facilitating German diplomatic manoeuvres for disrupting the solidarity of the peace-loving countries, side-tracking the League of Nations, and securing in advance for Germany the maximum degree of immunity in the event of her attempting to make herself mistress of Central and Eastern Europe by naked aggression. The political and military control over the strategic backbone of the Continent would invest Germany with the hegemony of Europe.

Thus, eager though we are to make the most of every chance of a general settlement, we are not prepared to negotiate with Germany under all conceivable conditions. The first step now is to look into the conditions which Germany has put forward during the last few days, and to set out our own conditions side by side with them. This may give us some idea whether fruitful negotiations are probable. The German Memorandum has not been, and perhaps will not be, published; but its purport may be gathered from versions which have appeared in the Parisian and Belgian Press not long after copies of the document had been communicated to the Quai d'Orsay and the Belgian Foreign Office from the Wilhelmstrasse.

The gist of the German proposals seems to be this. First, HERR HITLER is contemplating this March an exclusively West European settlement to be confined to the ex-Locarno Powers. It is not to be the first chapter of a settlement embracing Europe as a whole. He makes three suggestions in regard to the West. The first suggestion is that the neutrality of Belgium should be guaranteed by all the four other parties on condition that Belgium on her side undertakes to abstain from assisting any of them in the event of their being at war. This abstention is to be construed in the strictest sense of denying them passage and other facilities, as well as

denying them military aid. The second suggestion is that Great Britain and Italy should resume their Locarno rôle with one important addition. As in the Locarno Pact, they should serve as guarantors of Germany and France without obtaining for themselves the benefit of also being guaranteed. But they should now also act together as arbiters of any claim on the part of France to carry out her mutual assistance pacts with countries east of Germany and Italy (e.g. Poland, Czechoslovakia, Yugoslavia, Roumania and Russia). The third of HERR HITLER's three suggestions is implicit in the other two, but is not for that reason any less important. It is that the settlement—even this local West European settlement—should be lifted right out of the framework of the League of Nations. Belgium is to contract out of her obligations under Article XVI; and the question whether France's obligations under her mutual assistance pacts with East European countries have come into play in a given international crisis is to be answered, not by an application of the principles and the machinery of the League as is laid down in all these treaties, but by an arbitral, and possibly arbitrary, Anglo-Italian decision.

Our British comments on these German proposals are quite clear. In the first place, we have no use for a West European pact unless it is being negotiated, from first to last, as part of a general European settlement. We have no objection to taking up the West European chapter of the new peace treaty first; for obviously the whole of Europe cannot be dealt with at one breath. On the other hand, we have no intention of tying our own hands in Western Europe unless and until Germany ties hers in Eastern Europe; and this is what we mean by insisting that all parts of a European settlement must be interdependent.

As for Germany's local West European suggestions, our first comment is that we want any substitute for the Locarno Pact to be based upon the League in just the same way as the Locarno Pact itself. Our second comment is that we should deeply regret to see Belgium divest herself of her obligations under Article XVI. Such a change in Belgium's status would not only increase the

insecurity of Great Britain and France; it would also make it difficult for any of Belgium's guarantors to make the necessary arrangements in advance for executing their guarantee, should the *casus foederis* arise, on Belgium's own behalf. Of course, Belgium is as free as any other State-member of the League to withdraw from it or, short of withdrawing, to ask for some relief from her obligations under the Covenant. But we have no reason whatever to suppose that the Belgian Government is contemplating any such step.

Next, we do not see why this country should be pushed back into her Locarno rôle of being only a guarantor without also enjoying a guarantee, instead of continuing to draw the benefits of the present provisional Anglo-Franco-Belgian understanding, under which each party guarantees each of the others. If we are to come to the help of France in the event of her finding herself at war with Germany by reason of French obligations in Eastern Europe, then we ought also to be able to count upon France coming to the help of Great Britain supposing that we were to find ourselves at war with, say, Italy or Japan because we were fulfilling our League obligations in the Mediterranean or in the Far East. The British Commonwealth—scattered over the face of the earth—is far too vulnerable to be able to waive valuable guarantees to which it has an equitable claim.

The point in the German proposals which we like least of all is the suggestion that we should be joined with Italy as arbiters of French obligations which are at present left to the judgment of the League. Apart from our conviction that Geneva is the proper court of appeal, we object most strongly to being invited to usurp the League's functions in collaboration with a Power which was lately certified as an aggressor by ourselves, in company with an overwhelming majority of our fellow States-members.

Here we stand. It is now to be seen whether the British and the German conditions can be reconciled with each other. We trust that the Government will make their conditions for conference at least as clear as those of the Government of Germany.

Postage One Penny

INVENTORS are notoriously ill-rewarded for their ingenuity, and prophets are frequently without honour in their own country. SIR ROWLAND HILL, whose momentous pamphlet on Post Office Reform was exposed to a sceptical world almost exactly one hundred years ago, was no exception to these rules; for he received but shabby treatment from the Government of SIR ROBERT PEEL. Busily engaged in the scientific organisation of colonial projects, he was called from his labours and an annual stipend of £800 to superintend the introduction of the cheap and uniform postage which he had proposed. When the success which he had forecast seemed in sight, he was summarily dismissed without pension or reward. General recognition and his knighthood came tardily.

From its earliest days *The Economist* gave SIR ROWLAND HILL its consistent and enthusiastic support. ADAM SMITH had proclaimed the discovery of the Indies to be the greatest event in the history of Europe, but we reserved that distinction (in our issue of November 2, 1844) for two other events: the inauguration of the penny postage and the invention of the steam engine. We declared that to have brought public opinion to "a right view of the true importance of a postal establishment" had earned for the statistically-minded schoolmaster and Empire builder the title of "one of the greatest benefactors of modern times."

To-day, with the added experience of nearly a hundred years, can we do less than reiterate our confidence in SIR ROWLAND HILL's achievement; and ask if we can still discern in the operations of the Post Office the right view of its true importance? Do we still deplore "the intimate association in our ideas of revenue and postage"? Would we still denounce as "a very Goth" any man who proposed to "make public revenue out of the facilities for public intercourse"?

In 1844, the issues seemed clear and straightforward. The carriage of letters should be cheap, and the charges should be uniform. The posts were a public service, and were not properly a source of revenue. To apply these criteria in modern times is more difficult, for the Post Office has changed markedly in scope and organisation since the Hungry Forties. The Bridgman Committee in 1932 described the Post Office, with its quarter of a million employees, as the largest trading organisation in the country. Among its functions the Committee included, not only the postal service, but also the telegraph and telephone services, the postal and money-order services, the inspection of wireless and the examination of wireless operators, the management of a savings bank, the issue of War Loan and National Savings Certificates, the payment of pensions and the sale of insurance stamps and licences. This list is compendious; but the postage stamp remains, nevertheless,

at the heart of Post Office activity. Postal services contributed 59 per cent. of Post Office revenue in 1935-36, against 34 per cent. from telephones and 7 per cent. from telegraphs.

SIR ROWLAND HILL's own scheme was based on a "bit of paper, just large enough to bear the stamp, and covered at the back with a glutinous wash." The "bit of paper" retains its relative importance to-day, and its absolute importance, in the interim, has increased on a scale of whose magnitude its creator never dreamed. Moreover, SIR ROWLAND's precepts are every whit as applicable to most of the new duties of the Post Office as to the postal service itself. To-day, however, as soon as we apply his principles of cheapness, uniformity and public service, we enter the field of controversy. Eight years ago, LORD WOLMER excited public debate by enumerating in the columns of *The Times* the defects which he had discerned during his connection with the Post Office. He alleged that its profits were obtained from excessive charges for an indispensable public service. The department, he declared, lacked enterprise, initiative and efficiency, and commerce and industry were being penalised. In that same year, 1929, a petition for the restoration of the penny postage was supported by the Chambers of Commerce, the Stock Exchange and the Federation of British Industries. The existing letter rate of three-halfpence was denounced as a handicap to the progress of trade. The petition echoed a widespread opinion that to obtain revenue by means of postal rates in excess of the cost of postal services was a pernicious form of taxation, which bore hardest on those least able to support it. The spirit of SIR ROWLAND, clearly, was still abroad. To many it seemed that abuse of the State's monopoly of the postal services meant hindrance to essential intercourse between persons, districts and countries, and that a profit was being made out of the necessities of civilisation. After eighty-five years we were in danger of reversion to the state of affairs which *The Economist* had thus denounced, in January, 1844:—"Whether it be in the Post Office or the Customs House, it seems to be a standing rule that the public is a *pigeon*, the plucking of which is merely a matter of ingenuity or taste."

A Committee was thereupon set up to find a reasoned answer to these criticisms. Even this constitutionally cautious body admitted that the tendency to regard the Post Office as a revenue-producing department obscured and impeded its primary function—the service of the public. At the back of the Committee's mind, obviously, was the conviction that it was not feasible for the Post Office, at one and the same time, to serve as a milch cow to the Treasury, to develop on commercially efficient lines, and to provide social amenities for which a purely commercial justification was lacking. Yet that is precisely what it was, and is, required to do. The case for the reform of the Post Office rests, fundamentally, on the contention that if its finance were as self-contained as that of the Electricity Grid or the London Transport Board or the Mersey Docks, it would develop its business and improve its services for the benefit of the public, without restraint or reservation.

It is interesting to speculate on what the pioneer of penny postage would say if, recalled from Elysium, he were asked to compose a confidential memorandum for MR BALDWIN's Cabinet, reviewing the progress of the Post Office since his day, and making any necessary recommendations. We may confidently presume that SIR ROWLAND HILL would not be sparing in praise of Britain's largest trading organisation, for the variety of its services and the great improvements it has effected in technical ways, in speed and in loads carried. He would point out that in 1844 only one ounce could be sent at the standard letter rate; while to-day, though the rate is 50 per cent.

higher, the maximum is two ounces. He would dwell upon the usefulness of such additional services as the carriage of postcards, circulars and printed papers at cheaper rates, the inception of the parcel post, and the development of the telegraph and telephone. With a few apt figures, he would emphasise the immense growth in the size and scope of the Post Office's business since its establishment.

GROWTH OF THE POST OFFICE		
	1843-44	1935-36
P.O. income	£1,702,000	£79,091,467
Letters carried	230,000,000	7,000,000,000

But these figures, in themselves, would scarcely dispel SIR ROWLAND's anxiety. "What does the Treasury make out of all this?" he would be constrained to ask. And he would discover that the receipts of the Treasury from the Post Office are, in fact, very considerable. In the year 1935-36 the Post Office contributed to the Exchequer £11,670,000, some 14.7 per cent. of the total Post Office income, and more than enough to cover any net loss of income from a reversion to the Penny Post.

If SIR ROWLAND HILL were disquieted by these figures, would not many of our readers share his uneasiness? What can be said to justify the apparently permanent abandonment of the penny post? Improvement in speed of transit and frequency of delivery are the normal milestones of social and scientific progress. The Post Office cannot capitalise on its own account the achievements of the locomotive and the internal-combustion engine. It is difficult to rebut the charge that, if the object of a postal system is maximum cheapness compatible with efficiency, then to obtain revenue by charging rates in excess of the cost of service is as barbarous as the raising of tolls and dues from commerce on the highways. Friends of the Treasury may urge that a rise of 50 per cent. in the standard letter-rate is not disproportionate to the general rise in the price level since SIR ROWLAND's time. But, in fact, prices to-day are not 50 per cent. higher than they were when the penny post was instituted; in fact, they are lower:—

BRITISH WHOLESALE PRICES (1900 = 100)		
1839 (institution of Penny Post)	153	
1844	115	
1900	100	
1913	113	
1929	153	
1936	118	

It remains true, when all is said in recognition of a century's improvements in the postal services, that cheapness of communications is vital, and that habitually to use the Post Office as a source of national revenue is an unfortunate, regressive and clumsy method of taxation. A hundred years ago it was said that to cheapen the letter rate would reduce the revenue from the carriage of letters. But faith moved the mountain of prejudice, the penny rate was instituted, and the revenue rose. It may be that the demand for the carriage of letters is more inelastic to-day, but it is not wholly inelastic, and over a reasonably long period the revenue might suffer much less than is sometimes believed from a reduction in the rate. But that, after all, is not the decisive consideration. Given a reasonable assurance of postal surpluses adequate to cover the depreciation of assets and to provide amply for developments, the primary object of the State monopoly in postage should be to secure the maximum cheapening of communication. We may fittingly conclude by re-expressing our views of 1844: "The Penny postage suggests manifold feelings of the deepest interest—of increased business, and increased intercourse between thousands who only a year ago were too poor to spare even their pence for letters; . . . the increased circulation of literature and science; increase, in short, of all that contributes to the social, moral and physical happiness of our country, or to the pleasures and blandishment of private life."

The Railway Prospect

IN recent articles in *The Economist* (February 27th, page 454, and November 13th, page 574) we have shown that the prosperity of Britain's railways has been closely connected with the prosperity of the country as a whole. In the depression of 1930-32 the companies suffered their full share of misfortune. Subsequently, railway earnings have improved concurrently, though not proportionately, with the general revival in trade. Any general discussion of railway prospects, therefore, must closely concern itself with those of the country as a whole. If a substantial recession of industrial activity occurs in the near future, then the immediate outlook is gloomy indeed. If, on the other hand, the Government's armament programme helps to maintain, or to increase, industrial production, the trend of railway gross receipts may be satisfactory as long as the programme lasts.

While this consideration is fundamental, it is no more than the starting-point for a study of future prospects. For if trade and armament activity are maintained or increased, it is inevitable that many railway costs will rise. Demand for the products of the semi-protected and cartelised iron and steel industry is already considerable, and there is little possibility of an early and spectacular increase in productive capacity. The cost of maintaining and purchasing rolling stock, rails and other railway equipment may therefore be expected to rise. The price of coal, similarly, is more likely to rise than to fall, given the continuance of quota schemes and pressure from the workers for higher wages. The railways, incidentally, will feel the effect, this year, of the increase in coal prices early in 1936 from which their long contracts for coal supplies have hitherto shielded them.

Another material factor is the level of wages on the railways themselves. It may be broadly true to say that railway wages, by whatever negotiating machinery they are governed, incline to relative stability—in the sense that they neither rise nor fall in proportion to changes in gross or net railway earnings. Recently, however, the Unions have been prompt to demand a share in the fruits of returning prosperity, and it has not been held either wholly just or expedient to refuse their request. That they have a moral claim to participation has now been more or less explicitly recognised by the Railway Staff National Tribunal. In the Tribunal's statement last January, which refuted the somewhat extravagant claim of the Associated Society of Locomotive Engineers and Firemen, these words occurred:—

The Tribunal considers that, if the present improvement continues, railway employees should obtain a share in the improvement without waiting for the large increase in railway profits that would be required before the revenue contemplated in 1921 [i.e. the Standard Revenue] can be reached.

It is unlikely, therefore, that any future increase in railway receipts will inure wholly to the benefit of the railway stockholder. There remains the possibility of some radical change in policy which may greatly increase operating efficiency and reduce costs. But in view of the slow progress made in such an important direction as that of improving average wagon loads and train loads—on which we commented in our article last week—it may be safer not to expect any dramatic developments on these lines. In short, there seems every likelihood that increased costs will follow a rise in gross receipts, and at no great distance.

Another factor which has an intimate bearing on railway prospects is the future development of road transport. To what extent is the railway equation likely to be modified by the operation of the Traffic Act of 1930 on the passenger side, of the Act of 1933 on the goods side, or of any future legislation which may affect operations generally? So far as passenger transport is concerned, it is doubtful whether any measure or measures will prevent a continued expansion of travel by road, though this will by no means be all at the direct expense of the railways. The number of privately owned cars is still increasing, and will, no doubt, continue to increase.

Even if the initial cost of a private car is raised, directly or indirectly, as a result of the armaments programme, increased popular purchasing power and improvement in the national system of roads will probably more than offset this factor. Aided by a well-organised second-hand car market, members of the artisan and wage-earning classes are becoming potential private motor-car owners to an ever-increasing extent.

So far as public service vehicles are concerned, the long-distance motor coach will always be a potential competitor with the railways. In this field the share of available traffic taken by road transport is not likely to increase, but it is even less likely to be drastically curtailed. The combined effect of the Road Traffic Act of 1930 and the financial interest taken by the railways in many road passenger operating companies has been, broadly, to stabilise fares and facilities, and no great change is expected in the near future.

On the goods side the position is more uncertain. The decision of the Metropolitan Traffic Commissioner in the Bouts-Tillotson test case, which the Appeal Tribunal has now upheld, showed clearly that the claim of the railways for a monopoly of long-distance transport will not be granted by those who at present are responsible for administering the provisions of the Road and Rail Traffic Act of 1933. It is undeniable that the Act has given the railways a potentially valuable measure of protection from road transport. Not only have legal regulations increased the level of road transport costs, but the conditions for any expansion of general road haulage business have been made sufficiently onerous to bring about a virtual stabilisation of that industry. But the Act specifically lays down that the Licensing Authorities have no power over rates charged. And individual business firms retain absolute freedom to own and operate their own ancillary fleets of vehicles under "C" licences.

The Transport Advisory Council is at present giving serious attention to the whole question of transport co-ordination, with a view to recommendations for the Minister of Transport. But as all forms of transport are represented on this Council, it is highly probable that any unanimous recommendations which the Council will see its way to make will have the character of a compromise. They are unlikely, therefore, to envisage the drastic curtailment of one form of transport at the expense of another. Even so, it is conceivable that they might, ultimately, affect railway traffics favourably. The necessary legislation, however, could not, even in most favourable circumstances, reach the Statute Book for another year or two. And for transport legislation of a restrictive character it is becoming more, and not less, difficult to command the support of a majority of the present House of Commons. The effects of such legislation, finally, would require some little time to manifest themselves. Altogether, therefore, we may conclude that the relationship now existing between road and rail is not likely to undergo any early and radical legislative change, and that the conservative conclusions, from the railway viewpoint, suggested in the course of this survey, retain their validity.

The Anatomy of Unemployment

WITHIN the last two years a striking change has come over discussions of the problem of unemployment. It is no longer the fashion to view unemployment in the mass, or to prescribe oecumenical remedies for unemployment of all kinds, at all times, in all places. Parliament has abandoned its regular series of debates on unemployment, and has substituted a series, almost as regular, on the Special Areas. The change is symptomatic of more than the progress of industrial recovery, for there has been a similar shift in the theoretical approach to the problem. It is now realised that, in Sir William Beveridge's words, "the beginning of an

understanding of the problem of unemployment is to break it up."

Unemployment can be analysed in a variety of ways. But from the point of view of economic policy a particular three-fold distinction is very illuminating. This is the analysis of unemployment into Normal, Cyclical and Special Unemployment which was attempted in a special Survey of British Economic Prospects contained in *The Economist* of June 13, 1936. Figures were then given for one month in each of the three years 1929, 1932 and 1935. The same method has now been applied to the figures for each month from January, 1929, to January, 1937, and the results are depicted in the diagram at the foot of this page.

Normal Unemployment can be defined as that temporary unemployment which exists at any time in a dynamic, changing economy. It is due to the inevitable interval of time which elapses between one job and another, or to seasonal fluctuations, or to casual labour, or to any of the other frictions which prevent a perfect adjustment between the demand for and the supply of labour. This type of unemployment will be present in good times as in bad.

Cyclical Unemployment is created by the fluctuations of the trade cycle; at the height of a boom it disappears altogether, but at the bottom of a slump it may well overshadow Normal Unemployment. Special Unemployment is that variety which has afflicted the Depressed Areas ever since the war. It is not normal, in the sense of being temporary or actuarially calculable, nor is it particularly subject to variation by the trade cycle; but it is due to a more permanent, or, at any rate, non-cyclical, change in the economic position of the areas affected. In any particular case, Special Unemployment may be difficult to distinguish from Cyclical, but the distinction in principle is perfectly clear.

In giving statistical form to these conceptions, several necessarily arbitrary assumptions have to be made. The first step is to assume that a certain percentage of the insured population is, at any time, subject to Normal unemployment. What this percentage should be cannot be exactly determined. Before the war the trade union percentage sometimes fell to little more than 2 per cent. A figure for the post-war world, and for a universal unemployment scheme, must be considerably higher than that, and the Unemployment Insurance Statutory Committee, in their latest report, comment on "a tendency for the fall of unemployment through

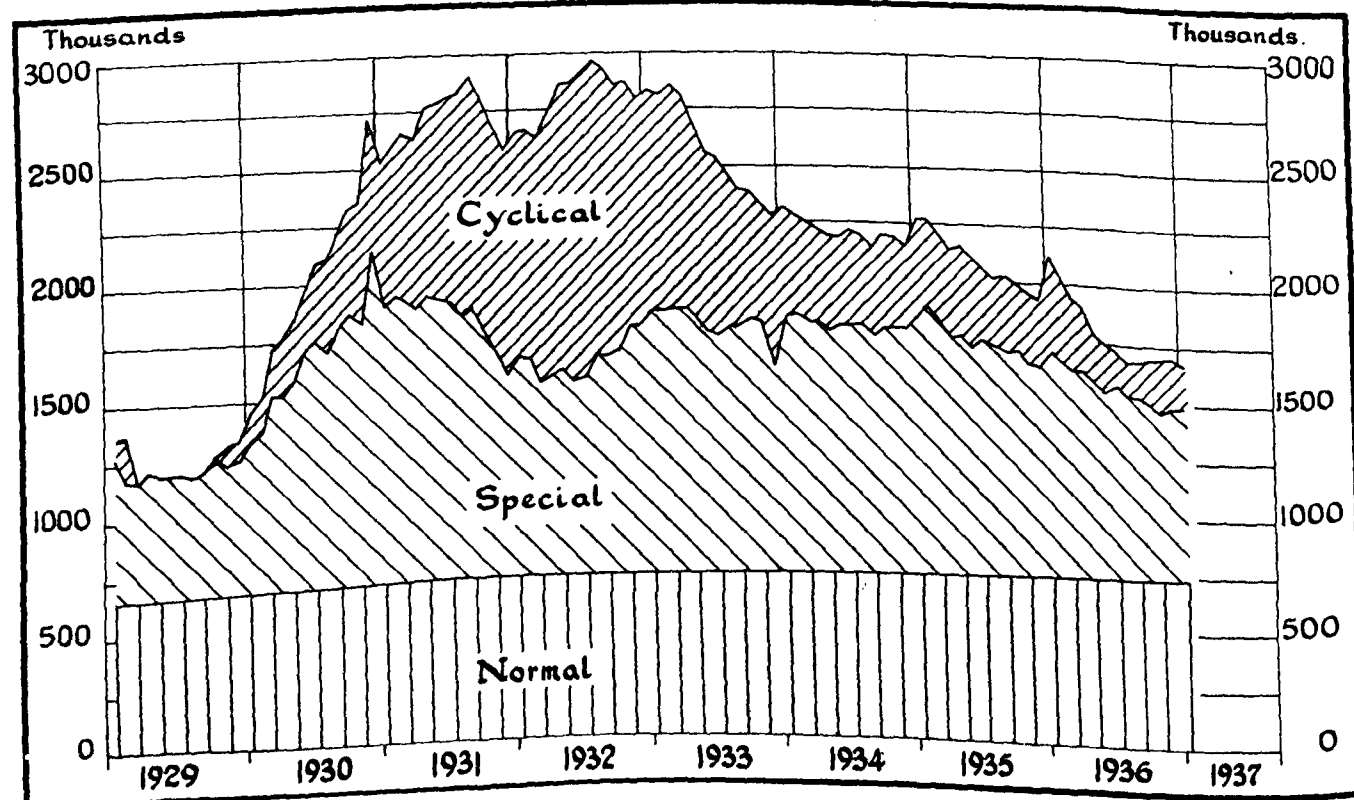
industrial recovery to become arrested even in the most prosperous counties at a minimum of 5, 6 or even 7 per cent." For the purposes of this calculation the Normal percentage has been assumed to be 5½. It is fully possible that a larger percentage than this should be assumed for 1936 and a smaller for 1929; if so, the effect would be to increase the amount of Cyclical Unemployment in 1929 and to diminish it at the present time.

The next assumption is that Cyclical Unemployment is evenly spread over each of the ten geographical divisions into which the United Kingdom is divided by the Ministry of Labour. If this assumption is correct, the amount of Cyclical Unemployment is given, at any time, by the extent to which unemployment in the most prosperous division exceeds the normal minimum. Thus, if the percentage in the South-Eastern division (which, throughout the period, has been the most prosperous), after elimination of seasonal fluctuation, is in any month 7.5, Cyclical Unemployment in that month is assumed to be equal to 2.0 per cent. of the insured population of the whole kingdom. Special Unemployment is what remains after Normal and Cyclical Unemployment have been deducted.

The diagram should be examined in the light of this explanation of the methods of calculation, and with the reservation in mind that it is no more than a first approximation to the truth. The main lesson of the diagram is clearly visible—namely, the great increase in Cyclical Unemployment in 1930-32 and its almost complete disappearance in 1933-36. The movements in the twelve months following the departure from the gold standard in September, 1931, are of particular interest. The first effect was to reduce Special Unemployment, i.e. there was an improvement in precisely those industries which, ever since the war, had been particularly depressed. But in 1932 it was realised that there was little prospect of an immediate and large-scale revival in international trade, and these industries relapsed again. It is further noticeable that virtually all of the reduction of unemployment in 1933 and 1934 was in the Cyclical category. Since the beginning of 1935, however, there has been some reduction in the great disparity of experience between the home counties and the rest of the country, and, as a result, Special Unemployment has fallen more rapidly than Cyclical.

It is our intention to bring this calculation up to date periodically, with such revisions in method as appear to be justified.

UNEMPLOYMENT IN THE UNITED KINGDOM, 1929-1937
(Seasonal Fluctuations Eliminated)



Manchoukuo

"Two facts about Manchoukuo are commonly known in the Western world. The first is that, in the Western view, it does not exist. The second is that it lives on soya beans. Both statements continue to be true. The outer world still follows Mr Stimson, formerly American Secretary of State, in sending its letters to the old address. And the signs of prosperity which became evident in Manchuria, after 1935, were due primarily to higher prices, a better crop, and reviving exports of the soya bean and its products.

This year the new and unrecognised regime celebrates its fifth anniversary. The past five years have seen a steady expenditure by Japan, mainly in order to consolidate her military, political and economic controls over the territory. It has been estimated that, since the Mukden affair of 1931, Japan has poured into Manchuria investments and military expenditure totalling something like 2,000 million yen. For this expenditure she has not yet obtained concrete reward. Her prospects may be excellent, in her own opinion, but they remain prospects. To realise them there must be still greater future expenditure. And most plans of future development raise the problem whether Manchuria is to be an independent economic regime, with its own raw material and processing industries, or merely a colony and feeder of Japan.

The achievement to which the spokesmen of the regime point with the greatest pride is their consolidation of the monetary system. Up to the middle of 1934 the newly formed Manchoukuo yuan was an inconvertible, managed silver currency, with a stable exchange rate on Shanghai. But the appreciation of silver created difficulties for Manchuria as for China. The yuan was consequently allowed to break away from the Chinese dollar, and after a period of adjustment was tied, yuan for yen, on the Japanese monetary system.

Second in importance to the consolidation of the monetary system has been the purchase of the Chinese Eastern Railway. This has placed the entire railway system of the country under the operative control of the South Manchurian Railroad system, and eliminated the most fertile cause of trouble between Russians and Japanese. The Chinese Eastern Railway is now marked for a decidedly inferior economic rôle. Transport to Vladivostok has ceased, and the new port of Rashin has been developed. The present railway system of Manchuria is based on radial lines from Mukden, Hsinking, and then south to Dairen or east to Rashin.

The third important development in economic relations with the outer world was the signing in Tokyo last April of a trade agreement between Germany and Manchoukuo. The motive for this treaty appears to have been not to show political and ideological alliance with Germany, but more directly to secure economic benefits. Germany has competed in the past with Egypt as Manchuria's best customer for the soya bean, which, with its products, accounts for over fifty per cent. of the value of Manchurian exports. By the agreement Germany undertook to take up 100 million yuan of Manchurian goods, to be paid as to three-quarters in foreign exchange, and as to one quarter in blocked marks, which Manchuria was to use for the purchase of German goods. Germany was to use any surplus foreign exchange, obtained in her trade with Japan, for further purchases in Manchuria. If the scheme works according to plan, Manchuria should derive considerable benefit. In 1935 she sold to Germany goods to the value of no more than 33 million yuan.

Apart from this agreement with Germany, the effect of Japan's conquest has been to concentrate an ever larger percentage of Manchurian trade in Japanese hands. In part, this result has been achieved directly—as, for example, in the oil trade, where deliberate steps have been taken to eliminate foreign interests from the retail trade. In part, it has been obtained by the persecution of the employees of foreign firms. But mainly it has been the inevitable result of Japanese control of

government. Thus, in 1936 something like 50 per cent. of Manchuria's exports went to Japan, which supplied 80 per cent. of Manchuria's imports. China took about 20 per cent. of the exports, and supplied about 6 per cent. of the imports; opium, for the enfeebling of Chinese stamina, was Manchuria's chief unofficial export over the Great Wall. Most observers appear to agree that this tendency to monopolise trade with Manchuria will continue.

A large part of Japanese exports to Manchuria during the past five years has been construction materials and machinery. Manchurian cities, particularly Hsinking, have enjoyed a building boom, while agriculture has been depressed. There is now a tendency for Japanese imports to fall off, partly because the building programme is coming to an end, and partly because Manchuria is developing her own industries, such as cement manufacture. But the problem of securing agricultural prosperity and building up the industrial capital of the country remains fundamental.

The South Manchurian Railroad, which is Japan's principal agent in her continental development schemes, has an annual budget appreciably greater than that of the Hsinking Government itself. Plans for the future are being made on an ambitious scale. In 1935, the Railroad announced a five-year building programme. In the past, it has obtained capital for industrial development by issuing debentures, and by making calls on non-official stockholders. The Japanese Government has a large holding in the South Manchurian Railroad, but has not yet made a contribution in cash. And ordinary stockholders and private capitalists have recently shown reluctance to make further contributions for schemes which do not promise any rapid return on the outlay. Undeterred by such difficulties, the South Manchurian Railroad announced, last November, that it proposed to raise some 2,450 million yuan over the next five years to encourage production of coal and iron, to develop agriculture and communications. Earlier in the year a similar five-year plan had been announced at Hsinking, for building roads, electric power plants, canals and encouraging agriculture. Last autumn also, the Manchurian Industrial Bank was formed, with a paid-up capital subscribed half in Hsinking and half by the Bank of Chosen. The Bank has power to issue debentures up to 15 times its paid-up capital of 15 million yuan, and the Hsinking Government will guarantee principal and interest on any debentures issued outside Manchuria.

Ambitious proposals have also been made from Japan for settling Japanese emigrants in Manchuria. Four experimental settlements have been made in the last few years, and all have failed. The reason for the failure suggested by the administration is the unsettled political conditions and the banditry which have prevailed—a contention which in itself disproves the claim of the army to have put an end to banditry. The new emigration plan calls for settlement, during the next twenty years, of some five million Japanese at an estimated cost of 2,000 million yuan. And already attempts are being made to restrict the flow of Chinese into Manchuria, which was formerly one of the world's largest mass migration movements.

The nature of these plans suggests two conclusions. The first is that the authorities now recognise that Manchuria must develop independent industries for her own support, regardless of the possibilities of friction with competing Japanese industries. Manchuria has been a disappointing source of Japanese raw materials. The second conclusion is that development will require capital resources which, in the opinion of many Japanese, are beyond their country's capacity in the middle of a naval and military armaments race. This probability, however, offers little consolation to the foreign manufacturer who may be looking to Manchuria as a possible market for his wares. The purchasing power of the Manchurian peasant remains very low. And even if Japan finds external support necessary for capital development, she will endeavour to limit it to the financial field, with herself as an intermediary. The Open Door in Manchuria, in short, seems destined to facilitate the departure rather than the arrival of Manchuria's non-Japanese guests.

Notes of the Week

Raw Materials.—The preliminary discussion by the League Raw Materials Committee of the general problems of supply and access was not very helpful. The British contention that colonies were of no great value was flatly contradicted by the Polish and Japanese claim that colonies and emigration were the only important issues in the raw material problem. The closing stages of the debate were illuminated by the American representative's sympathetic and impartial survey of the difficulties. The Russian representative claimed that for the Soviets there was no problem of raw materials and declared that Russia was ready to export materials freely to any country in the world. The discussions closed with the approval of a preliminary report, in which the Committee stated its decision to make a statistical survey of all important foodstuffs and raw materials, and its intention to consider the possibilities of an extension of the Open Door policy, of a relaxation of quotas and trade restrictions, and of the co-ordination of supply and demand. Sub-committees will report on June 21st, and the full Committee will then deal with restrictions on the supply of raw materials and with obstacles to the international equalisation of resources. The Committee has, however, declined to consider the distribution of the territories from which raw materials are drawn; nor will it promise "to propose appropriate solutions." Does this self-denying ordinance mean that the Committee will shun the political aspects of the problem? If so, almost certainly, no solution will be found.

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Sir Austen Chamberlain.—The sudden death of Sir Austen Chamberlain on Tuesday in his seventy-fourth year removes from the political scene a keen fashioner of foreign policy, an impressive parliamentary debater, a picturesque personality, and one of our last parliamentary links with the great Victorian Age. The eldest son of "Joe Chamberlain" entered the House of Commons forty-five years ago as a Birmingham Unionist free-trader; and his maiden speech on the second reading of the 1893 Home Rule Bill drew such comments from Gladstone as to delight "Joe." Austen Chamberlain joined his father in the latter's raging, tearing campaign for tariff reform; entered the Cabinet as Postmaster-General in 1902; and ran neck and neck with Walter Long for the reversion of the Party leadership after Mr Balfour's retirement. He had, through his two years' tenure of the Financial Secretaryship to the Treasury in 1900-02, of the Chancellorship of the Exchequer in 1903-5, his chairmanship of the Royal Commission on Indian Currency and Finance in 1913, and his return to the Exchequer in January of 1919, an intimate and precise knowledge of financial detail. But his mark was really made as Foreign Secretary from 1925 to 1929, after the abandonment of the Geneva Protocol by the British Dominions and by the new Conservative Government of Mr Baldwin in the former year. Austen Chamberlain then showed himself as a good European, a friend to France as many said, but hardly less a friend of Gustav Stresemann. By comparison with what followed 1929, Austen Chamberlain's quinquennium at the Foreign Office was the halcyon period of post-war European politics. Latterly, he intervened but rarely in debates, for his genius for self-effacement was almost as great as that of his famous predecessor, Lord Grey. But when he intervened, it was always with the dignity of an elder statesman, the force of a still energetic man, and the sincerity of a passionate patriot jealous of British prestige. The absence of the impassive lean face, the paternal monocle and the upright figure—with a back as straight to the last as that of the Duke of Wellington—will be long and genuinely mourned by all at Westminster.

Carbide in the Highlands.—The Caledonian Power Bill, by which an industrial company would have been empowered to establish a factory to make calcium carbide with hydraulic power in the Highlands of Scotland, was rejected by the House of Commons a week ago. The Government left the decision to a free vote of the House; but the Secretary for Scotland, on behalf of the Cabinet, stressed the vital importance of calcium carbide in national defence, and announced that if this Bill were thrown out the Government would thereupon take steps to secure an adequate supply of carbide by the establishment of a private factory—which might even be situated in the Highlands. With the Whips off, however, the iron hand in the velvet glove was ineffective. The House was more impressed by the arguments of those who opposed the Bill; that to expropriate the crofters for private profit was unjust; that the industry should be located in a distressed area like South Wales; and that to encourage hydro-electric production would be detrimental to the staple industry of coal. The Bill claimed rating concessions for a private trading concern, and was a threat to the amenities of the Highlands, where it was not wanted by the very localities which would be affected. The reply of the supporters of the Bill was that the proposed scheme would be the making of the Highlands by enabling the depressed crofters to earn a decent living; that hydro-electric production would be greatly cheaper than production by steam; and that a safe source of the carbide supplies necessary on strategic and national grounds would be ensured by the scheme. The proposals have been defeated, and the singular beauty of Inverness-shire will not be tampered with. But the problems remain. We import each year some 50,000 tons of carbide, largely from Norway, where electricity is cheap; and the Government is determined that this dependence must be ended. Moreover, the Highlands are sadly impoverished; and any national plan for industrial location must examine the possibilities of industrial development in these remote regions. Sir Thomas Inskip announced in the House of Commons on Wednesday that he was taking steps to set up a small committee to advise the Government how the country could best be provided with a supply of calcium carbide. The terms of reference will be wide; and the needs of Scotland (the Minister said) will not be lost from sight.

* * *

Hectic Dealings in Commodities.—The unsatisfactory features of the commodity markets to which we drew attention in *The Economist* of March 13th (page 580) persisted this week. On Tuesday the International Rubber Regulation Committee fixed permissible exports of the countries adhering to the restriction scheme at 90 per cent. of the standard tonnages during the second half of 1937, but decided to maintain the quota for April-June at 80 per cent. Instead of staying the upward trend of prices, the announcement was followed by an increase in quotations to over a shilling per lb. on the expectation that supplies cannot be increased as rapidly as consumption. Actually, world consumption last year exceeded exports by 144,600 tons, or nearly 17 per cent. Last January, shipments fell 14,400 tons below consumption. Consequently, stocks outside the regulation areas at the end of January were equivalent to only 3.7 months' requirements at the current annual rate of consumption. The implications of the developments on the rubber market are discussed in the succeeding Note.

* * *

The cotton exchanges, similarly, witnessed hectic dealings and, as a result of the operations of syndicates of speculators, quotations for Egyptian Sakellaris fluctuated violently and closed on Wednesday 13 per cent. higher than a week ago. Wheat, which has been

kept at a reasonable level in recent weeks by heavy Argentine shipments, resumed its upward trend under heavy purchases by consumers and speculators. Quotations for the leading non-ferrous metals, danced about to the tune of contradictory rumours, but, on Wednesday, copper, lead, spelter and tin all closed substantially lower on the week. On Friday last week the International Tin Committee decided to raise the quotas of the restricting countries to 110 per cent. of the standard tonnages during the second quarter of this year, in the expectation that stocks will increase by 2,700 tons per month at this level of output. At the same time the Committee asked the Governments of the producing countries to permit the exports of any available stocks irrespective of the quota. Following the announcement of these decisions, the quotation slumped by £20 per ton only to advance subsequently by £25 per ton in the belief that the leading producing countries will be unable to expand output to the extent of the increase in quotas.

* * *

The unsatisfactory conditions on some of the leading commodity markets are due to the short-term inelasticity of supplies. But the position has been aggravated by consumers who, fearing a real shortage, are all trying to secure supplies for longer periods than previously, thus providing speculators with an opportunity to exploit their anxiety. In the long run, production of most materials, stimulated by higher prices, is bound to increase beyond requirements at current quotations. And then there will be a crash. Meanwhile, producers should ease suppliers as far as possible, while consumers as a body might do well, in their own interests, to refrain from an attempt to cover their requirements for longer periods. Otherwise there is no limit to the rise in prices until the temporary tightness of the markets has passed.

* * *

Rubber Committee's Decision.—It is regrettable, both on economic and strategic grounds, that the International Rubber Committee did not see their way, this week to follow the example of the copper producers and suspend the operation of restriction altogether for the time being. The differences in the two cases will be readily recognised. The copper producers, admittedly, are a relatively compact body of substantial financial interests, while the Rubber Committee represent a host of disparate and on the whole small companies. Further, the ability of many of the most important signatories to the copper scheme to produce well above their theoretical quota was not in dispute, whereas many rubber companies would have been prevented by labour and other difficulties from reaching a 100 per cent. level for some considerable time. But it is recognised, with equal unanimity, that a price of anything like a shilling a pound must have unfavourable repercussions on rubber consumption. If the price goes still higher, the Committee will have manifestly failed in its main purpose, which

was to improve the long-term position of producers by encouraging the greatest possible increase in the world's rubber absorption. Possibly the suspension of restriction would not have added any considerable amount to near-future supplies; but it would have put the Committee in the strongest possible tactical position, whenever rubber history chose to repeat itself, and the next slump made the re-imposition of some form of regulation appear advisable. The argument that suspension would have been interpreted in the market as the throwing in of the Committee's hand, and would consequently have resulted in a still higher price, will not bear close examination. If the decision had resulted in the addition of a single ton of rubber to world supplies, that alone should have been a conclusive argument in a market which is tending to run amok on psychological fears of a shortage. The Committee, with the best of intentions, appear to have missed a great opportunity and given colour to the traditional reproach that producers are always, at heart, unduly complacent when a price squeeze is threatened.

* * *

Disorders in Paris.—Although M. Blum's Government has considerably strengthened its position by the success of the Defence Loan, the recent disturbances at Clichy show that there are still grave political difficulties to be overcome. Rioting on Tuesday between members of the Fascist *Parti Social Français* and demonstrators of the Extreme Left led to police intervention. The death roll is so far five; others are still in danger, and the total casualties were about 300. On Wednesday, the Cabinet publicly appealed to all citizens and parties to refrain from violence and provocation. There is no doubt that the Communists are restive and anxious; they believe that the police took a pro-Fascist line on Tuesday; and, in general, they fear a betrayal of the Popular Front. They are demanding the immediate dissolution of Fascist parties, and have inspired the Confédération Générale du Travail and other labour organisations to contemplate strike action. The Seine Department of the C.G.T. called a strike of over a million workers on Thursday in Paris. Feeling is running high, and M. Blum will find it hard to control his followers without making some concession to their fears of Fascism.

* * *

The Week in Spain.—The violent offensive launched against Madrid last week by one or more of the four divisions of Italian troops, as well as Germans and insurgent forces, has been checked by the hurried transfer of Government troops from the beleaguered city's south-western front. The Government aircraft, of American pattern made in Russia, have again demonstrated their—and their pilots'—superiority; for their operations against the Italian vanguard south-west of Sigüenza (north-east of Madrid) turned a check into a rout. Thus the ding-dong struggle goes on. Elsewhere,

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as last week, operations have been halted; though the miners investing Oviedo have pressed forward, and, on the other side, Italian forces are manœuvring in Andalusia. It is reported that many of the Italians captured by the Government forces have enlisted on the Government side, stating that they engaged to fight in Africa and were surprised at being landed in Spain. The total estimate of the Italian forces actually in Spain has been significantly raised during the last few days. In well-informed quarters in Paris and London it is now placed at 100,000. This constitutes, with the many thousands of German troops, a formidable foreign army of occupation in Spain, south of France's third land frontier; the other two land frontiers of France are already occupied by Italian and German troops. The quiescence of pro-Franco voices in France is quite comprehensible. This week, the Non-intervention Plan for supervising Spanish frontiers has been worked out in some detail. A hitch was caused by the Italian and German desire to discuss the disposition of the Spanish Government's gold placed abroad—mostly in Paris, but some in London—but the objections of the Russian representative were effective in preventing, at least for a time, so broad an interpretation of non-intervention.

Russia's Foreign Policy.—A manifestly authoritative and important exposition of the foreign policy of the Soviet Union was made in London last Saturday by the Soviet Ambassador, M. Maisky, at the Second National Congress of Peace and Friendship with the U.S.S.R. The importance of the speech is that it was addressed both to the three aggressive Powers and to the two West European democracies; and M. Maisky's message to both groups was the same:—

"I can say to-day, with full responsibility for every word, that at the present time we are strong enough to repel any attack on our territories on the part of any foreign Power or any combination of Powers, and we can do this single-handed."

In addressing the aggressors, he following up this warning with the offer of a golden bridge:—

"We would welcome Germany and Japan back to the League if they came there really determined to work for peace."

In this country, however, we are more concerned with M. Maisky's summons to the West European democracies to make their choice between the policy of collective security and "the so-called localisation of war," which M. Maisky described as "the way of submission in the face of the aggressor in the ridiculous hope that perhaps, after all, this ravenous wolf will not devour Red Riding Hood." The Soviet Union, M. Maisky declared, stands for the collective system because, while she is sure enough that she can win any war, her main pre-occupation is to prevent war from ever breaking out, and she cannot prevent it single-handed.

"Now it is the turn of the other countries who stand for peace and democracy to make their choice and with all clarity to show that they also are prepared to take risks, and if necessary, to bear sacrifices, in the struggle to prevent war from coming."

The lesson of M. Maisky's speech for this country can best be appreciated by reading it in connection with a speech made two days earlier in the House of Commons by Sir Samuel Hoare, in which the First Lord of the Admiralty mentioned, almost casually, that it was "essential that the [British] Navy should be able to

carry out its duty in both the Eastern and Western hemispheres." This means that the British Empire has a far stiffer problem of defence than the Soviet Union has to face. The Russian Army has to be equal to repelling a simultaneous attack on two land frontiers from Germany and Japan; the British Navy has to be equal to repelling a simultaneous attack from Japan, Germany and Italy in three seas. Can anyone imagine that we are capable of maintaining this "two-hemisphere" standard of naval power on our own unaided resources? As we cannot, so we cannot afford to answer M. Maisky's question in a way that would move Russia to withdraw into isolation.

Britain and India.—The Congress Working Committee has decided to permit acceptance of Ministerial office in the Indian provinces where the Congress is in a majority; provided the party leader in the Legislature "is satisfied, and is able to state publicly, that as long as he and his Cabinet act within the Constitution the Governor will not use his special powers or set aside the advice of his Ministers." That the test is to be the satisfaction of the Congress leader, not a pledge by the Governor himself, is evidence that the condition is a face-saving, and that the majority of the Congress are anxious to seize their opportunity of government. No Governor could be expected to give a pledge not to use the special powers embodied in his instructions under the conditions for which they were designed. As the Viceroy pointed out in his speech last Monday, the provincial Governors and the Governor-General have a dual responsibility: to the elected majorities on the one hand, and to the minorities and the millions without the franchise on the other. They can renounce neither one nor the other without a breach of duty and of the spirit of the Constitution. In Lord Linlithgow's words, they will collaborate with the Provincial Ministers "in a spirit of sympathy, helpfulness and co-operation." That, he said, was the spirit in which the Constitution was offered to the Indian people. It is to be hoped that, if and when they accept office, that spirit will grow among the leaders of the Congress.

India: A Correction.—A typographical error unfortunately crept into the leading article on this subject last week. The number of voters newly enfranchised in the provinces is not 120 millions, but 20 millions.

Tyneside Local Government.—The Report of the Royal Commission on Local Government on Tyneside goes far beyond the economic and administrative difficulties of the area under review in its implications. The problem of local government on Tyneside concerns a vast conurbation on both banks of the Tyne, stretching from Newburn and Blaydon in the west, through Newcastle and Gateshead, Wallsend, Hebburn and Jarrow, to Tynemouth and the Shields at the mouth of the river—continuously built up for over ten miles, with a population of over half a million people, and administered by twelve separate and distinct authorities. The Report states categorically that the present division of administrative functions does not allow of efficiency or economy. It recommends sweeping changes: that local government services should be divided into regional and local; that regional services should be administered by an authority larger than any at present existing on Tyneside, including both rural and urban areas and forming a single central authority; that such an authority should administer on Tyneside all Public Health, Education, Public Assistance, Police, Fire and Highways; and that for the administration of local services on Tyneside the present urban areas should be amalgamated into one municipal borough, to be known as the City of Newcastle-upon-Tyne. The scope of these

proposals is stupendous. The County Boroughs in the area will lose their status, and even the civic distinctions of the City of Newcastle will only be preserved by a special provision. The middle-sized authorities will be vehement in protest; and a minority report protests against so extensive and unrestricted an amalgamation of local authorities; but the present position is clearly anomalous and artificial. Out of the economic necessities of Tyneside has come a bold vision of a great urban authority. Whatever criticisms may be made of the project, it has its lessons for all the conglomerations of urban population into which the people of this country are increasingly concentrated.

Iron and Steel Shortage.—The latest returns of the British Iron and Steel Federation clearly indicate that output of iron and steel has reached a limit for the time being. Despite the pressure of consumers for new supplies, the output of pig-iron and steel ingots and castings in February—a short month—showed a decline on the total for January. The shortage of materials has been rendered more acute by the decline in imports:—

(In thousands of tons)				
Period	Production		Foreign Trade	
	Pig Iron	Steel Ingots and Castings	Total Imports	British Exports
1913—Monthly Average	855.0	698.6	185.9	414.1
1929 " "	832.4	803.0	235.2	364.9
1932 " "	297.8	438.5	132.7	157.4
1933 " "	344.7	585.3	80.9	160.2
1934 " "	498.2	738.3	113.9	187.8
1935 " "	535.3	821.6	96.0	197.7
1936 " "	640.5	974.8	123.8	183.8
1936—January	595.5	911.7	119.9	164.8
" February	584.7	938.5	123.2	167.8
" March	583.6	980.1	130.3	163.4
" April	629.8	984.2	120.8	177.5
" May	661.0	963.0	117.5	204.1
" June	644.1	965.9	110.6	173.5
" July	665.6	974.1	170.3	216.1
" August	635.8	872.7	141.8	164.0
" September	650.8	1,027.0	165.0	183.0
" October	670.3	1,060.3	101.0	194.4
" November	643.1	1,001.3	90.7	193.3
" December	671.4	1,019.2	94.8	204.8
1937—January	650.7	998.9	83.1	215.0
" February	603.7	895.9	82.9	200.5

As a result of the scarcity of semi-finished materials, a number of plants have been forced to curtail the output of finished steel products. There are no indications of early improvement, and as demand is still increasing there is some danger that the Federation, with the best intentions of the world, may be unable indefinitely to prevent prices from getting out of hand. Exports in February, though lower than in the previous month, showed an appreciable increase over the corresponding month a year ago, as a result, mainly, of heavier shipments of tubes, sheets and tinplates. These shipments, however, represent orders placed many months ago, before the shortage was acute. Whether exports can be maintained at the current level, when home demand is going partly unsatisfied, remains to be seen. In view of the present shortage of iron and steel and the danger of a further rise in prices, the results of the Import Duties Advisory Committee's investigation, shortly due for publication, are awaited with considerable interest.

Employment in February.—On February 22nd, employment in Great Britain, at 11,187,000, reached a new high level. The total was 81,000 more than in January and 662,000 more than in February a year ago. Moreover, the improvement was well spread among the more important industries; the largest increases occurred in building, public works contracting, tailoring, cotton, engineering, and in the motor vehicle and aircraft industry. At the same time, the number of unemployed on the registers fell to 1,627,845—a total of 61,378 less than a month ago and 397,176 less than a year ago. Of this total, 1,391,932 were wholly unemployed, 161,834 temporarily stopped and 74,079 normally in casual

employment. About 40 per cent. of those applying for benefit or unemployment allowances had been out of work for less than 6 weeks; some 57 per cent. for less than 3 months; and 69 per cent. for less than 6 months; while only 22 per cent. had been on the registers for 12 months or more. The incidence of unemployment by industries is shown below:—

Industrial Group	Feb. 24, 1936	Jan. 25, 1937	Feb. 22, 1937
Coal mining	189,121	138,409	136,796
Iron and steel manufacturing	33,869	21,979	21,172
Engineering	73,698	47,736	45,574
Metal goods manufacture	48,812	33,095	32,403
Shipbuilding and repairing	54,047	38,848	38,572
Motor vehicles, cycles and aircraft	22,313	16,319	13,960
Public works contracting	129,764	120,460	117,213
Building	191,682	173,578	158,309
Cotton	75,292	47,942	45,436
Tailoring	23,991	24,727	18,708
Dressmaking and millinery	8,161	8,061	6,006
Boots and shoes	17,014	17,146	14,191
Pottery, earthenware, etc.	16,012	12,551	10,456
Distributive trades	235,926	200,582	201,703
Shipping service	42,261	33,060	31,236
All persons registered	2,025,021	1,689,223	1,627,845

The returns of the various administrative areas show that the decline in unemployment was general throughout the country. By far the largest reduction occurred in the north-western division; this was followed by the Midlands, the northern division and the London area.

Overseas Trade in February.—The growing activity of our export trade is encouraging. The recent level of British exports has been well maintained, while re-exports have made further headway. Thus, though imports continue on a large scale, the ever-widening gap between total imports and exports, which was a feature of our trade last year, is less pronounced; the visible adverse trade balance for the year to date is only 9.2 per cent. larger than last year. Detailed figures for the past three years are set out below:—

MONTH OF FEBRUARY (000's omitted)				
	1935	1936	1937	Change between 1936 and 1937
Total imports	£ 56,432	£ 62,289	£ 71,653	+ 9,364
British exports	34,098	35,110	38,572	+ 3,461
Re-exports	4,408	5,651	6,928	+ 1,277
Total exports	38,506	40,761	45,500	+ 4,739
Excess of imports over exports	17,926	21,508	26,153	+ 4,645
Transshipments under bond	1,793	2,033	3,092	+ 1,059

FIRST TWO MONTHS (000's omitted)				
	1935	1936	1937	Change between 1936 and 1937
Total imports	£ 118,223	£ 132,131	£ 147,139	+ 15,008
British exports	69,578	69,863	77,656	+ 8,092
Re-exports	9,441	9,967	12,030	+ 2,063
Total exports	79,020	79,830	89,686	+ 10,155
Excess of imports over exports	39,203	52,601	57,454	+ 4,853
Transshipments under bond	3,817	4,442	6,041	+ 1,599

The increase in imports was well spread between the three main categories. There were heavier purchases of grain and flour and of non-ferrous metals; but here some allowance must be made for the recent advance in price

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of certain commodities. The sustained demand of the home industry for machinery products is reflected in a continuance of imports on a large scale. There has been a further increase in coal exports, though the major advance in British exports has taken place in the manufactures group.

Trade by Commodities.—Recent changes in the more important categories of imports retained in this country are shown below:—

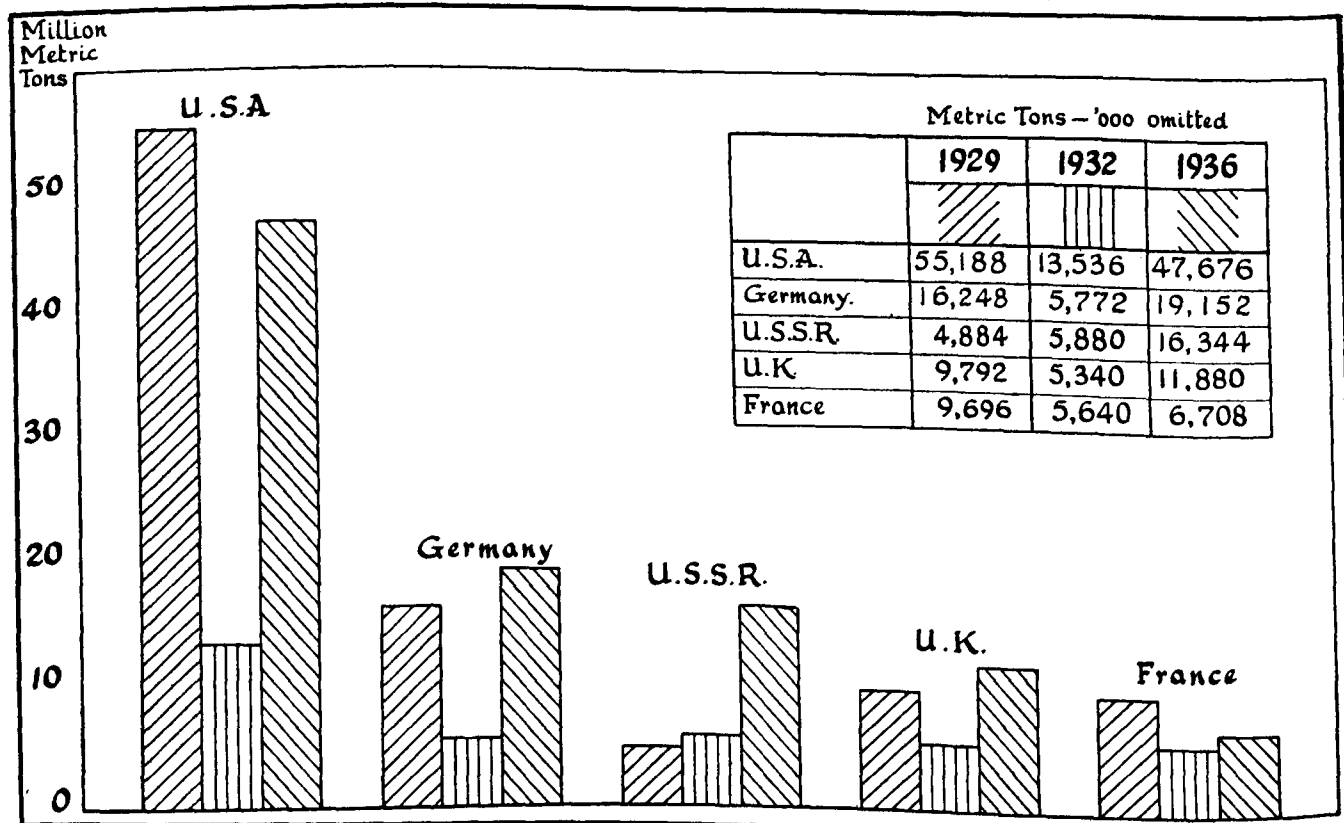
RETAINED IMPORTS—MONTH OF FEBRUARY

Item and Measure	1935	1936	1937
Wheat	7,811	6,614	10,008
Beef and veal	856	885	811
Mutton and lamb	591	520	578
Sugar (unrefined)	2,670	3,393	2,724
Iron ore and scrap	368	542	536
Raw cotton	871	1,145	1,161
Sheep's and lambs' wool	544	742	590
Flax, hemp and jute	41,277	33,574	40,115
Crude petroleum	47,214	38,313	22,142
Hides, wet and dry	109	138	105
Wood pulp	150	173	106
Rubber	350	—	5
Unwrought copper	24,133	16,695	21,229
Pig lead	30,346	27,116	28,984
Tin:—			
Ore and concentrates	3,255	5,162	4,405
Blocks, ingots, slabs and bars	1,442	1,155	699
Iron and steel manufactures	103	123	82
Machinery	5,144	5,976	11,743

Wheat imports show a substantial rise which is due mainly to increased Argentine shipments. Though imports of beef are lower, the proportion coming from Australia has risen. Australia, again, is chiefly responsible for the increased imports of mutton; Argentina has sent us larger quantities of lamb. Sugar shipments have declined, but the share of Empire countries is still on the up-grade. Demand for textile fibres is being maintained. Machinery imports continue on a larger scale; machine tool supplies from the United States have increased fourfold. British exports are set out below. The recovery in British coal exports continues; increased purchases have been made by France, Italy, Argentina, Norway and Sweden. Though home demand for iron and steel manufactures is still at a high level, exports of these commodities show some improvement. Of the textile group, linen piece-goods alone met with a stronger demand. The steady progress of the export trade in motors is again noticeable.

CRUDE STEEL PRODUCTION IN LEADING COUNTRIES

(World Total—Thousand metric tons—1929, 120,271; 1932, 50,701; 1936, 122,242)



BRITISH EXPORTS—MONTH OF FEBRUARY

Item and Measure	1935	1936	1937
Coal	2,796	2,582	2,616
Iron and steel scrap	12,261	9,336	23,863
Pig-iron and ferro-alloys	11,756	6,973	13,563
Railway material	13,784	14,380	8,124
Total iron and steel manufactures	171,163	167,845	200,498
Textile machinery	6,219	4,894	4,274
Cotton yarns	30,174	32,662	30,676
Cotton piece-goods	12,282	13,480	12,575
Wool tops	174,329	169,490	160,417
Woolen tissues	6,573	4,139	3,524
Worsted tissues	3,111	2,516	2,145
Worsted piece-goods	6,792	7,889	7,475
Linen piece-goods	3,412	3,447	3,973
Leather boots and shoes	6,964	7,776	8,134
Leather	27,697	31,300	30,259
Paper and cardboard	22,363	21,613	28,724
Locomotives (complete and parts)	368,977	314,953	320,187
Motor vehicles and chassis	1,566	2,424	1,874
Motor vehicles and chassis	6,419	7,033	8,365

International Steel Production.—Steel forms the basis of the industrial structure of modern countries. Hence the output of steel provides a useful indication of the industrial activity of countries, such as France, Germany, the United Kingdom, the United States and the U.S.S.R. The output of steel in these countries before, during and after the depression, shown in the diagram below, reveals striking differences. In France and in the United States, production of steel in 1936, like general business activity, was still below the pre-depression level. Clearly, deflation has held down French steel production, while quite other forces were at work to cause the big American steel slump. In this country and in Germany, where economic recovery began at an earlier stage, output in 1936 was well above the level of 1929. In the U.S.S.R., which was scarcely affected by the world depression, production more than trebled between 1929 and 1936. Here, however, a long-run trend of industrial development has carried steel production steadily along with it. While the trend of world steel production remains upwards, the experience of the United States, where output fell to less than 25 per cent. of the pre-depression level in 1932, suggests that the farther mechanisation proceeds, the greater are the swings between boom and slump. This lesson should not be overlooked in planning for the future. Re-armament is now playing a considerable part in the steel boom in every country. Probably some check, due to reaching the limits of present capacity, will soon be imposed on steel production—at least for a time.

Overseas Correspondence

From Our Special Correspondents

United States

Rising Labour Costs

NEW YORK, March 9.—It would probably be necessary to go back to the 1916-19 period to find price phenomena in any way comparable to the events of the last four months. To illustrate this, three well-known indices are given below:—

WHOLESALE PRICE INDICES

	October, 1936	Current
Bureau of Labour		
Statistics	Avg. Oct. 81.5	Last wk. Feb. 86.1
Annalist	Avg. Oct. 127.3	(Mar. 3) 139.5
Moody's	(Oct. 31) 181.8	(Mar. 6) 214.7

In this period, Moody's index (the most limited and most sensitive of the three) rose 18 per cent.; the Annalist index rose almost 10 per cent.; and the B.L.S. index about 5.6 per cent.

Yet the current phase of the movement is quite different from the earlier phase. The initial rise came in primary commodities, and was traceable to the effect of demand on supply, supply being represented not merely by current production, but also by diminishing accumulated stocks. The present phase is marked by increased labour costs, and by the effort of the producer to pass on these increased costs to the consumer.

The recent increase in labour costs has been general but irregular. The increase is due either to the raising of hourly wage rates, which is the more usual cause, or to the shortening of the working week, usually to forty hours. Indeed, the 30-hour week (five 6-hour days) has now been established in the New York building trades. The 40-hour week was recently introduced in units of the steel industry, and replaced a 44-hour week; the idea was to increase the number of persons employed in the industry. The 30-hour week in the building trades was established to increase the amount of overtime, which is paid at the rate of time-and-a-half. In addition to higher hourly wages and a shorter working week, there is a noticeable tendency to insist upon the abandonment of piece work in favour of payment by time; or, in the case of line production in the mass production industries to slow down the rate of the conveyor belt, which determines the speed of production for a gang of men. Another feature has been the general movement to increase the hourly wage rates of "common labour," by establishing flat daily or hourly minima; there is, for instance, a 75 cents an hour minimum in the General Motors Corporation, and a \$5 a day minimum (for 8 hours) in the Steel agreement. Such minima have so far tended to reduce the difference in remuneration between unskilled and skilled labour.

It is impossible to generalise as to the effect of these tendencies on labour costs. Furthermore, the movement is still in flux. For example, an increase in the minimum wages in a large industry is invariably followed, with some time lag, by a readjustment of the wages of the skilled workmen, and often (usually much later) by some readjustment of clerical salaries. Consequently, although it would hardly be statistically justifiable to say that, in manufacturing industries generally, there had been an increase of nearly 20 per cent. in labour costs in the last four months, something of that order has been and is occurring. This is superimposed on a substantial rise in the price of primary commodities; and is being rapidly passed on to the consumer in the form of higher retail prices. But the consumer has not yet felt the full impact.

January Surplus of Imports

There has been a relatively small rise in rents compared with other prices. Unfortunately, the statistical data are far from satisfactory. The Bureau of Labour cost-of-living index shows rents at 105 with 1913 as the base year; while the cost of construction index of the *Engineering News Record* now stands at about 225 (also on a 1913 base). This latter index is now higher than at any time during the building boom of the 20's, and has risen about 20 per cent. in the past year.

At the present time, it is quite impossible to assess the general consequences of so abrupt and comprehensive a movement. In recent weeks, several million persons have received substantial pay increases—but there are supposed to be about 50 million people capable of gainful employment, and over 40 million persons actually gainfully employed. Wide as has been the application of increases, it is probably safe to say that a majority of all persons employed has received no rise. At the same time the prospect of rising retail prices is probably in part responsible for the very active retail trade of the current season.

Our foreign trade figures for January repeat more emphatically the trend of recent months towards a passive trade balance:—

FOREIGN TRADE OF JANUARY

	1936	1937
Merchandise exports	199	222
Imports	187	240
Net silver imports	58	2
Net gold imports	46	121

An import surplus in January is a very rare event; but the increase in merchandise imports over last January (about 20 per cent.) is comparable to the rise in the index of production in the same period. The most striking change is the shrinkage in our silver imports. Since the price of silver was quite steady in January, it would appear that the silver market found in that month an equilibrium ex our treasury operations.

France

Success of Defence Loan

PARIS, March 18.—The issue of the two tranches of the Defence Loan was a great success, and the major part of the subscriptions was taken up by Frenchmen. The repatriation of funds has begun, and it is hoped that the Paris Exhibition in May will do the rest. When totally issued, the Defence Loan will ease the position of the Treasury. The requirements for 1937 were finally estimated by M. Vincent Auriol at 40,000 million francs;



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but 8,000 million francs have been already subscribed, and 6,000 millions of public works expenditure has been abandoned. Therefore when the Defence Loan has been issued the sums to be furnished by the middle or short-term market will be about 16,000 million francs—20,000 millions including the repayment of the £40 millions loan. These sums should not be beyond the resources of the French market, if a return of confidence provokes a recovery in the Rentes.

The revival of business is shown by the increases in railway receipts (10 per cent.), in fiscal receipts in January and February, and in production. Unemployment has fallen to about 400,000, a drop of 85,000 compared with a year ago. The Chamber will begin a two months' recess at the end of the week. They will thus have no time to pass the Bill to establish an unemployment fund. This is perhaps fortunate; this and other measures will prove expensive, and they might endanger financial equilibrium and the political truce.

Rise in Prices and Fiscal Receipts

The main problem now is the rise in prices, which endangers both wages and exports at a time when re-armament and recovery are causing a considerable increase in imports. The rise of international prices is not actually balanced by the fixed price of wheat, which is kept at 145 francs, against a world price of about 130 francs. An increased demand and a shortage of labour are causing this rise in prices, which is interfering with business and wiping out the benefit of wage increases. The Government believe that production must be encouraged to increase supplies, and so to provoke a reaction on the markets. The question is how to reconcile the 40-hour week with the shortage of skilled labour. The Minister of Economy told the National Economic Council that the workers will consent to examine the proposals for delays and exceptions in the application of the 40-hour week to various industries. Such a decision might have the same favourable effects as the return to a free gold market in the financial sphere.

The Statistique Générale de la France has just published its monthly figures:—

	PRICES			
	June, 1936	Sept., 1936	Feb. 6, 1937	Mar. 13, 1937
Wholesale prices.....	372	407	515	533
Domestic products.....	415	457	541	546
Imported products.....	296	319	467	510
Foodstuffs	396	447	522	516
Industrial products ..	352	373	510	548
Retail prices	458	463	577	...
Lighting and heating ...	79	88	93.8	...
Clothing	57	61.2	86.3	...

	INDUSTRIAL PRODUCTION			
	Jan., 1936	Nov., 1936	Dec., 1936	Jan., 1937
General index	97	99	100	100.5
Engineering.....	97	102	105	109
Iron and steel.....	83	92	89	93
Textiles	71	74	75	71
Mines (adjusted figures)	101	95	98	97
Building " " ..	68	57	58	61
Leather " " ..	91	95	91	91
Paper " " ..	123	151	150	147
Rubber " " ..	909	941	915	818
Motors " " ..	428	532	560	542

In the motor industry, 12,937 automobiles and 1,810 lorries were put on the road in January, against 13,815 and 1,932 in December. The number of bankruptcies in February was 541, against 592 in January and 599 in December; bankruptcies and judicial liquidations were 735, against 843 in January and 844 in December.

Fiscal receipts in February were 2,695 million francs, of which 2,513 millions were ordinary receipts. These results are much more favourable than those of January. The receipts are actually 96 million francs higher than the estimates, while in January they were 67½ millions lower than the estimates. Moreover, the yield of indirect taxes has risen by 355½ million francs compared with that of February, 1936. For the first two months of the year fiscal receipts were 29 million francs higher than the estimates and 546 millions higher than the yield of the same period of 1936. It will be noted

that the February surplus comes principally from the increase of customs, which realised 105 million francs. The turnover tax produced, in the two months, 603 million francs, a surplus over the estimates of 93 millions a month in Auriol francs, but a deficit of 52 millions in Poincaré francs.

Germany

Inadequate Information in Foreign Countries

BERLIN, March 16.—The amount of the Reich 4½ per cent. loan was last week increased from the original Rm. 500 millions to Rm. 700 millions. This was a consequence of the abundance of cash, another indication of which was the increase of the Gold Discount Bank's circulation of promissory notes to nearly Rm. 1,200 millions by the end of February. In three months this circulation has risen by Rm. 750 millions. The syndicate banks had large cash reserves and at once paid in their subscription quotas in order to make an interest gain; and the public rushed to subscribe, apparently fearing that the loan might be rationed. Because of the loan and of the quarterly demand for income tax, money this week is dearer.

The complaint by the American Securities and Exchange Commission, issued on March 2nd, about the Reich's incorrect debt reports was here suppressed. The statement, which was issued in connection with the registration of the German Conversion Office's issue of dollar funding bonds, would not have given Germans, had they been allowed to see it, a high opinion of the efficiency of foreign Governments in defending the interests of their nationals. Though naturally eager to get information about German indebtedness, the S.E.C. did not discover the Reich's so-called secret or unrecorded debt until November, 1936, and then discovered it only because a semi-official report issued by the Trade Research Institute and already a year old came to its notice. The statement shows that the S.E.C. did not know that this was an old problem, which had been dealt with in detail repeatedly, not merely by the semi-official Institute but by the official Reich Statistical Bureau, and even by the Minister of Finance. There has, indeed, never been any secret debt, but only secrecy as to the amount. Naturally a Commission which confessed such innocence failed to induce Berlin to give new information, and learned only that the Reich's funded debt was Rm. 11,620 millions, and the floating debt Rm. 2,918 millions, which is just what the monthly debt returns show.

It is also strange that the S.E.C. should reproach American bankers for getting better terms for themselves as creditors than they got for the bondholders whom they represent. The better treatment of the Standstill bank creditors arose automatically. When the first Standstill agreement was concluded, the bonds were being fully served, and it was not envisaged that bond transfers would ever be curtailed. The bondholders were therefore then the favoured party. It was the default on bonds in June, 1933, which gave the creditor banks an apparent priority for their claims. It is an observed fact that the slackness of foreign Governments in protecting their citizens' rights against the excesses of German exchange-legislation is often due to imperfect information; and the S.E.C. affair is therefore worth noticing.

Rising Prices and International Agreements

The wholesale prices index number for March 10th was 106.1, against 106.0 on March 3rd. Recently this index has steadily risen. The "price-stop" decree of November 26th permits so many exceptions—imported goods, new materials, and certain agricultural products—that it cannot prevent a rise in the average of prices. According to another official wholesale prices index (1928 = 100), the index number for January, 1937, was 75.2; the agricultural component stood at 76.8, manu-

Spain

Progress in Mining

BARCELONA, March 2.—In an interview the Minister of Commerce for Catalonia gave some account of the present economic position of Catalonia. He pointed out that war conditions had forced Spain to rely largely on her own resources; and that in Catalonia alone some 50,000 workers were now employed in newly-established industries. Many mines have been reopened, in particular the lead mines of Bellamunt, Mola, Oso and Martorell; and a newly-discovered zinc mine is likely to yield a daily output of from 10 to 20 tons. Copper ore of high quality has been found in the Catalan Pyrenees.

In the three months since October 1, 1936, Catalan exports were valued at 46.2 million pesetas (about £783,000 at the official rate of 59 pesetas to the £) and imports, exclusive of certain foodstuffs, at 30 million pesetas (about £508,000 at the official rate). Exports of textiles were valued at 6.5 million pesetas, of cork at 6.2 millions and of almonds at 6 millions. Foodstuffs to the value of 11 million pesetas were imported, raw cotton to the value of 2.7 million pesetas, and coal to the value of 2.5 millions.

Trade Policy and Food Shortage

The Spanish Government has made a new trade treaty with France: some 60 per cent. of Spanish exports to France will be compensated by imports of French produce, 25 per cent. will be paid for in foreign currencies, and the remainder will be devoted to the repayment of debt. Similar compensation agreements have been made with Holland and Switzerland. A number of temporary reductions in import duties have been decreed for goods most in need in Spain. These range from cuts of from 50 to 90 per cent. in the duties on pig iron, scrap, brass and copper ingots, wire, machinery, methylated spirit and telegraph sets to 35 per cent. in the case of sawn timber. The duties on coal, live cattle and unwashed wool will be cut by 75 per cent. and on foodstuffs by from 50 to 75 per cent.

The Minister of Commerce declared that the prime need of Spain to-day was for foodstuffs. The Valencia Government has decided to purchase 300,000 tons of grain, and large quantities of meat and fish. In return textiles, potash, wines, almonds, nuts and olive oil will be exported from Catalonia. Special Catalan Export Agencies have been set up abroad, and Catalonia is included in all the commercial agreements concluded by the Central Government. There is no suggestion, the Minister concluded, that the Spanish Government is likely to repudiate foreign claims arising out of engagements made by former governments in Spain.

factured capital goods at 82.6, and manufactured consumption goods at 74.7. The cost of living index (1928 = 100) stands at 82.1. While the national income rose between 1931 and 1936 from 5,750 million marks to 6,200 millions, the retail turnover sank from 2,850 million marks to 2,780 millions; it has increased considerably, however, since 1932. Railway car loadings in January were 7.3 per cent. more than in January, 1936. In February the number of unemployed fell by 243,000 to 1,611,000, and was 904,000 below the figure of February, 1936. Pig-iron output in February was 1,190,800 tons, against 1,292,100 tons in January. Several new undertakings, among them a daughter corporation of the I.G. Farbenindustrie A.G. for "Buna" rubber production, have been founded under the Four-Years Plan.

The Reichsbank's Foreign Holdings

The Reichsbank held its annual shareholders' meeting on March 16th. The profit and loss account for 1936 shows a gross profit of Rm. 170 millions, against Rm. 153 millions in 1935, the main change being an increase of Rm. 16 millions in the profit from bills. Expenditure rose from Rm. 112 millions to Rm. 129 millions, mainly because of increases in the amount put to the note-printing reserve and to the reserve for new construction. Dr. Schacht reports that the new head office is costing more than was estimated. The net profit, Rm. 40 millions, is almost exactly the same as last year. The dividend remains at 12 per cent.; one-third of this will go into the loanstock. Of 13,682 shareholders owning 1,498,615 shares of Rm. 100 each, 1,576 holding 262,208 shares, are foreigners. The foreign holding has of late only very slightly declined. The total balance for December 31, 1936, was Rm. 15,824,004,113 against Rm. 11,733,543,757 last year. In addition to the gold reserve, the balance sheet shows the following foreign-exchange holdings and claims, not specified in the weekly returns:—

	Rm.
Foreign currency deposits (part is booked in the returns as note cover).....	14,518,189
Foreign banknotes	2,275,603
Foreign bills and cheques	94,497,981
Foreign exchange at the bank's disposal.....	31,038,229

The only foreign currency liabilities specified amount to Rm. 433,028.

The completion of the International Cement Cartel and the progress made towards a Coke Cartel have attracted favourable attention. This is particularly true of the Coke Cartel plan because it seems to foreshadow an international coal agreement. The German export of cement has trebled since 1933, largely because of increased purchases by South America, but it is only two-thirds of the 1929 figure; and the average export yield has fallen in this period from Rm. 30 to Rm. 12-13 a ton. Trade journals talk of possible international agreements about certain manufactured goods, such as special machinery, which though not adapted to cartelling are in demand owing to re-armament. There is a characteristic discussion about whether Germany should cut down her exports of machinery because they help foreign competitors. The rise in the price of International Steel Cartel exports has badly hit those machine-manufacturing countries which obtain their raw materials from abroad. It has benefited Germany twice over: firstly because her machinery manufacturers are getting steel at unchanged prices; and secondly because the steel industry obtains better export prices. Because of this dual improvement, the "Avi" price-rebates on steel consumed by home manufacturers for export will, it has been announced, be reduced. These price rebates were for a long time a matter of international controversy, and led to conflicts with the United States. There is some doubt about the way in which company dividends exceeding 8 per cent. (which have been impounded under the Loanstock Law) will be paid. Consequently quotations for shares with impounded dividends fell last week. Reichsbank shares, which pay 12 per cent. and have a claim for an impounded portion, were quoted scarcely higher than industrials paying 7½ per cent.

Sun Life Assurance Company of Canada

(Incorporated in Canada in 1865 as a Limited Company)

Sums assured by new, paid-for Life Assurance policies issued during 1936 in Great Britain and Ireland exceeded

£5,000,000

Total Assurances in force at November 15th, 1936, in Great Britain and Ireland

£71,000,000

H. O. LEACH (General Manager)

2, 3 & 4 Cockspur Street, London, S.W.1

China

The Kuomintang in Conference

HONGKONG, February 28.—China has just started another year, and the outlook is brighter than it has been for some years past. Rising prices throughout the world promise better returns for the produce of China and for the labours of its people. Already there are signs that purchasing power is on the upward grade, and, despite areas where Communism on the one hand and Japanese aggression on the other are disturbing factors, the country as a whole is on the road to recovery.

Six months have passed since the control of the Central Government was made effective in Canton. A month or more ago it looked as if the general in command of the troops in Kwangtung was acquiring power at the expense of the civil officials. Both the Chairman of the Kwangtung Provincial Council and the Mayor of Canton were absent for some time, but the Chairman has now resumed office, while the Mayor has gone to Nanking to represent Kwangtung at the Plenary Conference of the Kuomintang Party. So far the proceedings of the Conference have hardly got beyond the preliminary stage, but the earlier speeches indicate a desire to avoid ruffling the feelings of the Japanese Government. The business will probably be confined as much as possible to domestic affairs. The extension of the national currency to the southern provinces appears to have made no progress; nor has there been any reform of the currency in the neighbouring province of Kwangsi, where the war lord Pei Chung Hsi continues in office, despite the understanding that he would leave the province and allow it to be administered by the Central Government.

The Effects of Re-armament

The figures of the trade of Hongkong for 1936 show an increase of 23.9 per cent. for imports and 29.5 per cent. for exports in local currency compared with the previous year. Measured in sterling, there is a decrease of 19.3 per cent. and 10.9 per cent. respectively; but as the average rate of exchange for 1936 was 1s. 3½d., against an average rate of 1s. 11½d. for 1935, the dollar figures are probably a closer indication of the actual volume of trade passing through the colony. Imports from Japan showed a further increase. They rose to 12.8 per cent. of the total, compared with 11.8 per cent. in 1935; and imports from Germany rose from 4.5 per cent. to 5.2 per cent. On the other hand, there were slight decreases in imports from the United Kingdom and U.S.A.; the respective percentages were 6.4 and 7.1, compared with 6.5 and 7.3 in 1935.

The Hongkong shipbuilding yards are looking forward to a busy year and are already well occupied. Two Blue Funnel steamers of 10,000 tons each are to be built at the Taikoo Docks; and the rival company at Kowloon has orders for two Indo-China S.N. Company steamers and for a steamer for the Burns Philp Australian line. The Taikoo Dock will also be engaged on the conversion of several Blue Funnel steamers from coal to oil burning. Such activity in the shipbuilding trade of Hongkong has not been experienced since the closing years of the War. The British Government's re-armament policy may also provide work for the two dock companies; the regular naval establishment is only able to cope with a limited amount of refits and repair work required by the China Fleet. Extensive preparations for military works have been proceeding here for many months past, and with the lapsing of the Washington Treaty it is presumed that the defences of the colony will be greatly strengthened. Two new aerodromes are under construction, while increased barrack accommodation will be provided for the military forces. All this activity will be of benefit to the colony in circulating money; but the commercial community would be far happier if prosperity were derived from normal trade with South China rather than from the pockets of the British taxpayer.

Argentina

The Early Stages of a Boom

BUENOS AIRES, March 3.—There are signs that Argentina is on the threshold of a boom, the full effects of which will not begin to be felt for two or three months. During the first six weeks of the current year shipments of wheat and maize showed an enormous increase over the corresponding figures of the two previous years:—

(Shipments in tons during first six weeks of the year)

	Wheat	Maize	Linseed
1935	722,466	630,106	375,752
1936	143,115	1,016,782	246,395
1937	1,066,961	1,351,008	328,793

The increased movement of cereals has brought about a great improvement in the position of the railways. In the week ended February 6th, for instance, receipts of the Buenos Aires Great Southern (the chief wheat-carrying railway) were 4,028,000 pesos against 2,889,000 pesos in the same week of last year. Other lines showed similar if less striking improvement. Central Argentine receipts rose from 2,244,200 pesos to 2,988,450 pesos, while Buenos Aires Pacific Railway receipts improved from 1,660,000 pesos to 1,870,000 pesos.

Meat exports show no remarkable change compared with former years; these are less liable than cereals to violent fluctuations in price and volume. In the first four weeks of the year Argentina exported 371,077 quarters of chilled beef, all of which went to the United Kingdom, compared with 413,591 quarters in January, 1936, and 372,626 quarters in January, 1935. The announcement last month that the Argentine Government would subsidise stockbreeders and meat exporters to a maximum of 15,100,000 pesos annually, as a reply to the British tax on Argentine beef, was not unexpected. The President of the Republic and the Minister of Agriculture had already indicated that the interests of the stockbreeders would not be overlooked in negotiating the recent Anglo-Argentine agreement. Argentina has had considerable experience in the last few years of managed economy; the chief industries are controlled by Government boards. But the subsidising of cattle breeding, the oldest and greatest Argentine industry, seems paradoxical. The landowners, however, are still the most influential class in the country.

Export Surplus Rapidly Rising

The foreign trade returns for 1936 show that compared with the previous year exports rose by 5.3 per cent., while imports fell by 5 per cent. The export surplus was 535,737,647 pesos, against 394,367,834 pesos in 1935 and 328,501,534 pesos in 1934. This is remarkable when it is recalled that, during the first half of 1936, the surplus fell by more than 100 million pesos compared with the first half of 1935. The whole of the recovery, therefore, took place in the second half of the year and most of it in the last quarter. In imports in 1936 the big increases were in machines and vehicles, metals and food products; the most notable decreases were in textiles and tobaccos.

The United Kingdom in 1936 maintained her predominant position as a supplier of Argentina. The United States, Germany and Belgium all lost some ground compared with 1935. Italy improved her position very considerably. Japanese exports to Argentina showed a considerable fall. The diminution of competition by Japanese cotton cloth manufacturers was particularly marked, especially towards the end of the year; and it is reliably reported that Japanese cotton exporters have increased their prices by between 30 and 60 per cent.

The extraordinary sessions of Congress ended without the Bill for the purchase by the Government of the Córdoba Central Railway being considered. The passage of the Bill is by no means certain, as the Government lacks a working majority in the Lower Chamber. The recent decision of the Government to provide funds for the rebuilding of the Argentine section

of the Transandine Railway between Punta de Vacas and Mendoza, which was destroyed in the Río Plomo disaster of January, 1934, is dictated almost entirely by political motives. The Transandine Railway was never an economic proposition, but it helped to cement bonds of friendship between Chile and Argentina; and it brought Chile a fortnight's journey nearer to Europe.

New Zealand

The Limits of Public Expenditure

OTAGO, March 1.—The present Government is in a very strong position. The previous administration was discredited during the depression; and the new Ministry took office when export markets were showing signs of rapid improvement. Moreover, the previous Government had pursued a policy of exaggerated economy and deflation, with the result that the Reserve Banks had accumulated sterling balances in London of £24 millions. Wool prices have risen by 80 per cent. in the past twelve months. Consequently, the new administration can expand its commitments freely without bothering unduly about the external balance of payments, and without making unorthodox calls upon the Reserve Banks.

Nevertheless, public spending cannot be increased indefinitely without resort being had to the bank for credit; which would cause external strain and internal inflation. It is true that while large sterling balances are held and export prices rise, the problem will not occur. But lavish local expenditure encourages imports; and if

the guaranteed price for dairy produce is fixed higher than the export price to please the farmers, the same will happen. The present policy of expenditure rests precariously on the present favourable terms of trade; and the Government may eventually be compelled to adopt exchange control, import rationing and currency depreciation to protect its policy. The limits of monetary expansion are fixed by the external balance of payments.

Freer Spending but Prudent Policy

The keynote of policy has been freer spending. The number of pensions has been raised from 41,840 in 1935 to 47,743 in 1936, and the annual cost of pensions from £1,776,414 to £2,475,000. An old age pensioner draws 22s. 6d. per week. Roads, tunnels and railways are being laid down and completed, with the aid of up-to-date machinery and relief labour (at 19s. 7d. per day).

But there is little financial anxiety. Taxes, in particular on land and incomes, have been increased considerably, but incomes are rising, and revenue is buoyant.

Labour legislation, e.g. the forty-hour week, has put up costs. Waterside workers, for instance, have been awarded 5s. 4d. per hour for Sunday work of at least three hours. Much of the sweeping legislation has not, however caused undue alarm among employers, because the present Cabinet is composed of practical men, whose administrative practice is not likely to be as drastic as their legislative powers. The Government has shown a sense of realities; the sales tax has not been removed, nor has the currency been appreciated. Much of the new spending was necessary, and the Cabinet is unlikely to overstep the bounds of prudence.

Letters to the Editor

Railway Wagon and Train Loads

TO THE EDITOR OF THE ECONOMIST

SIR,—The article in last week's issue under the above heading raises some interesting points, but I should like to mention certain aspects which it ignored.

On the tables I to III, giving average wagon loads for the three main groups of railway traffic, the following conclusion was reached: "Altogether, the available evidence suggests that the extent of changes in the average wagon load, effected since amalgamation, has not been particularly striking. The figures, indeed, may disappoint those who are impressed with the immense technical possibilities of increasing wagon capacity and the average wagon load in Great Britain."

The average wagon loads which are quoted are arrived at by dividing ton miles by wagon miles for the three main groups of traffic. But the averages are not accurate averages of the loads obtained unless there is uniformity in the length of journey of each wagon load. As the larger

wagon loads move the shorter distances the figures published in the article understate the average load. The proper test of the loading of wagons is to divide the total tonnage loaded by the number of wagons loaded, and this information has been published in the Ministry of Transport returns since 1926. I give the figures in the attached table.

It should be borne in mind that these averages may rise or fall without alteration in loading efficiency if the nature of the traffic alters. I refer below to the reasons why considerable increases have not been achieved.

It is impossible to relate the average wagon load to wagon capacity stated in tonnage because a wagon may be fully loaded with empty crates weighing only 5 cwt., and if light-weighting traffic increases disproportionately to the whole, the average load stated in tonnage distorts comparisons. As regards coal and mineral traffic, the question of the use of higher capacity wagons has been considered by the railways and traders for many years, but up to the present efforts in this direction have met with only partial success and it was only with some difficulty that the 12-ton wagon was introduced in recent years. The bulk of the coal in this country is carried in privately-owned

	Average Wagon Load at Starting Point											
	Classes 7-21 : Livestock				Classes 1-6				Coal, Coke and Patent Fuel			
	L.M.S.	L.N.E.	G.W.	S.R.	L.M.S.	L.N.E.	G.W.	S.R.	L.M.S.	L.N.E.	G.W.	S.R.
1926	2.92	3.13	3.03	2.81	8.43	8.92	8.68	8.06	8.74	10.32	10.14	8.70
1927	3.02	3.27	3.12	2.80	8.74	9.42	8.99	8.27	8.78	10.70	10.22	8.77
1928	2.99	3.24	3.12	2.77	8.93	9.51	9.33	8.40	8.86	10.92	10.32	9.20
1929	2.98	3.24	3.13	2.69	8.98	9.69	9.36	8.26	8.91	11.06	10.29	9.19
1930	2.94	3.12	3.13	2.69	9.13	9.64	9.17	8.51	8.90	11.05	10.39	9.32
1931	2.82	3.06	3.10	2.75	9.08	9.62	9.02	8.31	8.95	10.94	10.40	9.20
1932	2.72	2.96	3.04	2.69	9.17	9.47	9.17	8.41	8.91	10.89	10.38	8.97
1933	2.70	2.99	2.98	2.55	9.21	9.51	9.19	8.59	8.93	10.89	10.38	9.20
1934	2.77	3.07	3.04	2.54	9.40	9.77	9.19	9.19	8.95	10.94	10.75	9.30
1935	2.80	3.08	3.04	2.50	9.45	9.89	9.24	9.06	9.01	10.95	10.85	9.66
November, 1935	2.86	3.29	3.12	2.44	9.47	9.77	9.11	9.17	9.10	10.97	11.00	9.77
November, 1936	2.93	3.27	3.04	2.54	9.49	10.08	9.45	8.69	9.12	11.10	11.01	9.55

wagons and higher capacity wagons are regarded by the industry as unsuitable for this traffic.

With regard to the average wagons per train and the average net train load, the statement is made that: "At the time of amalgamation it was generally expected that the new grouping would afford opportunities both of avoiding wasteful duplication of services and of combining streams of traffic destined for common destinations; and that better train loads would produce more economical working conditions. Later on, it was further hoped that the Pooling Schemes of 1932-33 would have similar results."

As a test of these expectations, it is unsound to examine the average number of wagons per train and the average net train load. In considering these statistics, no account has been taken of the fall in tonnage between 1924 and 1936, which reached its lowest point in 1932 and since has steadily increased, but not yet even to the level of 1930. Where regular trains are worked at fixed times, the fact that the number of wagons on a train may fall by four or five does not warrant its withdrawal. Nor is the tendency of traders to carry smaller and more diversified stocks, and to rely on transport systems supplying them with even a single article from wholesale warehouses within a day or two of their order, taken into account. Further, something almost in the nature of a revolution has taken place in recent years in the speed of delivery, and the impossibility of holding back traffic for big train loads is a factor not to be overlooked.

These are the main reasons why the average wagon load, the average number of wagons per train and the average train load statistics do not show marked increases, and as it will be appreciated they are factors over which the railways have little control. As a matter of fact, there have been considerable economies by avoiding wasteful duplication of services and combining streams of traffic to common destinations and by pooling, but, for the reasons mentioned, these are not reflected in the number of wagons per train and train load. The average net train load statistic is obtained by dividing ton miles by train miles and consequently is open to the same objection as the average wagon load, that unless there is uniformity in the length of the journey of each weight of traffic the figures are not records of the loads obtained, and the figures quoted in the article were understated.

I suggest, therefore, that the statement that the railways might have benefited themselves and industry more had they concentrated on increased effort and better loading, is not justified.

Yours faithfully,
JOHN R. HIND.

The British Railways Press Office,
35 Parliament Street,
Westminster, S.W.1.

(Mr. Hind in no way undermines our argument and conclusions, but in certain respects his comments strengthen them. The Ministry of Transport publish: (a) Average wagon loads (ton-miles ÷ loaded wagon-miles), and (b) average wagon loads at starting points (tonnage forwarded ÷ number of loaded wagons forwarded). We published the former; Mr. Hind submits the latter. Since "the larger wagon loads move the shorter distances," the throughout wagon load is in most instances lower than the starting point wagon load. But this is precisely what the throughout wagon load is intended to bring out. It is more serious for wagons to be worked "light" (say) from London to Scotland, than from London to a point 20 miles away. Every one with railway knowledge will appreciate Mr. Hind's

remarks about "empty crates weighing only 5 cwt., and the carriage of mineral traffic. Here we were careful not to impugn the railways, since we recognise their many difficulties. Finally, Mr. Hind suggests that no account was taken of the demand for regular trains and increased speed of delivery. He will find, however, that in the second paragraph of our article we argued at length that all the figures quoted would be examined only in the light of the necessity to provide such "qualities of transport," and that we explicitly declared that this must militate against good train and wagon loads. The purpose of our article was not to criticise railway policy, but to draw attention to far-reaching facts.—Ed. ECON.]

Growth of a Monopoly

TO THE EDITOR OF THE ECONOMIST

SIR,—Of the many tendencies which give rise to anxiety at the present time, none is more alarming than the tendency of our fiscal system to establish the machinery of monopoly. In Scotland, the best example of this is to be found in iron and steel, our greatest heavy-manufacturing industry (or rather group of industries). Here, within a year or two, a great socialistic monopoly has grown up.

Free trade within the iron and steel industry has gone. Under the wings of a high protective tariff (now temporarily modified on account of the shortage of supplies) and strict quota control, the industry has been transformed into a network of "rings." The control is effective and ruthless.

Any producer in any section of the industry who showed resistance quickly found, first, that the cost of his supplies was raised, then—if he still resisted—that the source of his supplies was blocked. The Scottish iron and steel producer is no longer a free agent. His prices are fixed for him—and his prices have risen. To the users, who far outnumber the producers, the recent lowering of the iron and steel duty is welcome; but it brings only temporary relief, and the strict quota control remains.

The State does not control the iron and steel industry, but it aids and abets with a tariff, normally high, which is now free from the embarrassing conditions originally attached. The State has "fathered" the present control. The machinery of socialism has been installed. It is being operated in the iron and steel industry as a monopoly, in the interests of the combined producers at the expense of the users and consumers. A socialist government would have no difficulty in adapting this machinery to its own uses.

Prophecies that we are approaching a struggle between Fascism and Communism in this country may be based on extravagant imaginings; but it would be idle to deny that in the iron and steel industry a kind of industrial fascism has sprung up under protection. There has already been exploitation. If it is not checked, as it should be checked before the armaments programme is further advanced, those who want a good argument for socialism will not have to go far to find it.

The way out of an awkward dilemma might be found if the complete reorganisation of production and marketing in the iron and steel industry—based on "profit-sharing," not "profiteering"—was made an absolute condition of continued State aid.

Yours faithfully,
RANALD M. FINDLAY.
Edinburgh.

Books and Publications

The Balance of Payments

THE period between Britain's departure from the gold standard and the devaluation of the French franc was one in which British and French economic policies were usually widely divergent. In this book,* written in June, 1936, Professor Aftalion offers a systematic theory of international equilibrium which should receive wide attention in this country, particularly as it challenges many of the assumptions on which our present monetary and fiscal policy is based.

* *L'Équilibre dans les Relations Économiques Internationales.* By Albert Aftalion. (Paris) F. Loviton et Cie. 466 pages. 60 francs.

Professor Aftalion's most important contribution in this work is his theory of the balance of payments on current account (balance des comptes), and his discussion of the factors which are likely to aggravate or mitigate disequilibrium. He rejects the classical theories of gold movements, price changes and variations in the Bank rate as being too mechanical, and bases his own treatment on an examination of the relation between the value of national production and the total national income. The difference between these two quantities constitutes the favourable or unfavourable balance of current payments which, except in cases of bankruptcy, will correspond with the net exports or imports of capital. Equilibrium, it is emphasised, is the exception rather than the rule, and capital movements, though often

desirable in order to stimulate the development of backward or distressed countries, always have disturbing influences and tend to counteract any existing tendencies towards equilibrium. Thus, by living on its own capital invested abroad, or by borrowing from other countries, a country will encourage the continuation of an unfavourable balance. "Les richesses amassées dans le passé empêchent le présent de se libérer par son propre effort."

The great merit of this treatment is that it fixes attention on the total national income and production. This enables Professor Aftalion to give a systematic account of the influence of a number of factors which are too often in traditional theory dismissed under the phrase "other things being equal." Furthermore, the new theory is admirably linked up with the "income theory of money," as it may be called, which has been one of Professor Aftalion's most important contributions to economic thought. To English readers his attacks on the quantity theory of money and on the traditional teachings of the currency school may at times appear rather too vehement. This is particularly true of his all-too-brief discussion of the rôle played by the rate of interest. There are passages, too, in which he appears to deny that the supply of money can have any effect upon prices. Nobody would now deny that the earlier crude formulations of the quantity theory were unsatisfactory; but the modern versions, which lay such stress upon the influence of changes in the monetary situation on incomes and expenditure, do, as a matter of fact, agree far more closely with Professor Aftalion's own theory than he seems willing to recognise. A more tolerant understanding of these modern theories might have prevented such statements as (page 388): "Or la théorie générale des prix est adjouré'hui une théorie principalement psychologique." One is left with the feeling that Professor Aftalion has not yet satisfactorily cleared up in his own mind the exact relationship between economic and psychological forces.

In the applications of his theory, Professor Aftalion, as always, shows a real understanding of concrete realities and of the need for an empirical justification of purely abstract propositions. He never loses sight of political and other non-economic factors, and ruthlessly rejects all hypotheses which do not fit the facts. His interpretation of post-war European economic history is an admirable combination of analytical logical and political understanding, and his discussion of the German transfer problem lays bare some of the mistakes made by English writers on this subject. Indeed, this book will be read as much for its historical as for its theoretical insight.

Shorter Notice

"Labour Conditions in Western Europe, 1820-1935." Jürgen Kuczynski. Lawrence and Wishart. 118 pages. 4s. 6d.

The first part of this book attempts to survey the general problems of the measurement of labour conditions. The author rightly emphasises the necessity of correcting the official indices of wage rates in order to allow for unemployment, short time, social contributions, social service benefits, etc. Indeed, where any deductions can be made from the official figures, he makes them. He does not recognise, however, that there are other factors of which statisticians must also take account, e.g. the average size of the family, and the downward bias given to the official wage index owing to the constant transference of labour from worse to better-paid occupations. The reason for these omissions is that the author finds some difficulty in making the facts fit his social theory. "The only individual factor of whose trend we can always be certain is the working intensity. It is always increasing." But no proper account is taken of the enormous reduction in working hours during the last hundred years.

The second part of the book gives the author's figures of money and real wages in England, Germany and France since 1820, but all details of the exact determination of the allowances and deductions are omitted. His construction of an "index of relative wages," which purports to show the relation between real wages and national production, is surprising. He arrives at the conclusion that this index has fallen in England from 124 in 1859-68 to 78 in 1924-32, and in Germany from 170 in 1860-67 to 44 in

1924-35! One would have thought that national income figures would afford the best measure of the relative share of labour, but these Mr. Kuczynski ignores.

Mr. Kuczynski does make some good points—e.g. the importance of Britain's Imperial possessions and foreign investments in maintaining the standard of living of the British workers, but he certainly has not helped the cause of Socialism by his assumptions. A far better case can be made out, based on scientific methods.

Books Received

The Road to Wigan Pier. By George Orwell. (London) Gollancz. 264 pages. 10s. 6d. net.

The Effect of the War in Southeastern Europe. By D. Mitrany. (London) H. Milford. 282 pages. 13s. 6d. net.

British Legion. Annual Report and Accounts, 1935-36. (London) British Legion, Haig House, 26 Eccleston Square, S.W.1. 93 pages. No price stated.

Mining Year Book, 1937. Compiled by Walter E. Skinner. (London) Walter E. Skinner, 15 Dowgate Hill, E.C.4. 900 pages. 20s. net.

Brazil. By Bryan Green. (New York) International Publishers, 381 Fourth Avenue. 30 pages. 5c.

Recherches et Documents sur l'Histoire des Prix en France de 1500 à 1800 publiés par Henri Hauser. (Paris) Les Presses Modernes. 521 pages. No price stated.

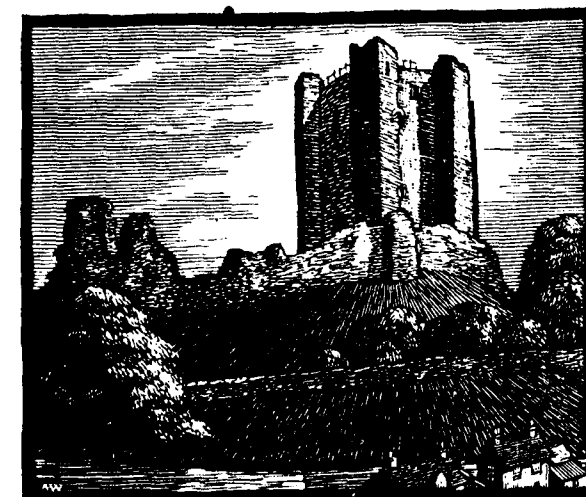
Recent Economic Changes in New Zealand. By W. B. Sutch. (London) Whitcombe and Tombs, 3 Addle Hill, E.C.4. 164 pages. No price stated.

Uniform State Action: A Possible Substitute for Centralisation. By W. Brooke Graves. (Chapel Hill) University of North Carolina Press. 368 pages. No price stated.

Economics for Commercial Students and Business Men. 12th Edition. By Albert Crew. (London) Jordan and Sons, Ltd. 391 pages. 5s. net.

Die Bankaufsichtsgesetze der Welt. Compiled by Dr. Jur. Johannes C. D. Zahn. (Berlin) Walter de Gruyter & Co. 819 pages. Rm. 30.

Prepare for a New Depression. By S. Laufbahn. (New York) Published by the Author, 102, Warren Street. 25 pages. 25c.



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MONEY AND BANKING

Treasury Bill Trends

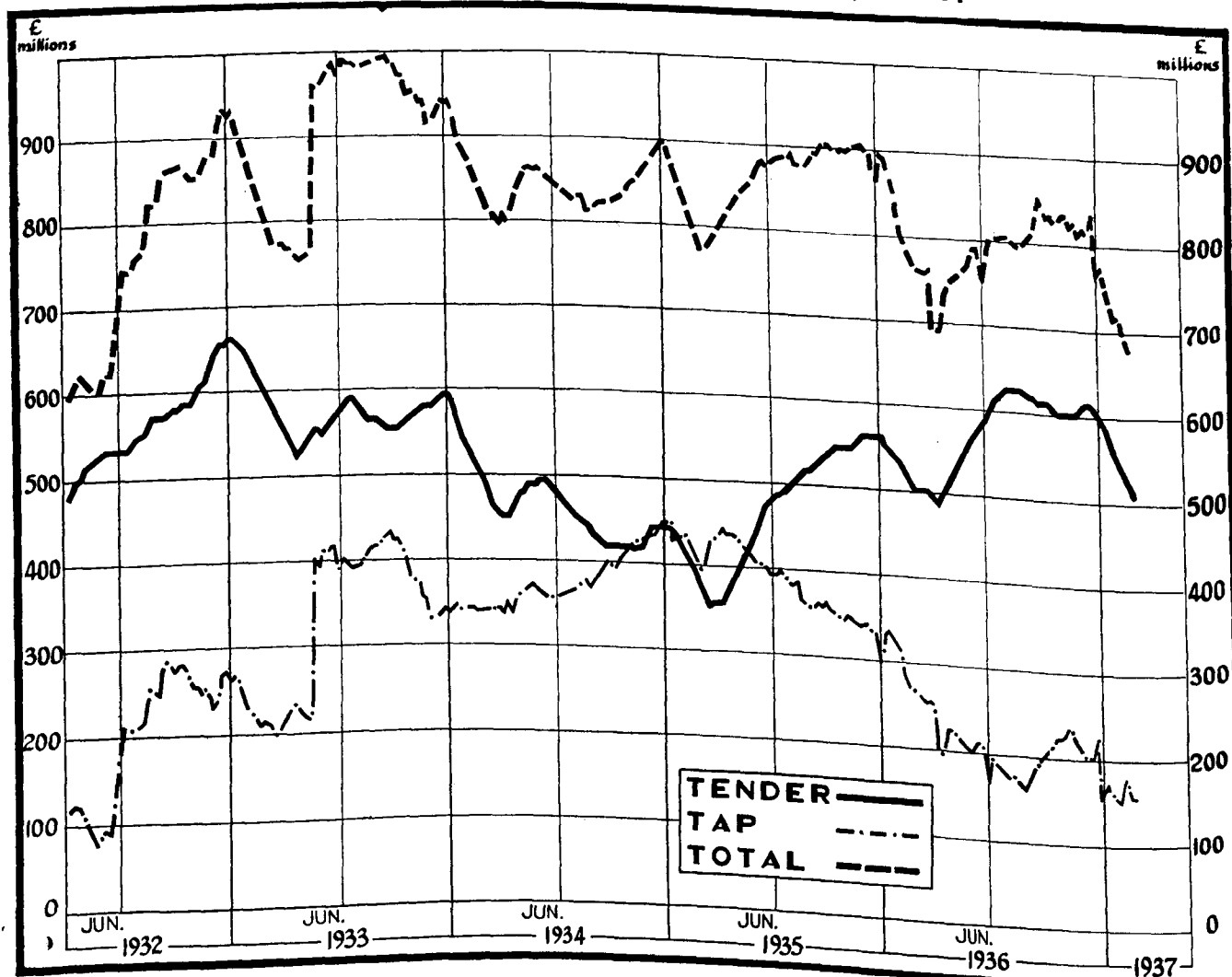
IN recent articles we have shown that useful, though indirect, light is thrown on the relations between the Treasury and the City of London by a division of the returns of the issue of Treasury bills into two categories, namely bills issued by tender and bills issued through the "tap." The tender bills are taken up directly by the banks, the discount market, insurance and financial institutions, and other public applicants. The "tap" bills are those taken up by Government departments, the Exchange Equalisation Account and, possibly, by the Bank of England either for itself or for other central banks.

Since we first made these calculations sufficient time has elapsed to afford some indication of the long-term trend of both tender and tap bills. There are four main forces determining the size of the tap bill issue. First, there are the sterling resources of the Exchange Account, which, broadly speaking, vary inversely as its holding of gold and *devises*. Next there is the magnitude at any time of the funds held by Public Departments other than the Exchange Account. Next, there are the Departments' holdings of long-term Government securities, for obviously the more securities the Departments hold, the less Treasury bills they take up through the tap. This influence is directly dependent on the extent to which the authorities are supporting the gilt-edged market, or any new Government loan, at any moment. A final influence is the amount of bills obtained through the tap (rather than by tender) by the Bank of England for itself or other central banks.

Obviously, given all these imponderables, only general conclusions can be suggested. In the first place, the figures afford some indication of the incidence of the Exchange Equalisation Account and its operations on the floating debt, which consists mainly of Treasury bills. The chart on this page shows a net increase in the total Treasury bill issue, since early in 1932, of approximately £80 millions—from £600 to £680 millions. But of the latter figure an unknown proportion represents tap bills held in the Exchange Equalisation Account, while a further unknown amount consists of bills issued by tender solely because of the Exchange Account's gold purchases. There is, in fact, a gold asset against these Treasury bills. If we presume their total to be not very far removed from the total of the Exchange Equalisation Account itself, which is nominally £375 millions, we may put the effective Treasury bill issue for National Debt purposes alone at £680 millions less £375 millions—say about £300 millions. This is a modest figure, whose significance may emerge when defence borrowing begins.

Reference to the chart will show, further, that the tap bill curve has been steadily falling since the end of 1934, while, apart from seasonal fluctuations, the tender bill curve has been rising. Both movements may be largely attributed to the influx of French funds into London, which forced the British Exchange Equalisation Account to buy gold and to turn out tap Treasury bills. This, in turn, involved an increase in the tender issue. In effect, when the Government bought gold from France it borrowed at short term from the banking system to pay for

FLUCTUATIONS IN TREASURY BILL ISSUES, 1932-37



it. Another material factor has been the tendency of public departments to underwrite new Government issues of longer-dated stock, and to take up part of their commitments with the intention of gradually selling the stock on the market. This procedure reduces the tap and so increases the tender issue. To that extent new refunding issues do not immediately serve to reduce the effective floating debt. Further, to the extent that the banks must absorb more Treasury bills, they are less able to take up long-term stock. Conversely, the sharp increase in the tap issue last autumn was ascribed by us at that time to rapid clearance sales of stock by the departments in readiness for the underwriting of a fresh loan. The appearance of the November Funding Loan, a week later, substantiated our forecasts.

The most significant fact brought out by the diagram is that the tap bill curve has now declined to within measurable distance of its level of early 1932, before the establishment of the Exchange Equalisation Account. The inference would seem to be that the departments are holding less bills and more securities than five years ago; or that the Exchange Equalisation Account to-day consists almost entirely of gold. The Account is notoriously full of gold, as its sale of gold to the Bank last December suggested. But it cannot have been entirely denuded of Treasury bills, if only because it must still hold some, at least, of the bills it took over from the Bank in exchange for its gold. The departments, therefore, must have increased their holdings of securities.

The banking system, in short, is to-day carrying the larger part of the Treasury bill issue. How long is this likely to continue? In an article last week (page 592) we discussed the possible consequences of a repatriation of funds to France. We then suggested that the British Exchange Equalisation Account might need to sell gold to France and take in more tap bills, thereby reducing the quantity of tender bills held by the banking system. Action on these lines would reverse the present trend of both the tap and tender curves, for it would cause the former to turn upwards and the latter to turn downwards. The Government would, in effect, be reducing its short-term borrowings from the banking system for the purpose of holding gold, and so leaving the banks free, if necessary, to take up more long-term securities for the purpose, e.g., of financing re-armament. Whether events move in this way will be evident if and when a large-scale repatriation of French funds gains momentum.

Financial Notes

The French Defence Loan.—The French authorities were so satisfied with the reception of the first *tranche* of Frs. 5,000 millions of the new defence loan that a second *tranche* of Frs. 3,000 millions was issued this week on exactly the same terms. When we went to press last week only the preliminary details of the former issue were available, and so we summarise the complete terms below. The loan consists of 4½ per cent. rentes, redeemable in 60 years at the latest. The price of issue is 98 per cent. Interest is payable half-yearly, and the exchange guarantee or option operates as follows: the holder of a bond for Frs. 500 may choose to receive his interest in one of four ways. First, he may encash his coupon in Paris for 11.25 French francs. Next, he may present it for payment in Swiss francs at a place indicated by the Bank for International Settlements in agreement with the French Government. Payment will then be made in Swiss francs of an amount equivalent to 11.25 French francs at the rate of exchange current on the day of payment. Next, he may demand payment of the equivalent in francs of 2s. 1d. sterling, calculated from the average official Paris rate of exchange for the three Bourse days ending two days before the date of payment. Finally, he may demand the franc equivalent of 51 United States cents calculated in the same way. These last two options guarantee the bondholder exchange rates

of Frs. 106.95 to the pound and Frs. 21.90 to the dollar, these being the rates current immediately before the issue. Obviously, if either the pound or the dollar rises above these rates, it will pay bondholders to exercise their options. The amortisation of the loan receives the same guarantee. It is definitely stated in the loan decree that bonds for Frs. 1,000 French equal £9 7s. or \$45.66, while Article 5 of the decree says that redemption of the Frs. 500 bonds will be effected by repurchase on the Bourse or by drawings either at the nominative Frs. 500 in francs or the equivalent, £4 13s. 6d. or \$22.83, calculated in the same way as the interest. The State reserves the right to anticipatory redemption of all or part of the bonds outstanding as from March 1, 1942. The exchange options are necessarily complicated, but the French Government was unable to issue a loan either in sterling or in dollars, owing to the British control over foreign borrowing and the Johnson Act in the United States, and so was forced to resort to this device.

* * *

While the immediate London reactions to the French financial reforms were favourable, feeling this week has been less assured. The issue of the second *tranche* within a day or two of the first cannot be called a breach of faith, but even when further borrowing powers exist it is usual to wait a few months before coming on the market again. This gives the holders of the first *tranche* the assurance of a settled market for their bonds. Another and more vital point is that the whole of the money due is payable on March 22nd, and it is uncertain what the French Government will do with this enormous influx of funds. If they simply let them lie on deposit at the Banque de France, as has happened before on several similar occasions, there will be a sudden shortage of cash in France which will create stringency in the Paris market. On the other hand, the Government does not need all this money at once, while Paris still lacks an organised bill market which would enable the authorities to release these funds temporarily. It seems difficult to see why payment for the bonds was not divided into several calls spread over a sufficiently long period. This course would at least have prevented any disturbance to the French banking system or the Paris market.

* * *

The Money Market.—Conditions have remained easy in London, apart from calling by one of the clearing banks on every day of this week, which has created a moderate afternoon demand for loans. The clearing banks have bought some May and early June Treasury bills at ½ per cent., while there has been special buying of early April Treasury bills.

	Feb. 25, 1937	Mar. 4, 1937	Mar. 11, 1937	Mar. 18, 1937
Bank rate	2	2	2	2
Clearing banks' deposit rate	½	½	½	½
Short loan rate:—				
Clearing banks	1½	1½	1½	1½
Others	1½	1½	1½	1½
Discount rates:—				
Treasury bills	½	½	½	½
Three months' bank bills	½	½	½	½

* Loans against Treasury bills and other approved bills and British Government securities within six months of maturity; 1 per cent. Treasury Bonds and other gilt-edged stocks within six months of maturity; and other collateral respectively.

There is likely to be some pressure for funds on March 30th. The market will be applying heavily for Treasury bills to be paid for on that day, so as to secure June maturities; and March 31st bills may not be easy to secure, as they have a day less to run and so the Government may try to obtain a higher price. Conversely, the market will have few bills maturing that week before April 1st, as it did not apply for bills to be paid for at the end of December. It is suggested that the special buying of bills already in evidence is designed to ease the pressure at the end of this month, by putting the market in funds before that date. This week's increase of £4.8 millions in Government securities held by the Bank may indicate the origin of this buying. It is also possible that the Exchange Equalisation Account has

been taking in Treasury bills against its recent gold sales to France, but this would not appear in the Bank return, though, of course, its effect is complementary to the Bank's purchases.

* * *

The Bank Return.—This week there is a slight reduction in the note circulation. With Easter only ten days ahead there normally would have been an increase, as Easter shopping is already beginning, while the banks must be replenishing their various local currency reserves. Thus the reduction provides strong evidence of French dishoarding, which is supported by reports that notes of large denominations are being paid back into the banks:—

	BANK OF ENGLAND				
	Mar. 18, 1936	Feb. 24, 1937	Mar. 3, 1937	Mar. 10, 1937	Mar. 17, 1937
	£ mill.	£ mill.	£ mill.	£ mill.	£ mill.
Issue Department:—					
Gold	200.6	313.7	313.7	313.7	313.7
Note circulation	404.4	455.1	461.0	464.5	463.8
Banking Department:—					
Reserve	57.0	59.3	53.6	50.1	50.8
Public deposits	16.9	13.0	15.2	17.0	22.8
Bankers' deposits	90.8	100.4	93.8	93.8	94.0
Other deposits	37.2	37.9	37.7	37.7	37.3
Government securities	80.2	85.0	85.1	90.1	94.9
Discounts and advances	8.6	4.9	4.3	4.2	3.8
Other securities	17.5	20.3	21.9	22.3	22.9
Proportion	39.3%	39.1%	36.5%	33.7%	32.9%

The chief changes in the banking department are an increase in Government securities, explained in the Note on the money market, and an increase in public deposits. The latter is due partly to the revenue influx and partly to the week's discrepancies between Treasury bill payments and maturities. The two movements have cancelled each other out, so far as the supply of bank cash is concerned, and bankers' deposits are therefore unchanged.

* * *

The Foreign Exchanges.—Both spot and forward francs were bid early in the week, and so the spot rate came down from Frs. 106.50 to Frs. 106.38, while the three months' discount narrowed to Frs. 1½ discount. Tuesday's riots in Paris had an unsettling influence, and in spite of official support the spot rate rose slowly to Frs. 106.65. Control operations then brought it down to Frs. 106.60 and, after a further temporary lapse, to Frs. 106.45. The discount on three months' francs, however, has widened to Frs. 1½-¾. The other rates have been very steady, but with some demand for sterling against belgas and Swiss francs. The New York rate shows little change at \$4.8860. Guilders now move entirely with the dollar, and so the sterling rate has also remained steady at Fl. 8.93½. Forward guilders are at a slight premium.

* * *

The National Bank of Egypt.—Sir Edward Cook in his address to the shareholders of the National Bank of Egypt was able to cite convincing evidence of the way in which the primary producing countries were sharing in recovery. The Egyptian cotton crop had been of record size, and sales to merchants and exporters were about £26 millions, or probably £3½ millions above those of the preceding year. The mortgage indebtedness of landowners was less than it was before the War, and those who were not hopelessly involved should be able to make headway in discharging their debts. The facilities provided by the Crédit Agricole should help the small cultivator to keep out of the hands of the money-lenders. To sum up Egypt's position, the State finances were sound, and the trend of import trade, savings bank deposits and the consumption of sugar all pointed to an appreciable increase in the national purchasing power. Indian foreign trade had also increased for the third year in succession. Egypt is not the only primary producing country which is improving her position in this way, and this general recovery holds out new hopes both for British export trade and also for British banking and finance.

Bank of Canada.—Mr Towers, the Governor of the Bank of Canada, gave a very interesting review of Canadian economic conditions in his address at the second annual meeting of the bank. So far as the bank's own position was concerned, more active trade, higher prices and also the year's statutory reduction in the chartered banks' note issues had led to an expansion of \$28.8 millions in the bank's note circulation. The bank's capital had also been increased by \$5.1 millions, as the result of issue shares to the Federal Government under the amending Act of last year. The bank, however, had added \$46 millions to its investments, so that the net result of these and certain minor changes was an increase of \$12.6 millions in the chartered banks' cash. Thus Canada, like other countries, has expanded the credit base, and the immediate consequence is that Bank rate has remained unchanged at 2½ per cent., while there has been practically no need for the bank to offer loan or rediscount facilities. Mr Towers, it should be said, regarded the bank's acquisition of securities from a different angle, for he was at pains to point out that the sale of these securities to the bank did not necessarily mean that the savings of the public had diminished. Surely the real point is that the Bank of Canada has seen fit, presumably in execution of its functions as a central bank, to buy securities to a point which has increased the chartered banks' cash resources and expanded the credit base. The secondary consequences of this policy are to be seen in the improvement in internal trade, in the achievement of an active external balance of payments, and in the repayment or repatriation of external debt; and here Mr Towers made the point that a large active balance is characteristic of the early period of a Canadian recovery. Meanwhile the Canadian dollar has exhibited a remarkable steadiness, its range of fluctuation in New York for last year being less than 1½ per cent. It would be obviously wrong to ascribe Canadian recovery wholly to the banking policy of the Dominion, but Mr Towers erred on the side of modesty by omitting an explanation of the way the Bank of Canada's purchase of securities had enabled the banking system to expand the supply of credit in conformance with the progress of the Dominion, and so to promote recovery still further.

* * *

Australian Banking Trends.—The latest half-yearly report of the Commonwealth Bank shows that the trend of bank deposits and advances is still upwards. Total figures for the trading banks, including the Commonwealth Bank itself, are shown in the following table:—

	December 1934	1935	1936
Deposits (bearing interest)	£A. mill. 222.4	£A. mill. 211.2	£A. mill. 215.1
" (not bearing interest)	113.2	121.0	127.0
Total deposits	335.6	332.2	342.1
Savings Bank deposits	212.9	220.5	224.2
Advances	254.9	269.2	277.5

The total of advances excludes Government securities. The table shows that, no doubt because of the trade revival, there has been a further change over from time deposits (bearing interest) to demand deposits. Bank clearings have also expanded since 1935, but are still below the 1938 level. The ratio of advances to deposits has remained practically unchanged during 1936, but the Commonwealth Bank suggests that the year's higher export receipts have enabled many frozen advances to be repaid. This implies an improvement in the quality of the advances. The report states that the export price index rose in January, 1937, to its highest point since August, 1928. There should therefore be an appreciable favourable balance of payments for the current year to June 30, 1937. This should be replenishing the banks' London funds, and the report expresses the hope that this is being done. Unfortunately, the banking statistics given in the report are incomplete. It would be very helpful if separate returns, covering a term of years, could be given for the Commonwealth Bank and the trading

banks, and also if these returns could include cash, London funds, investments and other important items, as well as deposits and advances. At the moment it is difficult to deduce from the report any complete picture of the trend of Australian banking, and in particular of changes in London funds, which, for good or for evil, are the main cash reserves of the banking system. The report states that money is now more plentiful, while the rising trend of interest rates has now been arrested and may even before long be succeeded by a decline. It would be useful to have complete details of the changes which provide the basis for these views.

Insurance Notes

Standard Life Assurance.—For the tenth successive year the annual rate of bonus declared by this company is 42s. per cent., calculated on the sum assured and existing bonuses. The ability, even in these days, to maintain this high rate is as clear as the apparent intention of the directors not to declare an even higher rate. The valuation basis is very stringent, being based on the A¹⁹²⁴⁻²⁹ Ultimate Table, strengthened by the use of select premium and combined with interest at 2½ per cent. This rate of interest is also used in valuing the large annuity business, while all annuitants are treated as select lives at the date of valuation; in addition, an extra reserve is held to allow for exceptional longevity of annuitants. The results of the last two valuations are given below:—

	1935	1936
Surplus earned during the year	£429,665	£458,175
Surplus income transferred from Guarantee Fund	38,509	38,802
Brought forward from previous year	31,229	30,970
	499,403	527,947
To Bonuses to policyholders	368,433	396,582
„ Transfer to inner reserve	85,000	85,000
„ Pension fund	15,000	15,000
„ Carried forward to next year	30,970	31,365
	499,403	527,947

New ordinary life business amounted to £4,074,000 compared with £3,910,000, and constituted the fourth successive record year. In addition, group life assurance amounts to £502,000. Immediate annuity consideration moneys fell sharply, however, from £561,000 to £219,000, while premium income of £1,784,000 showed a substantial increase of £121,000 in the year; the increase in the renewal premiums was greater, as single premiums fell from £78,000 to £32,000. Death claims actually fell, by £25,000, to £560,000, and surrenders, by £46,000, to £219,000. Some £85,000 is again transferred from the life account to inner reserve; on the other hand, that account is credited with £39,000, being surplus income from the guarantee fund.

* * *

The guarantee fund of £1,700,000, consisting of £850,000 5 per cent. perpetual stock and £850,000 general reserve, is available as additional security for the life assurance and annuity contracts; in the event of a winding-up the stockholders would have no claim for capital until the claim of the policyholders and annuitants had been met, and then only to the extent of £850,000 of the surplus assets. Theoretically this additional security may be regarded as of special importance to the without profit policyholders and to the annuitants, but the point is not one of any practical importance owing to the extreme remoteness of the contingency. There is nothing, remote, however, about the surplus income from the guarantee fund, which meets about 10 per cent. of the whole cost of the annual bonus. The net rate of interest on the life fund is only 3d. per cent. smaller than in 1935 and amounts to £4 15s. 2d. per cent. While the Standard no doubt enjoys special investment facilities from its international activities, this specially high net rate of interest is due also to a conservative valuation of the securities and to the taxation

advantages accruing to a large annuity business. Again, interest on that portion of the funds applicable to foreign business is not taxed in this country. Total assets increased from £27,166,000 to £28,228,000. Some £224,000 of this increase is due to an item appearing for the first time, and consisting of loans to a subsidiary named "The Heritable Securities and Mortgage Investment Association Ltd." Loans at £3,199,000 were £642,000 greater; British Government securities showed some decline, as did also combined Indian, colonial and foreign Government securities. Debenture stocks at £7,921,000 and preference stocks at £2,461,000 were practically unchanged, but ordinary stocks increased from £2,877,000 to £3,667,000. This holding of ordinary stocks excludes £250,000, the book value of the entire issue of 50,000 shares of £7 each fully paid in the subsidiary mentioned above.

* * *

Equity and Law Life.—New life assurances in 1936 constituted another record for the Society, being £4,659,000 net of re-assurances against £3,931,000; in addition, new sinking fund policies showed very large expansion from £997,000 to £4,794,000. The Equity and Law has become particularly identified in recent years with annuity business, and obtains a considerably greater volume of this class of contract than any other office in the country. Last year consideration moneys for immediate annuities amounted to £2,510,000, entailing annuity payments of £208,000 against £2,399,000 and £201,000 in the previous year. Mortality appears to have been particularly favourable in 1936, as the amount paid in death claims, namely £363,000, was the smallest for many years, and compares with £466,000 in 1935. The gross annuity payments during the year increased by no less than £186,000 to £670,000, and one striking effect of the large annuity business is seen in the low effective rate of income tax, now 11d. for each £1 of gross interest credited to the life assurance account. The net rate of interest earned on the entire funds, excluding reversions, increased by 1s. 6d. per cent. to £4 8s. 6d. per cent. During the year total assets rose sharply from £21,559,000 to £26,045,000. There were large increases in mortgages—those on properties in the United Kingdom from £3,544,000 to £5,691,000, and on properties outside the United Kingdom from £5,000 to £235,000. Loans on personal security amounted to £240,000 against £93,000, but policy loans showed some small reduction at £1,699,000. British Government Securities rose from £1,761,000 to £2,060,000, but combined Indian, Colonial and Foreign Government Securities fell by 17 per cent. to £1,389,000. Debentures and Preference Stocks showed moderate increases, while Ordinary Stocks increased by £1,332,000.

* * *

Scottish Equitable Mutual Life.—The close of the financial year of this Society, which was formerly March 1st, has been altered to December 31st, and the accounts now published refer to the ten-month period March to December, 1936, inclusive. New sums assured amount to £1,595,000, compared with £1,918,000 for the whole of 1935, and the net annual rate of interest earned on the life assurance fund fell from £4 5s. 9d. per cent. to £4 2s. 7d. per cent. Total assets increased from £11,396,000 to £11,611,000. There was no pronounced change in the classification of the assets; a reduction of £73,000 in British Government Securities and of £17,000 in Indian and Colonial Government Securities contrasted with an increase of £36,000 in Foreign Government Securities. Debenture Stocks at £2,984,000 compare with £2,973,000 in the previous year, and Preference Stocks increased by £48,000 to £806,000. Ordinary Stocks, excluding the shares of the Society's subsidiary, the Standard Property Investment Company, declined by £17,000. The shares in that subsidiary have now been made fully paid, resulting in an increase in the holding from £74,000 to £244,000. The Reserve Account remains unaltered at £250,000, and the market values of the investments are stated to be substantially in excess of the book values.

THE STOCK EXCHANGE

The Progress of British Oxygen

To the philosophical investor, the life history of companies is no less fascinating than the study of men. Some companies struggle against apparent doom and reach high eminence; some are weakling speculative enterprises fated never to reach manhood's estate; others attain a respectable but somnolent middle-age. But comparatively few in this competitive world achieve their jubilee and retain their youthful vigour. This latter state, however, is that of the British Oxygen Company. In 1881 the scientist, Brin, published details of his oxygen process. Five years later Brin's Oxygen Company was formed—the foundation of the British Oxygen Company of to-day. Brin's method has long been superseded, and the company's operations now extend far beyond its descriptive title. By the modern process, the component gases of the atmosphere are "fixed"; in the broad sense, therefore, the company has unlimited raw material for producing oxygen, nitrogen and the rare atmospheric gases. Other important industrial gases, including acetylene and hydrogen (for welding and steel cutting) and nitrous oxide, familiar to those who seek painless relief in the dentist's chair, are now produced in the group's plants, of which there are 31 at home and 23 in Africa, Australia and India.

The company, despite its fifty years, serves a group of industries which, from the technical aspect, are mainly new. The oxy-acetylene flame—the legendary ally of the safe-breaker—has opened up new methods of steel construction, while the electrical welding process, in which British Oxygen is interested through Quasi-Arc and Ferro-Arc, is now being widely adopted. Sir Josiah Stamp's recent speech to L.M.S. stockholders endorsed the advantages of welding for rolling-stock construction, and its importance for engineering, shipbuilding and armament work is obvious. British Oxygen does not enjoy a monopoly in the welding business, nor is welding its sole concern. But this branch symbolises the position of British Oxygen as an essentially modern concern.

How has the company's position been achieved? Eleven years ago, its ordinary capital stood no higher than £750,000, and £236,000 of debentures were outstanding, bearing interest at the significantly high rate of 8 per cent. In that year the amount earned for ordinary dividends was no higher than £13,105, but the directors, with greater confidence in the future of their undertaking than the circumstances of the time appeared to warrant, over-distributed the earnings of 1925-26 and of the following year. Their anticipation proved right; earnings rose rapidly in 1929-30, and the company, strengthened by the absorption of the Allen-Liversidge group, made vast strides as soon as economic recovery began. In 1933, and again in 1934, ordinary earnings doubled, and the total earnings reached the record level of £359,601 for 1935.

The onset of depression, paradoxically, gave the company an opportunity to augment its technical strength. At the end of 1930 it acquired control of the most formidable competitor in the acetylene business—Allen-Liversidge and its two subsidiaries. In 1932 this process was carried a stage further by the acquisition of the patents operated by Metal Industries for the storage and transport of liquid oxygen. Another oxygen business was absorbed in 1934, and within the last three months British Oxygen has taken over Quasi-Arc, previously controlled by Turner and Newall, for £170,000 nominal ordinary stock, and also the capital of Ferro-Arc Welding, with which British Oxygen had been previously associated.

The present organisation of British Oxygen, as our

chart suggests, is simpler than that of most companies of its size. The predominant operating interests are controlled by the parent company itself, for interests in subsidiary companies account for little more than one-quarter of total assets, which slightly exceed £4 millions. British Oxygen is thus primarily an operating company and only secondarily a holding company. Among its subsidiaries we may distinguish four companies which control the company's overseas interests. Two industrial gas companies and Shorter Process—which operates a metal-hardening process—form a second group. The newly-acquired welding companies may be distinguished in a third section, and the Sparklets interests provide a fourth.

In the past, it is not unfair to say that British Oxygen has tended to take a less advanced view than some of its industrial peers of the merits of detailed financial disclosure in its annual accounts. By its decision last year, however, to include the full share of profits due from subsidiaries in the parent company's accounts, and to set up a central depreciation reserve, the board comes into line with the most modern practice. In past years the profit and loss account has provided only a partial indication of the group's total earnings. For 1935, in particular, profits were struck after providing as much as £250,000 for depreciation, and the subsidiaries also retained a substantial part of their profits to meet capital expenditure.

Yet even this partial record (as the accompanying table shows) shows spectacular progress. And it is backed by a strong balance sheet—strong in the sense that visible reserves are not large but that assets are carried on conservative valuations. But the past decade has proved that British Oxygen is not immune from trade fluctuations by the mere fact that it is interested in new industries. The fall in earnings during the depression may have been due in part to prudent directorial estimation, but in general the fluctuation in earning power was comparable in degree with that of concerns like Associated Portland Cement and Turner and Newall. It has been the coincidence of industrial recovery with the rapid growth in the industries served by British Oxygen which has produced the unusually sharp expansion in profits during the past four years. Is this trend likely to continue?

In the market's judgment the answer is affirmative. British Oxygen £1 ordinary stock stands at 121s., and yields no more than 2.22 per cent. on the dividends and 2.45 per cent. on the earnings of 1935. A substantial increase in earnings and dividend is thus expected; while capital bonus possibilities are always present in the mind of the optimistic buyer. But to restore the shares to a 4 per cent. dividend yield basis the distribution for 1936 must be increased to 24 per cent., compared with an average of 13.44 per cent. for 1935. This figure suggests a readiness on the part of investors to discount the fruits of 1937. Clearly, British Oxygen is not a cheap share for the short-term speculator; its investment merits are of a more solid order.

Justification of the present level of the shares depends, in fact, on two things: first, the maintenance of a high level of activity in the large-scale construction industries; and, secondly, on a further increase in the part played by welding in modern building practice. On neither score should there be serious doubts. British Oxygen may not be an armament share in the direct sense, but it serves a range of direct re-armament industries. British Oxygen combines a progressive peace-time trade with a significant re-armament interest. And the

ANALYSIS OF BRITISH OXYGEN ACCOUNTS

	Years to March 31st					Nine Months to Dec. 31, 1930	Years to December 31st				
	1926	1927	1928	1929	1930		1931	1932	1933	1934	1935
SHARE & DEBENTURE CAPITAL:											
8% Debenture Stock	235,950	231,490	226,690	221,520	213,240	209,710	500,000	500,000	500,000	500,000	500,000
6½% Preference Stock	750,000	750,000	750,000	750,000	771,870	771,870	1,194,091	1,194,091	1,519,091	1,657,116	1,933,302
Ordinary Stock	114,530	94,228	151,943	162,182	163,983	79,603	74,432	94,135	186,399	359,979	451,928
PROFITS AND DIVIDENDS:											
Total Profits	101,425	61,455	68,955	60,322	23,605	17,704	4,272	1,200	1,500	2,100	9,827
Debiture interest, tax, etc.	...	...	...	...	...	...	...	...	...	...	...
Specific Reserves	...	...	...	...	...	...	...	...	...	...	...
Preference Dividend	...	...	...	...	...	...	...	...	...	...	...
Ordinary Capital	...	...	...	...	...	...	...	...	...	...	...
Fixed Assets, including investments	711,705	692,134	686,157	641,706	873,548	870,426	1,155,996	1,398,845	1,340,058	1,364,518	1,554,008
Interests in subsidiaries	278,825	276,937	283,788	261,953	278,971	250,053	296,196	248,122	227,423	762,972	1,043,601
Net Current Assets (after final dividend)	346,809	341,189	388,487	441,793	271,881	299,417	657,711	676,615	771,781	426,609	967,306
General Reserve	151,656	151,656	151,656	250,000	250,000	333,569	250,000	250,000	275,000	275,000	1,034,215(f)

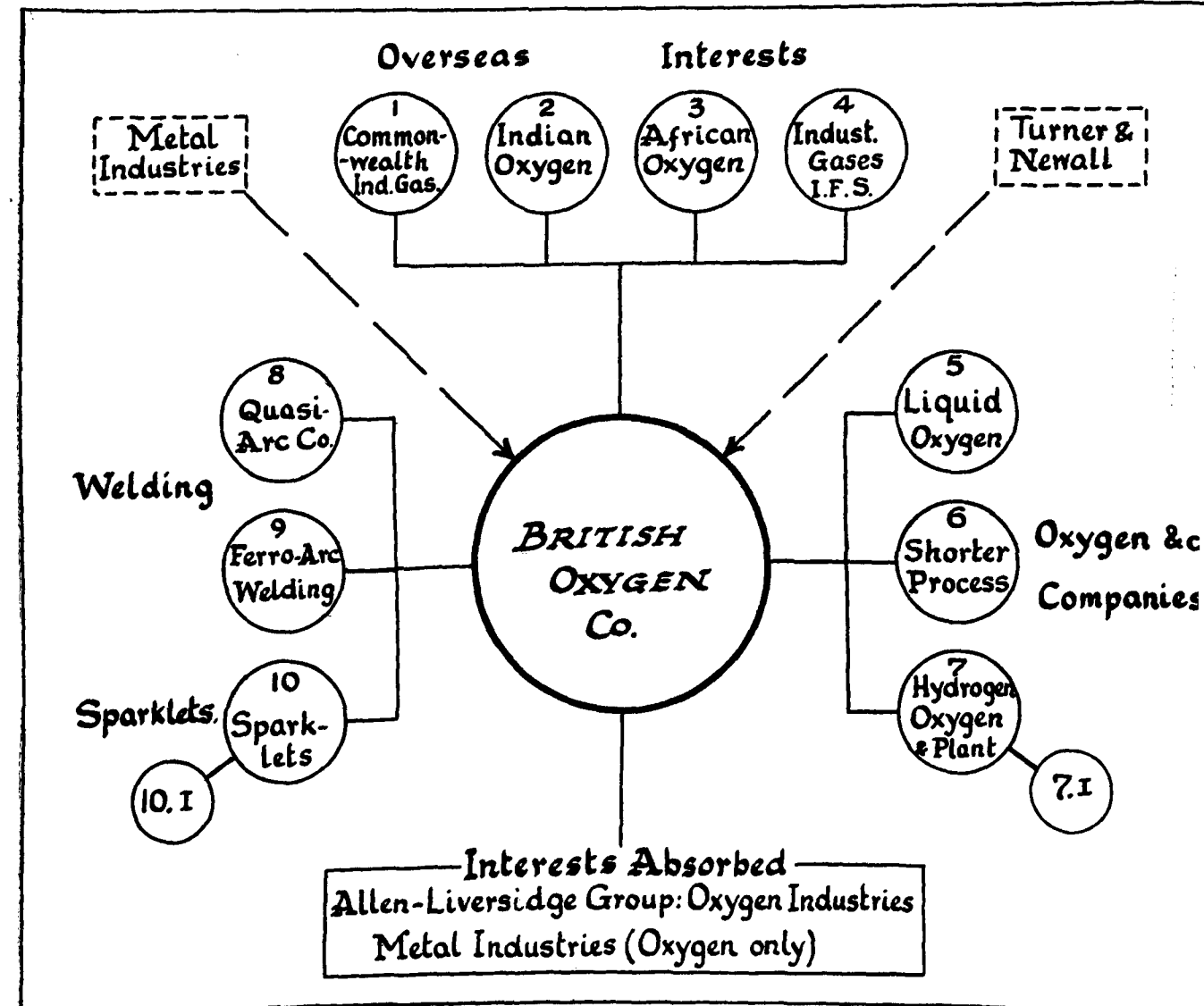
(a) Actual, plus capital bonus of one preference share for six ordinary held. (c) After providing £14,332 for new issue expenses. (e) After crediting £7,306 profit on securities sold. (g) Written off shares in subsidiaries. (i) 19 per cent. on old capital or 14.8 per cent. on increased capital. (f) And capital bonus of 28.57 per cent. in ordinary shares. (h) Before capitalising share bonus.

BRITISH OXYGEN GROUPING

Note.—Where italic figures appear under "Main Holdings" they relate to the Company immediately preceding.

Ref. No.	Company	Paid-up Capital (Ord. unless otherwise stated)	Main Holdings		Directors	Ref. No.	Company	Paid-up Capital (Ord. unless otherwise stated)	Main Holdings		Directors
			B.O.C. &c.	Other					B.O.C. &c.	Other	
	BRITISH OXYGEN CO., LTD.	PREF. 500,000 ORD. 2,655,674	...	...	7	6	Shorter Process Co.	£ 5,625	84.3	...	5
	Commonwealth Industrial Gases	Not available	...	...	7(i)	7	Hydrogen Oxygen & Plant	158,428	96.8	...	4
1	Indian Oxygen and Acetylene	...	...	...	8	8	Liquid Oxygen Explosives	26,500	96.3	...	5
2	African Oxygen and Acetylene Propy.	...	...	...	9	9	Quasi-Arc Co.	400,000	96.9	...	4
3	Industrial Gases (I.F.S.)	...	...	...	10	10	Ferro-Arc Welding Co.	9,900	100	...	3
4	Liquid Oxygen	...	...	...	10(i)	10(i)	Sparklets	125,000	97.6	...	3
							Sparklets (India) Sales	206	25	75c	3

(a) Metal Industries holds £774,000 ordinary. Turner & Newall hold £170,000 ordinary. (b) Held by Hammond Lane Foundry Co. (c) Held by two directors.



recent tendency for commercial construction to take up the slack in house building should favour the company.

The prospects for British Oxygen, therefore, seem favourable. On the supply side, the company is not markedly vulnerable to the effects of rising costs. But it depends upon imported calcium carbide for the production of acetylene. Early in 1936 powers were sought by the company to erect a hydro-electric station in Inverness, but two private Bills promoted by the company have been rejected outright on second reading. In last week's debate on the second measure, the economies of hydro-electric power, as opposed to steam generation, were stressed, and one speaker mentioned a difference of £112,500 between the two processes—equivalent to over 4 per cent. on the ordinary stock. The implications of Parliament's free vote in this matter are discussed on page 636 of this issue, but for the time being a promising development of the company must remain in abeyance.

The investor, however, need not take an unduly serious view of this set-back. Clearly, the company's expansion will not be checked over the next few years merely on this account. And there remains a possibility that some scheme of the nature the company envisages will ultimately secure Parliamentary approval. On strict investment merits, British Oxygen ordinary stock, though not cheap, is reasonably valued in relation to prospects over the next few years. It ranks among the progressive industrials, like Murex and Turner and Newall, which combine the advantages of expanding technical scope with strong finances. And for the more speculative investor, Metal Industries "B" shares at 50s. offer an important equity in British Oxygen and a relatively cheap participation in the scrap steel industry.

Investment Notes

Outlook for Industrial Shares.—There is a tide in the affairs of the market which, taken at the ebb, leads on to fortune. But although buyers have been nibbling at the solid investment issues, like bank and electricity shares, the industrial market's improvement this week has been in tone rather than in quotations. The three-week holiday account has obviously set a limit to renewed speculative interest. Yet the feeling that the recent fall in industrials has been overdone is widely held in professional circles. It is argued, in particular, that the fall in brewery shares is now less justified, since the Chancellor has introduced the Defence Loans procedure and is within sight of a small surplus. But pre-Budget guessing, however reasonable, is always speculative, and the taxation argument may not apply so readily to tobacco shares. Among industrials generally, the argument that shares with progressive industrial or re-armament prospects are still conservatively valued is attracting some consideration. The *Financial News* index of 30 active industrial ordinary shares reached its "high" of 124.9 in the middle of November, and fell as low as 118.1 towards the end of February. But on Tuesday this week the index stood no higher than 116.3. Since the end of February, in fact, a partial recovery of 2.2 per cent. has been succeeded by a further drift of 3½ per cent. The significant improvement, however, in the index by Thursday (when it had advanced by 1.8 points to 118.1) suggests that prices may have grounded, at least, and that the technical clearing-up which has been so markedly in evidence during the past few weeks is steadily accomplishing its task.

The investor, however, is now fully aware that he must treat every industrial share strictly on its merits. And the larger issue which confronts him is to choose the winners in the race between rising costs and rising prices for manufactured goods. The spectacle of creditable dividends and profits, followed by a setback in share prices has been prevalent recently, and is not so irrational as it appears. Many industrial ordinary shares stood recently at levels which discounted a fairly marked

increase in earnings; others are still valuing the prospects of 1937 by yield levels significantly below 4 per cent. In other words, the mere maintenance of profits is not sufficient to maintain the majority of current share prices. And if an increase in turnover is offset by reduced profit-margins arising through higher costs—a phenomenon for which the Radiation and Indestructible Paint results this week may perhaps be called in evidence—an adjustment of share values is not unreasonable. But among the "progressive earnings shares" (to which new recruits may be attracted as increased costs are passed on, through such co-operative action as the paint industry has announced), the downward adjustment may have been carried far enough for the time being. Yields of 4½ per cent. on Associated Portland Cement and good coal and engineering shares, at least, do not suggest excessive valuation by present standards.

Commodity Share Week.—Whatever problems may be exercising the industrial investor, the commodity share operator continues to reap his speculative harvest. Again, it has been a rubber week, on the rise in the commodity to 12½d. Dealings have been heavy, yet the willingness to take intermediate profits has also been evident. But no especial significance appears to attach to the fact that prices closed slightly below the best from Wednesday, for the shares have been advancing strongly for some weeks. Yet on the calculation that the prevailing level of prices does no more than discount tenpenny rubber, this week's advance in rubber shares cannot be regarded as unjustifiable on prospective earnings considerations. Within the present context of restriction, the possibility for a further advance in rubber shares cannot be ruled out, for the Committee (as we show in a Note on page 637) has evidently lost its whip hand over the market, and all criteria of "reasonably remunerative rubber prices" have been swept aside in the speculative rush to cover consumers' demands. Similar technical conditions appear to apply to tin—which is probably the strongest among the base metals—but the irregular fluctuations in the metal market, after breaking through £300 per ton at the end of last week, have given the share market no definite lead. Special selling, in anticipation of the N'Changa issue, appears to have been responsible for the poor condition of the Rhodesian market, and the trend of the metal itself, after the publication of the February figures, was not auspicious. Meanwhile, speculation is spreading among the lesser known commodity shares, such as Sudan Plantations, on the sharp movements in Egyptian cotton. And the market would welcome a good equity in rising wheat prices—if it could find one. Canadian Pacific common, even after this week's setback to 15½d., are not attractive in relation to earnings prospects, and Hudson's Bay ordinary shares are already on a low earnings yield basis. There are signs, perhaps, that speculation in commodity shares is being overdone—and the adjustment of copper and diamond shares, together with oil shares, should give the exuberant operator ground for thought. It is conceivable, however, that opportunities exist among oil issues, which have been obscured in the frenzied gambling in base metals and rubber shares.

Investment Trusts and Treasury Policy.—Events have endorsed our suggestion that the purpose of the Foreign Transactions Advisory Committee was not to mitigate but to perpetuate the Treasury's control of foreign issues. Recently an intimation was privately made that the Committee, in effect, did not regard institutional investment in overseas securities as necessarily outside their purview. One aspect of this question has been given additional prominence by the reply of Mr Chamberlain to a question in the House of Commons by Sir J. Mellor on March 16th. The Chancellor declared that he concurred in the Committee's opinion, expressed through their chairman, Lord Kennet, that investment trust companies proposing to make new issues should

confine the proportion invested abroad "to the minimum necessary to the conduct of the business in accordance with the ordinary practice of investment trusts," and, further, that if the actual proportion were "unusually high" it should be reduced as occasion might serve. It is immaterial whether the initiative in this question came from the Committee, or whether the Treasury handsomely confirmed its own suggestion after sending it to the City for stamping. The important point is that the process of mapping out the territory of control is tending, inevitably, to impose increasing restriction on business as it has been carried on in London for well over half a century. What is now in issue is not the expediency, for exchange or other reasons, of maintaining an official censorship over exports of British capital, but the expediency of effectively extending its area by progressive re-definition on bureaucratic lines.

Whatever the merits of the Committee's (or the Treasury's) policy in itself, however, there can be no defence of vagueness and uncertainty in official pronouncements. What is "the ordinary practice of investment trusts" in the matter of overseas holdings? In the course of a detailed analysis of investment trust finance, in a Special Supplement to *The Economist* of December 1, 1934, we showed (page 7) that in 1933 some 97 companies published geographical figures of their holdings, which were distributed as follows:—

Percentage Distribution	U. Kingdom	Rest of Empire	U.S.A.	Cent. & South America	Europe	Rest of World
	%	%	%	%	%	%
Calculated on market values (41 Co.'s) ...	48.0	11.3	11.8	11.7	11.6	5.6
Calculated on book values (56 Co.'s) ...	40.4	13.2	10.2	15.2	13.1	7.9

It will be seen that, in 1933, on each basis of valuation taken, the holdings of this large and representative sample of companies were, to the extent of more than half the total, outside the United Kingdom. Even if the British Empire holdings were excluded, the "foreign" percentages were as high as 40.7 (market values) and 46.4 (book values) respectively. The distribution may, of course, have changed somewhat since 1933. Holdings in the United States, for example, probably represent a larger proportion to-day. But an analysis prepared by a Stock Exchange house, incorporating reports up to October 22, 1936, shows that of 126 investment trusts publishing particulars of their geographical distribution, some 85 had less than 50 per cent. invested in the United Kingdom last year, and only 41 had 50 per cent. or more so invested. Empire holdings outside the United Kingdom were given separately for 107 companies. They accounted for less than 15 per cent. of the whole in 63 instances and for 15 per cent. or more in only 44 cases. The evidence suggests, therefore, that a significant share of investment trust money is still invested in foreign countries. We suspect, however, that any new trust which proposed to place anything like half its resources overseas would have difficulty in persuading the authority that its own view of "the ordinary practice of investment trusts" coincided with that of Mr Chamberlain.

I.C.I. and the Lords.—The House of Lords has now delivered judgment on the scheme of Imperial Chemical Industries for consolidating its deferred capital with its ordinary capital. The judgment found the scheme fair and equitable in substance, but irregular in its presentation at class meetings of the different shareholders. In the opinion of Lord Blanesburgh, the deferred shareholders' meeting was not a separate meeting within the meaning of the Company's Memorandum of Association. Nevertheless, the extraordinary resolutions might be taken to have been duly passed, because the regularity of the meetings was not directly in issue on the petition which the Court was considering. The company's action, in short, was criticised *in modo*, but confirmed *in re*. It is now possible, therefore, to summarise the lessons for investors generally which emerge

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The actual distribution for the year ended March 1st, 1937, was equal to a yield, derived from cash dividends only, of £5 : 4 : 0 per cent. gross, at the current price of sub-units.

PROVIDENT INVESTORS TRUST

Results for complete financial year not yet available. Estimated yield £4 : 12 : 0 per cent. gross, at current sub-unit price.

HUNDRED SECURITIES TRUST

Yield for last completed year equal to £4 : 15 : 1 per cent. gross, at current sub-unit price.

SECURITY FIRST TRUST

Yield for last completed year equal to £5 : 8 : 1 per cent. gross, at current sub-unit price.



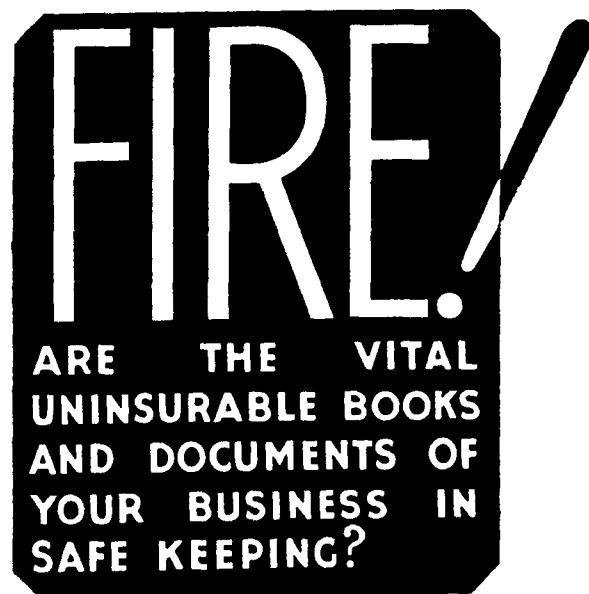
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from an incident which all concerned would, we may presume, have gladly avoided if possible. It is generally admitted that the deferred shares in Imperial Chemical Industries were regarded, at the time of the company's creation in 1926, as a species of anticipatory capitalisation of the considerable economies which the merger of the constituent companies was expected to bring forth in the fulness of time. And no secret is betrayed by saying that the present board, which has done so much to bring many of these economies to fruition, does not, possibly, take quite the same dynamic view of the investment possibilities of the company's equity capital as was taken by its first chairman.

To-day, the position of the I.C.I. approximates in many ways to that of a great public utility concern. And one implication of this fact is the recognition that its consumers and its workers, no less than the holders of its capital, have a claim to a share of the earnings of efficiency and increased demand. Undoubtedly, under such a dispensation, the deferred shares had become an anachronism, and the existence of their peculiar rights was a handicap on the company in meeting potential requirements for increased future capital. Nevertheless, those investors who bought and held I.C.I. deferred under the impression that they were obtaining a high-gear equity, had a certain grievance. To the super-tax payer, in particular, the shares were attractive, less for their dividend possibilities than their prospect of substantial capital appreciation. And it is disappointing for the purchaser of a high-powered sports car to find himself merely the owner of a comfortable family model. The real mistake, we suggest, was made when the shares were first issued. The moral would seem to be that the traditional objection to the capitalisation of future financial benefits is wholly sound.



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Industrial Profits in February.—Reports published in February show that for the first time since last May the percentage increase has fallen below 10 per cent. February, however, is normally a quiet month for industrial company reports, and the decline, therefore, has no special significance. The recent figures appear below:—

Reports published in	No. of Companies	Rise in Profits*	Reports published in	No. of Companies	Rise in Profits*
1935—			1936—		
October	166	29.19	June	214	13.50
November ...	160	17.47	July	228	15.69
December ...	159	12.27	August	47	14.21
			September ..	107	12.32
1936—			October	146	18.09
January	128	13.66	November...	177	13.49
February	205	9.00	December ...	175	15.49
March	236	17.39	1937—		
April	254	9.66	January	110	15.92
May	269	9.41	February ...	208	8.95

* After payment of debenture interest.

The total net profits covered by the February reports amounted to £27,956,588, compared with £25,659,684 for the preceding year. The Imperial Tobacco profits alone account for about 40 per cent. of the February profits, but contributed only £368,000 to the increase. Roughly, one-fifth of the total profits are attributable to the utility groups, whose earnings are steady. Investment trusts show a 12 per cent. improvement.

Company Notes

International Nickel Report.—When a company issues complete information regarding its earnings each quarter there is nothing for the market to seize upon in the annual report. The International Nickel report has suffered this penalty of market neglect, but its story is impressive. Sales of nickel have reached a new record of 168.9 million pounds—an increase of 30 per cent. over the 1935 figure. The alloy metals also achieved high levels, and copper sales increased by 14 per cent. The past year, in fact, confirmed the wisdom of development work carried out in earlier years and continued in 1936 by the expenditure of \$11 millions on new capital works. Its fruits are apparent in an increase of 41 per cent. in total profits and 45 per cent. in common stock earnings:—

(Figures in U.S. dollars)

	1934	1935	1936
Total income*	27,997,090	38,666,706	54,689,038
Expenses and taxes	4,188,480	6,108,257	10,008,780
Interest, depreciation and other provisions	5,321,131	6,471,922	7,814,731
Net profit	18,487,479	26,086,527	36,865,526
Preferred dividends	1,933,899	1,933,899	1,933,899
Common dividends	7,289,085	10,933,627	18,951,620
Common shares—			
Earned (\$ per share).....	1.13	1.65	2.39
Paid (\$ per share)	0.50	0.75	1.30
Adjustments	42,050†	114,524‡	260,352‡
Transferred to capital surplus	1,000,000	...	...

Earned surplus 30,990,016 44,094,493 59,896,144‡
 * Including "other income." † Adjustment for taxes.
 ‡ Premium on debenture redemption. § Includes share in surplus of subsidiary acquired in 1936.

These results, achieved by a conspicuously moderate price policy, are the best augury for the far-sighted investor. Between 1934 and 1936 nickel prices were roughly stabilised, and this year a reduction of £20 per ton has been announced. Contrasted with rocketing base metal prices, this long-range policy has an almost archaic simplicity. But it is one of the reasons why International Nickel, at \$71½, are priced to yield only 1.8 per cent. on dividends and only 3.3 per cent. on earnings. Essentially, Nickel is a share for the long-term holder, who, though he accepts a low present yield, can rely upon the company's further development and intensive

research. Meanwhile, he has a report which deserves to be read for its own sake and as a pattern to others. It gives the stockholder all the information which he could possibly require—including the somewhat surprising fact that the number of common stockholders fell from 80,174 at the end of 1935 to 74,287 at the end of 1936.

* * *

The London Brick Outlook.—Sir Malcolm Stewart's speech at the London Brick Company's meeting on Monday was full of interest for shareholders. After giving a charming memoir of Sir Halley Stewart—a great Victorian, and founder of Forders—the chairman reviewed the present building situation in relation to the prospects of London Brick. Private house-building diminished somewhat last year, especially in London and the South, but State-aided house-building under the Overcrowding Act raised the total number of houses built to a record figure, and factory construction had also increased rapidly. Sir Malcolm had no fears of a sudden and simultaneous attainment of saturation point in all branches of the industry. He described in some detail the long-run policy pursued by the company. Clay land has throughout been valued at its agricultural price, and kilns, machinery, plant, etc., stand at the very low figure of £1 per thousand bricks. The works supplying the West of England have been doubled, and a new office has been opened in Birmingham to meet the expanding demand in the Midland areas. A new mechanically produced sand-faced brick, similar to the hand-made type, and well suited for house-building, will shortly be in large-scale production at a low price. The speech betrayed no suggestion of the market's fears for the future earnings of the company. Rather it was couched in optimistic terms. The company is not exposed to localised fluctuations in building activity, and it can secure the economies of an immense scale of production and marketing. Many companies whose shares stand well below the London Brick 7 per cent. yield level may well envy its strength, and even its prospects.

* * *

London Associated Electricity.—The report of London Associated for 1936 covers the first full year's operation since the amalgamation of the seven "West End" electricity undertakings operating under the 1925 Act, and the results will be studied with great interest. Our extracts from the report, tabulated below, show an increase of 10½ per cent. in units sold, with a small reduction in the average price received:—

	1934	1935	1936
Units sold (millions)	314.5	350.1	386.1
Average price (d. per unit).....	1.800	1.686	1.624
Total revenue from all sources	2,603,816	2,764,658	2,898,455
Cost of electricity purchased	1,030,923	1,046,076	1,104,256
Operating and management...	694,816	713,930	768,672
Sinking funds	348,456	340,293	362,860
Total costs and provisions...	2,171,975	2,265,475	2,338,500
Balance of revenue	431,841	499,183	559,955
Profits divisible under 1925 Act	496,912	522,986	540,101

Dividends paid by operating companies	518,783	518,281
Net earnings of parent company	478,960	518,380
Preference dividends	82,647	120,420
Ordinary dividend	324,329	325,604
To Stockholders' reserve account	55,000	55,000

The dividends paid by the operating companies were covered with a margin of some £40,000, of which about £22,000 was divisible, but was retained in the No. 2 reserve funds for the ultimate benefit of the stockholders. The parent company has again paid only the standard 7 per cent. dividend, reserving the surplus dividends payable against the ultimate extinction of the undertaking in 1971.

PRELIMINARY NOTICE.

STEEL & CO. LIMITED

SHARE CAPITAL.

Authorised.	Issued and fully paid.
£150,000 in 150,000 6 per cent. Cumulative Preference Shares of £1 each	£110,000
150,000 in 600,000 Ordinary Shares of 5s. each	110,000
£300,000	£220,000

The Subscription Lists will open on Wednesday, the 24th March, 1937, for an

OFFER FOR SALE

of

85,000 6 per cent. Cumulative Preference Shares of £1 each at par and

293,334 Ordinary Shares of 5s. each at 7s. 9d. per Share.

The Prospectus will show, *inter alia* :—

The Company is an amalgamation of the following three undertakings:—

STEEL & COMPANY (HOLDINGS) LIMITED (formerly called Steel & Co. Limited), Engineers, Ironfounders, Metalworkers and Builders' Merchants, of Sunderland; GUNTON, SONS & DYBALL LIMITED, Builders' and Plumbers' Merchants, of Norwich; NORMAN TURNER ENGINEERING CO. LIMITED, Engineers and Air-Conditioning Specialists, of London.

Net Assets, exclusive of goodwill, amount to £210,883.

Net Profits, after providing for all expenses, including depreciation, except Directors' fees, Directors' remunerations and Income Tax, were:—

Year ending within the year to 31st January, 1933	£9,953
Year ending within the year to 31st January, 1934	£15,008
Year ending within the year to 31st January, 1935	£15,326
Year ending within the year to 31st January, 1936	£20,908
Year ending within the year to 31st January, 1937	£31,604

On the basis of the profits of the three businesses for the last financial year, after deducting Directors' fees on the basis arranged for the future, £28,154 remains as net profit, which is sufficient to cover the dividend on the issued Preference Shares over four times and after payment thereof to leave £21,554, a sum equivalent to 19.5 per cent. on the nominal value of the Ordinary Shares of the Company now issued, or over 12.5 per cent. on the price at which they are offered for sale.

Prospects: In the opinion of the Managing Director, who considers that the amalgamation of the three businesses, which are closely associated in their activities, will effect substantial economies by way of unification of control, centralised selling and large-scale buying, the net profits for the first financial year should not be less than £35,000.

Application may be made for either Preference or Ordinary Shares separately.

Copies of the Full Prospectus and Application Forms can be obtained from:

THE BANKERS:

MARTINS BANK LIMITED, 68, Lombard Street, London, E.C.3, and Branches.

THE BROKERS:

JAS. FLOWER & SONS, 4/5 Copthall Court, London, E.C.2.

H. L. CONNOR & CO., 31 Vincent Place, Glasgow, and Stock Exchanges

or from

BASILDON TRUST, LIMITED,
51 Coleman Street, London, E.C.2.

—**And Future Prospects.**—The results for 1937 will reflect the new tariffs which were introduced at the end of 1936. These will no doubt reduce the average price received this year. Under the 1925 Act, the operating companies would then be able to increase their dividends, though for the first year of the new tariffs, earnings might fall short even of the standard dividends. Since, however, the operating companies have a credit balance of £224,000, they might perhaps be willing to draw upon it until the increase in sales induced by the new tariff brought earnings up to the amount divisible. A reasonable increase in the provision made for the benefit of stockholders under the sliding scale may thus be expected in due course. If it were possible to reserve an average of 2 per cent. net on the ordinary capital each year to 1971—when the undertakings are transferred to the London and Home Counties Joint Electricity Authority—the ordinary shares should, on liquidation, rank for an amount substantially in excess of the present market price of some 32s. 6d. There is no justification, therefore, for regarding the shares as a wasting asset, and the yield of rather more than 4½ per cent. seems attractive.

★ ★ ★

North-Eastern Electric.—During the depression this undertaking did much to offset the fall in its industrial load by an intensive development of the domestic consumption and of electrification of coal lines in its area. With the partial economic recovery which has occurred in the district, the company's earnings now show considerable expansion, which justifies an increase in the dividend from 6 per cent. to 7 per cent. The recovery in earnings is analysed in the following table:—

	1934	1935	1936
Net revenue	1,088,290	1,096,505	1,244,590
Reserve for special depreciation and contingencies ..	275,000	235,000	300,000
Plant renewal and improvement.....	70,000	70,000	100,000
Debt and other interest	224,644	230,959	250,806
Debt sinking fund.....	...	65,515	66,770
Preference dividend	185,482	185,482	185,482
Ordinary shares:—			
<i>Earned</i>	333,174	309,549	341,532
<i>Paid</i>	285,595	285,595	333,194
<i>Earned %</i>	7.0	6.5	7.2
<i>Paid %</i>	6	6	7
Carried forward	86,512	134,082	158,036

Provision for depreciation is less than the amount suggested by our standard scale, but the company usually makes a handsome charge against revenue for repairs and maintenance. Although information is not provided on this point in the report, this course was doubtless followed last year. There is little doubt that, in total, the company has made conservative provision for depreciation.

★ ★ ★

Unilever Stores Group Results.—The results of the Unilever Stores group are mixed, but not unprogressive for a year of reorganisation, rising prices but, fortunately, increasing turnover. The position of the *Home and Colonial Company* itself has long been appreciated in the market, and the fall in net profits from £177,584 to £138,898 was not greeted with any surprise. The directors intimated last September that the first quarter of 1936 showed a decline in profits, which the later recovery has not made good. Meanwhile, the modernisation programme has been pushed forward, and turnover rose despite the closing of unprofitable shops. A reserve totalling £154,000, which was set up to meet the cost of improvements, has been drawn upon to the extent of £92,738, and the directors consider that the

OVER ONE HUNDRED AND TEN YEARS OF SERVICE
SCOTTISH UNION & NATIONAL
 INSURANCE COMPANY
 ASSETS - EXCEED £16,000,000
 FIRE LIFE ACCIDENT MARINE
 Edinburgh: 35 St. Andrew Square
 London: 5 Walbrook, E.C.4, and 45 Pall Mall, S.W.1

balance of £61,262, with the normal depreciation provision from profits, will suffice for their modernisation programme. Since, however, the preferred and preferred ordinary dividends were short-earned to the extent of £68,354 in 1936, the dividend prospects of the 4s. ordinary shares cannot be regarded as assured. Of the other companies in the group, *Lipton* and *Maypole* have done better—Lipton's profits have, in fact, increased by 20 per cent. to £24,794, while the Maypole Dairy has earned £15,000 more at £268,028. The Meadow Dairy figures are also slightly improved. Judged as a whole, the group has increased its total profits during a year in which profit margins per unit have fallen. The first stage of reorganisation is apparently proving successful, but it has been aided by increasing purchasing power, and competition in the provision trades remains as keen as ever. The present price of Home and Colonial ordinary can appeal only to long-run dividend hopes.

★ ★ ★

United Africa Progress.—This branch of the Unilever group, however, reveals a sharp recovery on the improved conditions in West Africa. The profits of *United Africa* itself are over 23 per cent. higher at over £1½ millions. The report points out that the turnover in merchandise and produce has increased both in value and volume. Although the dividend has been raised from 8 per cent. to 10 per cent., the amount earned exceeds the payment by 4 per cent., the surplus being used to raise the reserve provision from £225,000 to £300,000, and the carry forward by £37,000. A growing volume of trade is reflected in the balance sheet, which shows stocks of merchandise and produce at £7,574,000 against £5,335,000, due to larger physical stocks, and also to higher prices. This scale of progress has enabled *African and Eastern Trade Corporation*, whose assets consist chiefly of United Africa shares, to pay the maximum 12 per cent. dividend on the preferred ordinary and a 7½ per cent. ordinary dividend—the first since 1927—although earnings for the ordinary, however, fall short of the distribution by 2½ per cent. African and Eastern 1s. ordinary shares are highly geared, and the present price of 4s. 1½d. discounts favours to come.

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Gaumont-British Developments.—Further news has come to hand this week regarding the Gaumont-British position. Mr Isidore Ostrer has announced that the deal between Gaumont-British and General Film Distributors has been submitted by the Law Debenture Corporation (as trustees for the debenture holders) to counsel, whose opinion is that nothing has arisen to justify their intervention as trustees. On Tuesday, an application was granted in the Chancery Division for leave to serve notice of a motion to restrain the Gaumont-British Picture Corporation from paying the preference dividend on March 31st. This application follows the decision of a committee of shareholders to apply for an injunction, on the ground that the preference payment would amount to a charge on capital. The motion was heard on Friday, after we had gone to press. Meanwhile, the Stock Exchange Committee has acceded to the request of a number of dealers that the 5½ per cent. preference shares of the corporation should not be marked ex dividend. Normally, the shares would have been dealt in ex dividend on Monday last, and the ruling presumably implies that the shares will remain cum dividend until the payment is made.

★ ★ ★

Crown Mines.—This company treated a record tonnage of ore last year. But the grade was slightly inferior to that of previous years, and the average price for the gold produced was somewhat smaller, falling 1s. 10d. below the 1935 average to 140s. 1d. As a result, the working profit decreased, although the net surplus was increased by a big reduction in the taxation charge. In

addition, expenditure on capital account was substantially smaller. After payment of an additional 20 per cent. in dividends, a slightly increased balance is carried forward. From the remarks of the consulting engineer, it appears that this year's capital expenditure will, at any rate, not exceed that of 1936. The results are analysed below:—

	1933	1934	1935	1936
Ore, milled, tons ..	3,480,000	3,558,000	4,003,000	4,277,000
Revenue per ton ..	37/9	39/-	34/10	33/6
Costs per ton	19/11	19/10	18/6	18/6
Profit per ton	17/10	19/2	16/4	15/-
Working profit	£3,105,540	£3,415,290	£3,262,040	£3,211,870
Net profit	£1,629,950	£1,898,610	£1,834,940	£1,949,330
Earned per cent.....	172.8	201.3	194.5	206.7
Paid per cent.	142½	170	170	190
Amount	£1,343,860	£1,603,210	£1,603,210	£1,791,820
Capital expenditure ..	£207,090	£210,200	£263,290	£142,990
Carried forward ...	£582,480	£667,240	£635,680	£639,650
Ore reserves (available), tons	15,829,390	17,334,920	19,817,130	20,071,400
Value, dwt.	5.9	5.7	5.1	5.1

A small increase in the development footage bore fruit in an increase of about a quarter of a million tons in the available ore reserves. Owing to the recent setback in the Kaffir market, Crown Mines shares can be bought to give a gross yield of nearly 6½ per cent.

★ ★ ★

Other Company Results.—An analysis of the profit and loss accounts of as many as 95 further companies will be found on page 677. They include a number of important miscellaneous industrials, many of which are reported in greater detail among the "Shorter Company Comments" on page 665, which is preceded by a discussion of the more important results.

GOLDEN MOMENTS

The Grand National

Leading by a length at the last jump he romps home a splendid winner over the most gruelling course in the world—a Golden Moment for the jockey. But even he, great rider that he must be, can't smoke a better tobacco than "Cut Golden Bar" at a shilling an ounce. But it must be Wills's.



WILLS'S CUT GOLDEN BAR

READY RUBBED
 in 2 oz. Pocket Vacuum Tins
 and 1 oz. Airtight Tins
 FLAKE FORM
 in 2 oz. Airtight Tins
 and 1 oz. Packets

1/6 AN OUNCE

C.B.81B

Made by the Imperial Tobacco Co. (U.K.) Ltd. London and Glasgow.



TICKET: APRIL 6 ACCOUNT: APRIL 8

Industrial markets were generally flat, for the two opening days of the new account, but later a better tone was evident and a market-wide improvement set in. In the iron and steel

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Once more the mining market was unexciting, more unexciting indeed than the outlook would seem to imply. The liveliness of the tin market scarcely affected the shares; the gradual rise in copper issues seems to have come to an end, with substantial selling of Rhodesians, particularly Roans. Kaffirs, however, were on the whole firmer, though the volume of business was once again small.

Highest 1936 : Ordinary Shares 124.9 (Nov. 18); Fixed Interest 138.8 (Feb. 10).
Lowest 1936 : Ordinary Shares 107.4 (Jan. 2); Fixed Interest 136.2 (Sept. 23).
Highest 1937 : Ordinary Shares 124.8 (Jan. 4); Fixed Interest 136.6 (Jan. 4).
Lowest 1937 : Ordinary Shares 116.3 (Mar. 16); Fixed Interest 126.5 (Feb. 28).

On Tuesday last the index of 178 industrial equities stood at 86.0, as against 87.4 a week ago and 90.2 a month ago. The corresponding yields are: 4.10, 3.98 and 3.81 per cent. Below is a selection from the component indices:—

A GENERAL reaction set in towards the end of last week, and continued strength was evident only in the rubber, leather and alcohol groups. Government issues fell sharply on a heavy turnover, on fears that the rise in commodity prices might cause the administration to restrict credit. This week the general trend has again been downward, rails being the outstanding exception. The principal causes for the rise in rails were the increasing net income figures, and the agreement with the unions on pensions. Steel issues were irregular although *Iron Age* estimates that steel mill activity for the week was 89 per cent. of capacity against 87 per cent. last

3. <i>Extractive and Metal Industries</i>				Gillette xd 153 18 213			
Am. Rolling Mills	44 393	393		Lambert Co.	23 213	213	
Beth. Steel 104 983	983	942		Loews xd 80 78	78	76 78	
Beth. Steel Pref. xd ..	125 124 124	124		20th Century Fox. 37 39	39	38 39	
Republic Steel 45 44 44	44			5. <i>Retail Trade and Food</i>			
U.S. Steel 125 121 118	118			Montgomery Ward ..	68 67	63 67	
U.S. Steel Pref.	149 149	145 145		J. C. Penney Co.	103 102	102 102	
Alaska Juneau xd.	15 14 14	14		Sears Roebuck xd.	94 94	94 92	
American Metal.	68 64 61	61		United Drug 15 15	15	14 15	
American Smelting ..	105 99 97	97		Walgreen xd 46 32	31 32	31 32	
Anaconda 69 65 63	63			Woolworth 54 52	51 52	51 52	
Bohn Aluminium	45 44			Borden 27 27	27 27		
Cerro Pasco 85 80	80			Goodman 43 42	42	42 42	
Int. Nickel 72 70 69	69			Kroger Grocery	23 23	22 23	
Keanecott xd 68 66 63	63			Nat. Biscuit xd.	32 31	30 32	
Patio Mines 22 21 20	20			Nat. Dairy 23 23	23 23	24 23	
Texas Gulf Sulph.	40 39 39	39		Standard Brands.	52 51	51 52	
U.S. Smelt 103 99 93	93			Int. Tobacco B.	83 82	82 81	
Vanadium Corp.	38 36 35	35		Liggett Myers B.	102 102	102 102	
Atlantic Refining ..	36 34 33	33		Lorillard 24 24	24 24		
Phillips Petroleum ..	57 56 54	54		Reynolds Tob. B. x	52 52	52 52	
Shell Union 33 31 31	31			National Distillers ..	32 34	33 34	
Shell Union Pref.	103 103 103	103		Schenley Distillers ..	48 50	49 49	
Secony Vacuum 19 18 18	18			6. <i>Finance</i>			
Standard Calif.	29 49 48	48		Commercial Credit ..	59 60	60 60	
Stand. Oil N.Y.	75 72 71	71		Atlas Corp.	18 18	18 18	
Texas Corp. 59 57 56	56			Com. Invest. Trust ..	69 70	69	

* 50 Industrial Common Stocks. (b) Oct. 14th. (c) December 23rd. (a) April 8th
d) March 17th. (e) December 2nd. (f) March 17th. (s) February 10th. (t) January 13th.

* March 6th. † January 4th.

* Two-hour session.

THE resumption of activity in the new issue market this week has been marked by two features—the issue of preference capital by two large concerns and a further increase in industrial issues. *Midland Counties Electric* 4½ per cent. £1 preference shares, issued at 20s. 6d., are covered securely by earnings, and are a first-class preference share investment. The 5½ per cent. £1 preference shares of *Hoover, Ltd.*, issued at 21s. 6d. are covered nine times on latest earnings, and 6½ times on the profits of 1934. Although the preference issues of companies whose equities remain in private hands do not attract wide attention when the market has settled, their security, as a rule, is good. The prospectus states that the company is considering the manufacture of a wider range of household appliances. The largest industrial issue is of 4s. ordinary shares in *Scottish Machine Tool Corporation* at 25 per cent. premium. This concern has been formed to amalgamate five machine-tool and ironfounders' companies in the Glasgow area. The operations of these companies for years ending in 1934 showed a loss of £11,045; for 1935, profits amounted to £298; and for 1936 to £17,628. On the basis of profits for five and six month periods for four companies, and a full year's figures for the fifth, it is computed that net profits in a full year would now amount to £49,545. But since the shares are offered on an estimated 10 per cent. earnings basis calculated by the broken period method, they must be regarded as highly priced, even with orders on hand totalling £740,000. The vendors' profits, moreover, appear rather generous for this issue. The

(Continued on page 664)

LONDON : 46 QUEEN VICTORIA STREET, E.C.4
15a PALL MALL, S.W.1

In calculating yields on fixed interest stocks quoted below allowance is made for interest accrued since the last date of payment, less income tax at the standard rate. Where stocks are definitely redeemable at a certain date the yield includes any profit or loss on redemption; where stocks are redeemable at or before a certain date the final date of repayment is taken when the stock stands at a discount and the earliest date when the quotation is above par. The return on ordinary stocks and shares is calculated as a reference to the latest dividends, account being taken of any enhancement or reduction of interim dividends. Allowance is made for accrued dividends in calculating the yield on "cum div." shares.

Prices, Year 1936				Prices, Year 1937				Prices, Year 1937				Prices, Year 1937				Prices, Year 1937				Prices, Year 1937			
High-est		Low-est		High-est		Low-est		High-est		Low-est		High-est		Low-est		High-est		Low-est		High-est		Low-est	
Jan. 1 to Mar. 17, inclusive		Jan. 1 to Mar. 17, inclusive		Jan. 1 to Mar. 17, inclusive		Jan. 1 to Mar. 17, inclusive		Jan. 1 to Mar. 17, inclusive		Jan. 1 to Mar. 17, inclusive		Jan. 1 to Mar. 17, inclusive		Jan. 1 to Mar. 17, inclusive		Jan. 1 to Mar. 17, inclusive		Jan. 1 to Mar. 17, inclusive		Jan. 1 to Mar. 17, inclusive		Jan. 1 to Mar. 17, inclusive	
Name of Security		Name of Security		Name of Security		Name of Security		Name of Security		Name of Security		Name of Security		Name of Security		Name of Security		Name of Security		Name of Security		Name of Security	
British Funds Consols 2½% 76½ 76 ... 3 5 9 Do. 4½ Red. at par on or after Feb. 1957 (m) 108½ 108½ ... 3 8 0 Convers. 2½ 1944-49 99½ 99½ ... 2 16 3 Do. 3½ 1945-55 100½ 100½ ... 3 1 0 Do. 3½ 1946-55 100½ 100½ ... 3 1 0 Do. 4½ 1940-44 107 107½ ... 2 3 0 Do. 5½ 1944-44 115 115 ... 2 19 0 Funding 2½ 1958-61 87½ 87½ ... 3 8 0 Funding 2½ 1953-57 87½ 87½ ... 3 5 0 Funding 3½ 1959-69 111½ 111½ ... 3 6 0 Funding 3½ 1960-69 108½ 108½ ... 3 14 0 Victory Bonds 4½ 102 102½ ... 3 10 0 War L'n 3½ after 1952 88½ 88½ ... 3 8 2 Local Loans 3% 100 100 ... 3 0 6 Austria 3% 1933-53 64½ 64½ ... 3 18 9 India 2½% 88½ 88½ ... 3 12 9 Do. 3% 113 113 ... 3 8 6 Do. 3½ 1958-68 105½ 105½ ... 3 16 6 U.K. & Arg. 4% (1947) 108 108 ... 3 5 10 Dom. & Col. Govts. Australia 5% 1940-65 101 101 ... 4 9 2 Canada 4% 1945-70 115 115 ... 3 8 6 Gold Coast 4½ 1956-56 117 116 ... 3 8 6 Nigeria 5% 1950-60 107 107 ... 3 11 5 N. Zealand 5% 1946-46 104½ 104 ... 3 3 6 Queensland 5% 1940-60 112 112 ... 3 16 6 S. Africa 5% 1945-75 101 101 ... 4 9 2 Foreign Governments Argentina 4½ Str. Bds 102 102 ... 5 8 3 Austria 7% 1957 71 70 ... 4 3 0 Do. 4½ (1954-59) 23½ 23½ ... 5 17 8 B. Aires (Prov.) 3½ 98 98 ... 5 7 6 Belgian 4½ red. by 1970 94½ 94 ... 6 2 2 Bulgaria 7½ Loan 97 96 ... 7 7 3 Brazil 5% Fund. 1914 85 85 ... 7 7 3 Chili 6% (1929) 108 108 ... 7 7 3 China 5% (1912) 97 96 ... 10 9 7 Do. 5% (1913) 108 108 ... 10 9 7 Czechoslovakia 8% 100 97½ ... 10 9 7 Danish 3% 60 60 ... 10 9 7 Danzig 6% 102½ 102½ ... 11 5 9 Egypt Unified 4% 62 62 ... 11 5 9 French 4½ (British) 42 42 ... 13 1 9 German 7% (Dowry) 34½ 34½ ... 7 0 0 Do. 3½ (Young L'n) 42 42 ... 6 2 2 Greek 6% Stab. L'n 51½ 51½ ... 7 1 9 Do. 7% Refugee 82 81 ... 7 1 9 Hungary 7% 82 81 ... 7 1 9 Japanese 5½ 1936-85 112½ 112½ ... 3 10 6 Do. 6% (1924) red. 1958 55½ 55½ ... 60 63 +3 Norwegian 4% 1901 18 17½ ... 11 2 3 Peru 7½ 1922 17½ 17½ ... 2 19 7 Poland 7% 115½ 115 ... 3 19 9 Roumania 4% Con. 1922 95½ 94½ ... 3 3 6 Swedish 3½ 1908 112½ 112½ ... 3 19 9 U.K. & Argentine 1933 115½ 115 ... 3 19 9 5½ B. Certs. (1951) 95½ 94½ ... 3 3 6 Corporation Stocks. Berlin 6% 1932-57 23½ 23½ ... 3 7 0 Birmingham 5% 1946-56 112½ 112½ ... 3 7 0 Bristol 5% 1948-58 70½ 70 ... 3 7 0 Danish 7% 1935-45 118½ 118½ ... 3 16 0 E. London 5% 1963-70 101 101 ... 3 5 3 Johns. & 5½ 1937-52 85 85 ... 3 10 7 L.C.C. 3% 103½ 99 ... 4 11 0 Seine (Dpt of) 4½ 1952 103½ 99 ... 4 11 0 Public Bonds Central Elec. 5% 1950-70 112 112 ... 3 19 10 TRANS-AMERICAN "A" 1985-2023 112½ 112½ ... 3 18 9 "A" 1985-2023 124½ 124½ ... 3 17 6 "T.F.A." 1942-72 105 105 ... 3 7 9 "B" 1965-2023 119 119 ... 3 16 0 "C" 1956 or after 90 88 ... 3 8 0 Met. Wat. Bd. 1950-70 115 115 ... 4 9 0 British Railways G. Western Ord. Stk. 57 56½ ... 5 6 8 L. & N.E. Stn. Def. Stk. 5 5 ... Nil Do. 5% Pref. Ord. 94 91 ... 5 16 7 Do. 5% Pref. 1955 22 22 ... 5 16 7 Do. 4½ 2nd Pref. Stk. 67½ 66 ... 6 1 2 Do. 4% 1st Pref. Stk. 62 62 ... 4 7 9 L.M. Ord. Stk. 72 72 ... 5 11 0 4% Pref. Stk. 1923 81 81 ... 4 18 9 4% Pref. Stk. 202 22½ ... 2 4 5 Southern Def. Stk. 88 88 ... 4 13 0 Do. 5% Pref. Ord. 107½ 107½ ... 4 13 0 Do. 5% Pref. Stk. 107½ 107½ ... 4 13 0 Dom. & Foreign Antiofagasta Ord. Stk. 144 144 ... Nil B.A. Pacific Ord. Stk. 34½ 33½ ... Nil B.A. Gr. Stn. Ord. Stk. 30½ 30 ... Nil B.A. Western Ord. Stk. 33½ 32½ ... Nil C. Argentine Ord. Stk. 14 12 ... Nil C. Uruguay Monte V. 17 16 ... Nil Can. Pacific Com. (25%) 87½ 87½ ... 2 5 9 Costa Rica Ord. Stk. 37 37 ... 5 8 0 Estate Rios Ord. Stk. 18 18 ... Nil Do. 6% Cum. Pref. Stk. 38½ 37½ ... Nil Leopoldina Ord. Stk. 59½ 58½ ... Nil Nitrate Rlys. (L'no) 97½ 97½ ... 2 11 3 San Paulo Ord. Stk. 25½ 25 ... 4 0 0 Taital Rys. Ord. Stk. 45 45 ... Nil Ud. Havana Ord. Stk. 44½ 44½ ... Nil Banks Bank of N. Zealand £1 35½ 35½ ... 4 11 4 Bank of England Stk. 345½ 345½ ... 3 9 6 Barclay B. (£1) 100 100 ... 3 9 6 Barcl. (Dom. & C.) A £1 45½ 44½ ... 1/3 2 0 Bk. of Australasia (£5) 148 148 ... 4 0 0 Bk. of Montreal (£100) 145 145 ... 3 8 6 Bk. of N. S. Wales (£1) 29 29 ... 2 19 6 British Overseas (£20) 95½ 95½ ... 6 13 3 Chtd. of India (£5) 95½ 95½ ... 10 1 4																							

(a) Interim dividend. (b) Final dividend. (c) Last two yearly dividends. (d) New Zealand currency. (e) Allowed for rate of exchange. (f) Flat yield.
(g) Yield on 3% basis. (h) Yield on 12% basis. (i) Yield based on redemption of 24%. (j) Yield working on redemption at par on February 1, 1957.
(k) Paid in Australian currency. (l) Interim dividend of 7% on smaller capital. Final of 8% on larger capital. Yield working on a 10% dividend basis.
(m) Yield basis of 12 1/2%. (n) Yield basis 40% of face value. (o) Free of Income Tax.

Prices, Year 1937 Jan. 1 to Mar. 17, inclusive		Last two Half-yearly Dividends		Name of Security		Price, Mar. 10, 1937		Price, Mar. 17, 1937		Rise or Fall		Yield Mar. 17, 1937	
High- est	Low- est	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
Iron, Coal, &c.—cont.													
42 1/2	82 3/8	35	(a)	10	(b)	38 9/16	37 5/8	-1/3	3	13			
12 3/8	9 3/8	Nil	(c)	Nil	(d)	10 9/16	10 7/16	-3d	Nil	13			
37 3/8	29 3/8	24	(e)	5	(f)	35 1/2	35 1/2	0	4	5			
32 3/8	30 9/16	56	(g)	5	(h)	31 3/8	31 3/8	0	3	0			
17 3/8	14 7/8	Nil	(i)	Nil	(j)	15 5/8	15 1/2	-9d	Nil	13			
16 1/2	12 1/2	Nil	(k)	Nil	(l)	15 3/8	14 9/8	-6d	Nil	13			
27 1/4	22 1/4	41	(m)	1 1/2	(n)	25 1/2	25 1/2	-3d	4	14			
28 9/16	24 9/16	Nil	(o)	Nil	(p)	25 1/2	25 1/2	0	4	0			
50 5/8	44 7/8	74	(q)	1 1/2	(r)	50 1/2	50 1/2	0	4	0			
40 5/8	37 1/2	54	(s)	3 1/2	(t)	40 7/8	40 7/8	0	4	8			
57 5/8	50 9/16	11	(u)	1 1/2	(v)	56 3/8	56 3/8	-7 1/2d	4	6			
33 9/16	30 3/4	Nil	(w)	Nil	(x)	31 10/16	31 10/16	0	3	14			
55 3/8	52 1/2	6	(y)	6	(z)	52 5/8	52 5/8	0	3	16			
60 1/2	53 3/8	16	(aa)	13	(ab)	59 1/4	58 1/2	-1/3	3	2 1/2			
43 3/4	37 1/2	5	(ac)	5	(ad)	39 9/16	38 9/16	-1/2	2	11			
17 1/2	13 5/8	94	(ae)	5 1/2	(af)	24 5/8	24 5/8	0	6	13			
28 11/16	21 7/8	Nil	(ag)	Nil	(ah)	25 1/2	26 3/8	+1/3	Nil	13			
3 3/8	3 3/8	24	(ai)	5	(aj)	121 1/2	121 1/2	-2	Nil	6			
\$141	\$76 1/2	Nil	(ak)	Nil	(al)	31 5/16	31 1/2	-6d	4	17			
89 11/16	34 3/8	8	(am)	10	(an)	34 5/8	33 5/8	-9d	3	0			
30 11/16	32 7/8	8	(ao)	10	(ap)	37 5/8	36 3/8	-9d	4	2			
49 4/8	40 10/16	64	(aq)	12 1/2	(ar)	48 9/16	47 6/8	-1/3	4	10			
156 3/8	142 1/2	22	(as)	12 1/2	(at)	152 1/2	152 1/2	0	4	12			
83 9/16	76 3/8	10	(au)	15	(av)	80 7/8	77 1/2	-2/6	3	19			
Textiles													
12 1/2	8 1/2	Nil	(aw)	Nil	(ax)	10 9/16	9 9/16	-1/2	Nil	13			
12 1/2	10 1/16	Nil	(ay)	Nil	(az)	11 1/16	10 1/16	-9d	Nil	13			
11 1/4	8 9/16	Nil	(ba)	Nil	(bb)	9 5/8	9 1/4	-1 1/2d	Nil	13			
15 1/2	12 7/8	Nil	(bc)	Nil	(bd)	13 1/8	12 9/16	-9d	Nil	13			
55 1/2	49 1/2	13 1/2	(be)	10	(bf)	50 1/2	49 1/4	-7 1/2d	4	1			
58 4/8	50 9/16	12 1/2	(bg)	7	(bh)	53 1/4	52 5/8	-7 1/2d	3	18			
49 1/4	44 1/4	7 1/2	(bi)	2 1/2	(bj)	45 3/8	46 3/8	0	4	5			
14 1/2	11 3/8	Nil	(bk)	Nil	(bl)	35 1/2	35 1/2	0	0	16			
38 3/8	34 3/8	Nil	(bm)	Nil	(bn)	36 3/8	36 9/16	+6d	4	12			
60 3/8	54 3/8	11 1/2	(bo)	11 1/2	(bp)	65 3/8	65 7/8	+7 1/2d	3	16			
23 9/16	16 5/8	24 1/2	(bq)	2 1/2	(br)	20 1/2	20 1/2	0	4	10			
Electrical Manufactures													
56 7/8	49 9/16	6	(c)	8	(d)	54 1/2	51 1/2	-3/8	3	2			
135 7/8	116 3/8	5	(e)	15	(f)	128 1/2	122 1/2	-3/8	3	6			
99 9/16	90 1/2	10	(g)	5	(h)	95 1/2	92 1/2	-2/6	0	16			
37 3/8	30 3/8	6 1/2	(i)	6 1/2	(j)	35 1/2	35 1/2	0	0	16			
94 9/16	86 1/2	10 1/2	(k)	15 1/2	(l)	88 7/8	87 1/2	-1/6	3	9			
28 1/2	18 1/2	22 1/2	(m)	7 1/2	(n)	20 1/2	20 3/8	+3/8	3	7			
54 5/8	47 5/8	4	(o)	5	(p)	48 9/16	48 1/2	-7 1/4d	4	3			
85 1/2	31 3/8	4	(q)	6	(r)	33 9/16	35 1/2	+1/3	3	9			
Electric Light, &c.													
33 1/2	18 1/2	Nil	(s)	30 1/2	(t)	22 1/2	22 1/2	-1 1/2d	Nil	13			
78 1/2	69 9/16	6	(u)	9	(v)	73 1/2	71 3/8	-9d	4	1			
31 1/2	26 1/2	6	(w)	9	(x)	28 1/2	27 1/2	-9d	4	8			
38 9/16	35 1/2	3 1/2	(y)	4	(z)	36 1/2	35 5/8	-6d	4	3			
46 1/2	42 1/2	3	(aa)	5	(ab)	44 1/2	42 5/8	-6d	3	15			
54 7/8	48 9/16	3	(ac)	7 1/2	(ad)	49 5/8	50 1/2	+6d	4	2			
45 3/8	38 10/16	4 1/2	(ae)	4	(af)	40 1/2	41 1/2	+1/4	4	3			
38 5/8	35 1/2	24 1/2	(ag)	5	(ah)	36 1/2	36 1/2	0	4	3			
51 3/8	45 1/2	3	(ai)	6 1/2	(aj)	49 1/2	47 1/2	-4	4	6			
41 3/8	36 3/8	3	(ak)	6 1/2	(al)	39 1/2	38 1/2	-1/2	4	3			
34 9/16	30 9/16	2 1/2	(am)	3 1/2	(an)	33 1/2	34 1/2	+1/10	4	3			
56 5/8	47 3/8	4	(ao)	5	(ap)	48 5/8	50 1/2	+1/3	4	0			
42 5/8	35 5/8	2 1/2	(aq)	2 1/2	(ar)	37 1/2	37 5/8	-1/7	4	5			
45 9/16	40 3/8	3	(as)	5	(at)	42 1/2	42 1/2	-6d	3	16			
Gas													
27 1/2	23 3/8	5 1/2	(u)	5 1/2	(v)	23 9/16	23 9/16	0	4	18			
163 1/2	147 1/2	8	(w)	4	(x)	162 1/2	161 1/2	+14	6	3			
26 9/16	23 1/2	2 1/2	(y)	2 1/2	(z)	24 1/2	24 1/2	0	4	9			
120	108	24 1/2	(aa)	3	(ab)	109 1/2	109 1/2	0	5	6			
Motors and Cycle													
52 3/8	43 9/16	12 1/2	(ac)	15 1/2	(ad)	46 3/4	44 7/8	-1 7/8	3	7 1/2			
60 4/8	49 1/2	50	(ae)	50	(af)	47 1/2	45 1/2	-2	5	10			
27 3/8	24 1/8	Nil	(ag)	Nil	(ah)	28 1/2	25 1/2	-6d	3	1			
37 3/8	33 3/8	33 3/8	(ai)	133 3/8	(aj)	38 1/2	38 1/2	-1/3	4	9			
38 3/8	35 3/8	Nil	(ak)	Nil	(al)	38 1/2	38 1/2	0	3	1			
4 3/8	2 9/16	Nil	(am)	Nil	(an)	3 3/8	3 3/8	0	2	6			
74 9/16	67 5/8	24 1/2	(ao)	7 1/2	(ap)	70 1/2	67 1/2	-2/6	3	17			
126 3/8	95 1/2	10 1/2	(aq)	20	(ar)	106 1/2	100 1/2	-6/8	4	0			
43 9/16	39 1/4	10 1/2	(as)	15 1/2	(at)	43 3/8	43 3/8	0	1	11			
15 1/2	11 3/8	Nil	(au)	Nil	(av)	12 1/2	12 1/2	0	1	11			
68 1/2	72 5/8	5	(aw)	17 1/2	(ax)	78 7/8	77 1/2	-1/3	5	16			
6 1/2	5 1/2	17 1/2	(ay)	17 1/2	(az)	12 1/2	12 1/2	0	3	19			
30 7/8	26 3/8	15 1/2	(ba)	7 1/2	(bb)	28 3/8	26 3/8	-2/6	3	0 1/2			
176 3/8	152 1/2	20	(bc)	25	(bd)	156 3/8	152 1/2	-3/8	3	5			
Shipping													
8 4/4	7 1/2	Nil	(c)	Nil	(d)	7 5/8	7 5/8	0	Nil	13			
9 1/2	8 1/2	20	(e)	5	(f)	9 1/2	8 1/2	-6d	Nil	13			
29 5/8	25 1/2	3	(g)	Nil	(h)	29 5/8	27 1/2	-6d	Nil	13			
35 9/16	28 10/16	3	(i)	Nil	(j)	35 9/16	33 1/2	-2 1/2	8	0			
Tea													
30 3/8	22 1/2	Nil	(k)	2 1/2	(l)	28 3/8	30 1/2	+1/6	1	13			
63 3/8	42 1/2	2	(m)	3	(n)	48 5/8	50 1/2	+1/6	2	10			
63 9/16	38 5/8	5	(o)	9	(p)	48 5/8	51 3/8	-1/3	5	4			
43 9/16	27 5/8	2	(q)	7 1/2	(r)	39 3/8	38 1/2	-1/3	4	18			
43 1/2	38 1/2	7 1/2	(s)	2 1/2	(t)	38 1/2	38 1/2	-1/3	5	3			
36 5/8	27 1/2	7 1/2	(u)	2 1/2	(v)	36 5/8	36 5/8	-1/3	5	3			
6 1/2	5 1/2	8	(w)	Nil	(x)	5 7/8	6 1/2	+4 1/2d	2	6			
48 9/16	40 5/8	5	(y)	5	(z)	46 5/8	48 1/2	+1/6	2	1			
51 1/2	41 10/16	6	(aa)	10	(ab)	51 1/2	51 1/2	+1 1/4d	2	1			
Oil													
44 7/8	34 9/16	7 1/2	(c)	10	(d)	42 5/8	42 1/2	-6d	4	15			
128 1/2	102 1/2	10	(e)	10	(f)	128 1/2	122 1/2	-2/6	2	9			
44 3/8	31 3/8	10 5/8	(g)	5	(h)	42 5/8	42 1/2	-6d	4	3			
32 3/8	17 9/16	Nil	(i)	Nil	(j)	24 3/8	28 1/2	+4 1/6	Nil	13			
5 7/8	4 1/16	Nil	(k)	Nil	(l)	4 10/16	5 1/8	+1 1/4d	3	15			
120 7/8	104 1/4	16 1/2	(m)	5	(n)	117 1/2	114 3/4	-2 1/2	2	18			
57 5/8	43 1/16	7 1/2	(o)	7 1/2	(p)	50 7/8	51 3/8	-6d	3	6			
32 4/8	22 9/16	Nil	(q)	10 psc	(r)	24 3/8	24 3/8	-6d	3	6			
11 1/2	8 1/8	10 1/2	(s)	8 1/2	(t)	10 1/2	9 7/8	-4 1/2d	8	2			
152 1/2	128 1/2	10 1/2	(u)	8 1/2	(v)	148 1/2	148 1/2	-2/6	2	15			
170 7/8	123 9/16	7 1/2	(w)	7 1/2	(x)	140 1/2	137 1/2	-2/6	2	15			
68 9/16	52 1/2	1 1/2	(y)	1 1/2	(z)	61 3/2	62 1/2	+9d	3	18			
Miscellaneous													
28 9/16	24 3/8	5	(c)	5	(d)	25 3/8	25 1/2	-3d	4	0			
84 10/16	33 1/2	7 1/2	(e)	8	(f)	34 9/16	34 9/16	0	4	12			
19 7/8	18 1/8	Nil	(g)	Nil	(h)	19 7/8	19 7/8	+3d	5	2 1/2			
36 3/8	31 3/8	5	(i)	5	(j)	35 1/2	35 1/2	+6d	3	18			
22 4/8	20 9/16	6 1/2	(k)	5	(l)	21 1/2	21 1/2	+3d	4	11			
18 1/2	14 5/8	7 1/2	(m)	7 1/2	(n)	18 1/2	15 10/16	+10 1/2d	5	17			
24 3/8	21 3/8	26 3/8	(o)	26 3/8	(p)	24 3/8	24 3/8	0	4	13			
11 3/8	9 5/8	7 1/2	(q)	15	(r)	11 3/8	9 5/8	-3d	4	0			
76 7/8	68 9/16	6	(s)	10	(t)	76 7/8	68 9/16	-1/3	4	13			
UNIT TRUSTS. Latest prices, supplied by managers and Unit Trusts Association.													
Name and Group		Mar. 17, 1937	Compared Mar. 10	Name and Group		Mar. 17, 1937	Compared Mar. 10						
Municipal and Gen													

(f) 79-74. Inter dividend. (g) Final dividend. (e) Last two yearly dividends. (d) Yield worked on a 30 per cent. basis. (c) Annas per cent. basis. (b) Includes a Special Jubilee bonus of 24 per cent. free of tax. (a) Based on current annual dividend of \$2.00 per share. (w) Including bonus of 5% free of tax. (r) Calculated on basis of 184 annas per share of Rs. 8. Taken at 16 annas to one rupee. (q) Yield worked on a 60 per cent. dividend basis. † Free of Income Tax. (p) Yield worked on a 35% basis. (o) Yield worked on a 124% basis. (n) Special Jubilee bonus.

NORTH METROPOLITAN ELECTRIC POWER SUPPLY COMPANY

CONTINUED GROWTH OF COMPANY'S BUSINESS

RECORD NUMBER OF UNITS SUPPLIED

LORD ASHFIELD'S REVIEW

The ordinary general meeting of the North Metropolitan Electric Power Supply Company was held, on the 16th instant, at Caxton Hall, Westminster, S.W.

The Rt. Hon. Lord Ashfield, P.C. (chairman and managing director), in the course of his speech, said: Last year the number of units supplied by your company reached the record total of roundly 598,000,000 units, representing an increase of 102,000,000 units compared with the number in the previous year, or nearly 21 per cent. Moreover, this high rate of increase has been maintained now over a period of years, and I think you will be interested to know that within the narrow compass of five years the number of units supplied by your company has exactly doubled.

LARGE INCREASE IN INDUSTRIAL POWER CONSUMPTION

A particularly satisfactory feature of the growth in your company's business during the last five years has been the increase in the number of units sold to industrial power consumers, which has rather more than doubled, the exact rate of increase being 112 per cent. Another feature of your company's business which shows a continuous and rapid growth is that of street lighting.

At the end of last year the number of consumers supplied either directly or indirectly by the company was roundly 337,000, an increase of 40,000 consumers during the year, or 13½ per cent. Of this total the number of consumers supplied directly by the company was 212,598, an increase of 29,640, or over 16 per cent. Another satisfactory feature is that the average consumption per domestic consumer has also increased, having risen from 528 units five years ago to 597 units in 1936.

In order to deal with this rapid growth your company expended on capital account during the last five years an average of £817,000 each year. During the year under review the capital expenditure amounted to roundly £926,000. The Station Company also incurred capital expenditure during the year amounting to roundly £271,000.

Another matter to which I wish to call your attention is the establishment of a pension scheme by your company during the year. Retirement is now compulsory at 65 in respect of men and 60 in respect of women. The permanent staff have now been afforded an opportunity of joining one or other of the pension funds, one for the administrative and technical staff, and the other for the operative wages staff, and I am glad to say that membership of the new funds was accepted by practically every member of the staff who was eligible to join the funds.

SUCCESS OF THE "ALL-IN" RATE

I think that you will be interested to hear what has been the effect of standardising the "Follow-on" charge for electricity under the "All-in" rate at ½d. per unit for both summer and winter months, which became effective as from February 1st last year. We expected that this reduction in the "Follow-on" charge would encourage a wider use of electricity for all purposes in the home, and the results have fully borne out this forecast. Over 20,000 existing consumers transferred from other rates to the "All-in" rate during the year, and in addition over 8,000 new consumers elected to take supply under this rate. The aggregate increase in "All-in" rate consumers during the year was 28,500, which compares with an increase of only 14,800 in 1935. At the end of the year the total "All-in" rate consumers numbered roundly 80,000, representing 38 per cent. of the total consumers, compared with only 28 per cent. at the end of 1935. While, however, the number of consumers on the "All-in" rate represented 38 per cent. of the whole, it is significant to observe that the number of units of electricity sold to these consumers in 1936 was equivalent to 71 per cent. of the total units sold to domestic users. The average price for electricity paid by the domestic consumers on the "All-in" rate fell from 1.19 pence per unit in 1935 to .95 pence per unit in 1936.

It is thus true to say that Northmet "All-in" rate consumers, using electricity in their homes not only for lighting but also for other domestic purposes, are now paying on an average less than 1d. per unit for their electricity. The reduction in the "Follow-on" charge under the "All-in" rate was, as you will remember,

the last of a series of reductions in the rates of charge which have been made over a period of years and which represent in the aggregate very substantial concessions to our consumers.

It will, I think, be of interest to you to know that principally as a result of these concessions the average price paid by domestic consumers during the last five years has been reduced by nearly one-third.

The gross operating revenue for the year amounted to £2,633,795, being an increase of £348,825, or just over 15 per cent. The operating expenses amounted to £1,810,015, being an increase of £289,583, or 19 per cent. The expenses for the year are on a somewhat higher basis than those for the previous year, and I should add that everything points to a further substantial advance in our expenses in respect of supplies, and more especially coal, during the current year.

If you will now turn to the report and accounts you will see that there is a balance from working of £803,480, which is £38,942 more than the balance last year. Adding to this sum interest and dividends received from our investments, amounting to £51,963, and the balance brought forward from the last account amounting to £49,861, there is a total sum available of £905,304. On the other side of the account you will see that interest on mortgages, debenture stocks and loans amounts to £80,374, which is £15,343 more than last year, mainly due to the interest on the new 3½ per cent. debenture stock which accrued from January 1, 1936. There is no change in the amount of the reserve fund for the 5 per cent. mortgages, or in the redemption fund for the 4 per cent. debenture stock.

ALLOCATIONS TO DEPRECIATION AND RESERVE

The allocation to depreciation and reserve account amounts to £337,352, or £9,682 more than last year, and a sum of £30,000 is again allocated to the contingency account, as in the previous year. After making these deductions, the amount available for appropriation is £425,817, and your directors recommend that this amount be applied in the payment of the dividend on the 6 per cent. cumulative stock, amounting to £84,000, the same as in the previous year, and a dividend on the ordinary stock of 10 per cent., of which 4 per cent. has already been paid, amounting to £278,151. Although the rate of 10 per cent. is the same as last year, the amount required to pay this dividend is £27,150 more than in the previous year, due to the fact that in respect of the year 1935 only the final dividend of 6 per cent. was paid on the £678,737 ordinary stock which was issued in July, 1935. If these appropriations are approved, the amount carried forward will be £63,666, or £13,804 more than in the previous year. In view of the substantial cost to your company of the reduction in the "Follow-on" charge under the "All-in" rate which became effective on February 1, 1936, to which I have already referred, I suggest that the results for the year must be regarded as satisfactory.

POLICY OF THE COMPANY

While I am dealing with the accounts I should again like to remind you of the policy which your company has pursued for many years and which I have explained on previous occasions, whereby the reserve funds of the company (and you will remember that these funds also take account of the depreciation of the assets of the station company) are used for financing capital expenditure and are therefore invested in the business and not in outside securities.

One result of this policy is that the nominal amount of the issued capital of the two companies is in the aggregate less than the total amount which has been actually spent on capital works. The difference, which at December 31st last amounted to £3,451,680, has been provided out of reserves. To arrive at the real return upon the capital invested in the two undertakings it is therefore necessary to relate the amount paid out by way of interest and dividends to the total capital expenditure of the two companies.

In the case of the year 1936 the total amount which has been disbursed, or which it is now recommended should be disbursed, in payment of interest and dividends by both companies amounted to £519,087. If this sum is related to the total capital expenditure, it will be found that the average return upon the total capital investment is only 4.6 per cent.

You will have observed in the notice convening this meeting that a resolution will be submitted to you to increase the number of directors from five to seven, and it is proposed that Mr A. Vassall, who is one of the directors of the Harrow Company, should be invited to become a director of your company. I hope you will agree that what I have said about the affairs of your company cannot be otherwise than pleasing to you. And if I look to the future, I see no reason why we should not anticipate a continuation of our good fortune.

The report and accounts were unanimously adopted.

COUNTY OF LONDON ELECTRIC SUPPLY COMPANY, LIMITED

YEAR OF UNUSUAL DEVELOPMENT

The forty-third ordinary general meeting of this company was held, on the 16th instant, in London, Sir Bernard E. Greenwell, Bt. (chairman of the company), presiding.

The Manager and Secretary (Mr John C. Dalton), having read the notice convening the meeting and the auditors' report,

The Chairman said that the turnover for the year had been 2,072 million units, an increase of over 311 millions. Of those, 1,034 millions were sold to their own consumers, against 885 millions in the previous year, actually a percentage increase of 16.8 per cent. The Central Electricity Board took 831 millions, against 682 millions—also an increase of about 150 millions—the balance being used in works and transmission. The increase in sales for the year was thus 298 millions over 1935. The gross receipts at £4,377,469 showed an increase of more than £557,000, but there was a proportionate increase in expenditure of over £379,000. The increase in revenue from sale of current was 15.9 per cent. £2,142,000 was spent on capital account during the year. The net revenue of £2,162,340 showed an increase of £177,729 as compared with the previous year. It was proposed to pay the usual dividend of 10½ per cent. and to transfer £150,000 to general reserve, leaving £425,288 to be carried forward to 1937. Shareholders would agree that the accounts showed a very satisfactory and sound position.

PROGRESS OF THE COMPANY

New works had been put into commission and substantial reinforcements of existing works carried out to meet the growth of load. During the year they had established 170 new substations, laid down 191 miles of high-tension lines and 494 miles of low-tension mains.

Their policy of making supply available as widely as possible over the company's large areas and following up this development with active selling campaigns had been justified. Those selling campaigns in turn dictated the spread of schemes for assisting consumers to wire their premises by easy payments and for the installation of all classes of electrical apparatus with hire-purchase facilities. The large addition of electrical appliances—of which over 34,000 had been sold during the year—on to their mains was due in its turn to the very cheap rates of supply which the company was able to give to consumers.

During the year they had extended the zone of the ½d. per unit rate under the two-part tariffs and at the end of the year were able to announce reductions in the lighting flat rate. The flat rate for London had become 4½d. per unit from January 1st; for the Outer London areas the flat rate was 5½d., and for the very rural parts of their area, embracing Essex and similar areas, the flat rate was to be 6d. per unit. They had also adopted this uniformity throughout the areas of their subsidiary companies. It would interest shareholders to know that 76 per cent. of consumers under the two-part tariffs paid an average rate last year of 1.64d. per unit for all supplies—that was cooking, lighting and heating—and that average rate covered the whole of the company's areas from London to the most rural parts of Essex.

NEW STREET LIGHTING CONTRACTS

Expansion of the street lighting programme continued. During the past year important contracts had been received from Wandsworth, Chelmsford, Epping, Hornchurch, Banstead and Godstone. With those contracts the total street lamps installed would be nearly 14,000, covering 420 miles of main roads and streets. The subsidiary companies were obtaining similar contracts for street lighting and during last year had lighted 75½ miles of streets, mainly in the London area.

Continued development in the domestic field had necessitated the expansion of showrooms, of which there were 22 in the County of London Company area, and a total of 60 taking the County Company and its subsidiary and associated companies together. It had been decided, in view of the forthcoming Coronation Celebrations, to repeat the offer made during the Jubilee period of free electricity to local authorities for the floodlighting of public buildings and the decoration of streets, in order that the occasion should be marked with fitting display.

With a view to giving every assistance possible to the needs of Home Defence by encouraging recruiting in the Territorial Army the board had decided that employees enlisting in the Territorial Army should receive ten days' leave with pay for the purpose of attending camp, in addition to any annual leave to which they might be entitled.

The report and accounts were unanimously adopted.

METROPOLITAN ELECTRIC SUPPLY COMPANY, LIMITED

STEADY PROGRESS

The fiftieth ordinary general meeting of this company was held, on the 16th instant, at Winchester House, London.

Mr George Balfour, M.P. (the chairman), said that the last financial year had again disclosed steady progress in their commercial and technical development. The acquisition of the ordinary share capital of the Notting Hill Company had been duly completed and considerable progress had been made in popularising the electricity supply in the district. A new agreement for ten years, satisfactory to all concerned, had been made with the London Power Company, from whom they received the whole of their supply in bulk.

During the year they again made rapid progress in popularising all classes of domestic electric apparatus in their districts and supplied approximately 8,000 appliances, bringing the total up to 28,000. They connected an additional 18,500 new consumers and the total, including Notting Hill, was now 168,500 and they sold during the year 348 million units in addition to supplying 89 million units in bulk to other undertakings. With 18½ million units distributed in Notting Hill the total sold to all customers was over 366 million units. If nothing untoward happened seriously to increase their costs it was proposed as from June 30th next to make a substantial lowering in the unit rate of their two-part tariff. With their already low fixed charge this reduction would give them what was, he believed, the cheapest supply of any authority supplying under like conditions.

The final dividend proposed of 7 per cent. would make 10 per cent. for the year. To mark their Jubilee year a sum equal to 5 per cent. of the annual wage bill was being distributed to the staff and employees as a bonus and a special bonus of 2½ per cent., tax free, was being paid to all ordinary shareholders.

To provide capital to liquidate loans and provide for current requirements, the directors proposed to issue the balance of capital, namely, 350,000 ordinary shares, as rights to the ordinary shareholders of the company, and they anticipated taking this step without delay.

The report was adopted.

NATIONAL PROVIDENT INSTITUTION

RECORD NEW BUSINESS

The one hundred and first annual meeting of the National Provident Institution for Mutual Life Assurance was held, on the 12th instant, in London.

Mr Robert E. Dickinson, the chairman, in the course of his speech, said the steady expansion shown in recent years had been continued, and during 1936 they transacted a larger new business than in any previous year, having issued 3,036 policies for sums assured of £1,960,000, of which £1,880,000 had been retained at their own risk.

As a result of the larger new business the annual premium income showed a further increase. The gross interest income had also expanded, but the average rate of interest earned showed a small fall, being £5 4s. 2d. per cent., as compared with £5 7s. 5d. per cent. in 1935.

The result of the year's work had been that the life assurance and annuity fund had been increased by £352,000 and now stood at rather over £12,000,000.

Their Stock Exchange securities stood in the books at or below the selling price on December 31st last, and a valuation at that date disclosed a margin of over £1,000,000 as an internal reserve.

The net premium valuation had been made by the A/1924/29 mortality tables, which represented the latest and most up-to-date experience of assured lives, and had been strengthened by the addition of the customary special reserves for expenses and profits on limited payment and paid-up policies, etc., and also by the inclusion of a special "additional reserve" of £200,000. A surplus of £1,286,000 was disclosed, of which they had decided to divide £897,000 and to carry forward £389,000.

Once again they had found it possible to allot bonuses at the rate of £3 per cent. per annum to whole-life policies.

In the case of endowment assurance policies they had also been able to maintain the basic rates paid on the occasion of the last distribution and to grant once again a special bonus payable only on survival to maturity. On this occasion the special "survival" bonus was being paid at the rate of 5s. per cent. per annum on the sum assured.

The report was unanimously adopted.

EQUITY AND LAW LIFE ASSURANCE SOCIETY

FURTHER RECORDS

The annual general meeting of the Equity and Law Life Assurance Society was held, on the 16th instant, at 18 Lincoln's Inn Fields, London.

The Rt. Hon. Sir Dennis Herbert, K.B.E., M.P. (the chairman), in the course of his speech, said: Our total gross new life business was 1,947 policies against 1,756, for a total amount of £5,144,660 against £4,655,332, the annual premiums amounting to £121,145 against £120,203, and the single premiums to £1,292,355 against £1,020,367. The net new life business amounted to £4,658,909 against £3,931,322.

The sinking fund business was 150 policies against 74, for £4,794,254 against £997,012, thus making a total net new life and sinking fund business of £9,453,163 against £4,928,334. The number of immediate annuities granted was 1,855 against 1,761, for annual sums amounting to £208,046 against £200,833, the consideration received being £2,510,226 against £2,398,634.

The total amount of assurances in force at the end of the year was £34,907,760 against £27,585,957. The immediate annuities in force were £817,785 per annum against £628,950 per annum. All these figures, it will be observed, show increases on the preceding year, and all of them are record figures in the society's history. Our total funds at the end of 1936 amounted to £24,935,078 against £20,977,583 for the previous year, and the total is now well over £25,000,000. The net rate of interest earned was £4 8s. 6d. against £4 7s. for the previous year, and £4 7s. 9d. for the average of the quinquennium ending December 31, 1934.

Our annuity business, I believe, is larger than that of any other life office in this country. I have heard it questioned whether this immense annuity business is really satisfactory and profitable; but I can assure you that you need have no doubt about it.

DISTRIBUTION OF THE FUNDS

I turn to the investment of our funds, now amounting, as I have told you, to over £25,000,000, according to book value. The question of distribution of our funds in different types of investment was the subject of an editorial note on our accounts in one of the important financial papers a few days ago; that note, though of a generally complimentary nature, ended with a passage introduced by a "but," to the effect that our investments in ordinary stocks and shares had risen steeply to a figure of approximately £4,600,000. It was not actually suggested that this was an indication of an unsatisfactory condition of affairs, but I am anxious to remove any impression to that effect which may exist in anybody's mind.

In the first place I would remind you that this item, "Railway and other companies ordinary stocks and shares," which we are obliged to state separately under that heading by the Board of Trade regulations, covers ordinary stocks and shares of banks and insurance companies, and high-class investment trust companies. But that there is no need for anxiety in regard to this item in the accounts will, I hope, be sufficiently established by the fact that the actual market value of the investments which thus appear at the book value of £4,603,012, is no less than £5,143,546.

THE NET INCOME YIELD

This prompts me to explain what puzzles some people—though many of you know the explanation—namely, the high income yield on our funds. The yield for last year of £4 8s. 6d. per cent. net, equivalent to over 5½ per cent. gross, does not mean that our money is invested to produce that yield on the amount invested. The figure of net income yield is increased above the actual average rate of income on our investments by reason of several factors; the chief of these is that it is the income yield on the book value of our funds, which is much below their intrinsic or market value. It is by reason of our cautious policy of applying certain profits to reducing the book value of our investments that we are able to face the prospect of a decline in the income yield of money, without having to fear a failure to maintain good rates of bonus.

The short but important point is that the great success of the society's business in recent years, combined with good management and conservative distributions, has enabled us to build up a very strong financial position.

As regards our position and prospects for the future, I have said on previous occasions that the growth of our business in recent years has been such that we cannot expect it to continue indefinitely to the same extent, but all the indications at present are favourable.

The report and accounts were adopted.

LANCASHIRE STEEL CORPORATION

FURTHER EXPANSION

The seventh ordinary general meeting of the Lancashire Steel Corporation, Limited, was held, on the 17th instant, at 34 Leadenhall Street, E.C.

Mr John E. James (the chairman), in the course of his speech, said:—The earnings of the corporation and its wholly-owned subsidiary companies for the year under review amounted to £548,204, representing an increase over the earnings of the previous year of £91,433. In view of the substantial increases in costs of raw materials which have taken place during the year, increases which have not been paralleled by advances of corresponding amounts in realised prices of finished steel, I think you will regard this as a satisfactory achievement.

The net profit for the year, together with the balance brought forward from the previous year, amounts to £462,846, from which falls to be deducted the liability of the companies in the group in respect of income tax. Two further appropriations of profits have been made—one of £20,000 being a reserve against possible future fluctuations in values of raw materials, which your directors consider advisable in view of the present high levels of costs of raw materials and correspondingly high costs of semi-finished and finished steel. The remaining appropriation of £25,000 has been transferred to general reserve. The board recommends a final dividend of 2½ per cent. (making 5½ per cent. for the year) on the 5½ per cent. non-cumulative redeemable second preference shares, and a final dividend of 3½ per cent. (making 5 per cent. for the year) on the ordinary shares.

I am glad to have this opportunity of affording the shareholders information regarding the agreement between Stewarts and Lloyds, Limited, and the corporation relating to the construction of rolling-mill plant at Corby. This important development is one in which both companies will participate, the semi-finished materials for use in the rolling mill being supplied from the Corby works of Stewarts and Lloyds, while the corporation will control the manufacture of the products. The lease of a site has been entered into, and it is hoped that a portion of the plant will be in operation during the present year. This arrangement will involve the transference to Corby of some of the corporation's business now being done at Warrington.

The agreement also contains a provision whereby the corporation undertakes to use at its rolling-mill plants at Irlam and Warrington a yearly tonnage of steel to be supplied from the Corby works, thus enlarging the scope of your corporation's activities in Lancashire. Your directors are confident that the agreement will be to the advantage of both companies.

PRICES OF RAW MATERIALS

In my speech to the shareholders at the last ordinary general meeting, I referred to the establishment of a scheme of central selling in the coal industry which came into operation during the previous year, and expressed anxiety regarding the possible effect of resulting increases in prices of raw materials. During the past year prices of many raw materials, including coal, have risen substantially, and I feel it incumbent on me to repeat my view that, should prices continue to advance, the situation is one which, in time, must be regarded as holding the possibility of serious consequences for industry in this country.

The production of the corporation and its subsidiary companies during the year 1936 was higher than that attained in any year since the formation of the merger, and although the existing uncertainty makes it more difficult than in ordinary times to forecast what may eventuate during the remaining months of 1937, I am glad to tell you that the production and profits up to the present time are as satisfactory as for the similar period of 1936.

The results shown by the corporation for the past year are a reflection of the prosperity of the steel industry as a whole. During 1936 the output of steel ingots and castings in the United Kingdom was 11,698,200 tons, a record in production, and 1,839,500 tons in excess of the output for 1935, which, in itself, was a record. I feel bound, however, to comment again on the position of the industry in relation to iron and steel exports. Despite this increased output our exports for the year 1936 amounted only to 2,236,600 tons, which was approximately 135,000 tons less than for the previous year. I do not think we can regard the iron and steel industry in this country as established on a permanently prosperous and satisfactory basis until that enjoyed last year, and I should welcome any step which might be taken with a view to bringing about an improvement in this connection.

The report and accounts were unanimously adopted.

D. NAPIER AND SON, LIMITED

IMPROVED RESULTS

The twenty-third ordinary general meeting of D. Napier and Son, Limited, was held, on the 12th instant, at Acton.

Sir Harold Snagge, K.B.E. (the Chairman) said that a year ago, after making the usual deductions for directors' and management remuneration and depreciation, and after drawing upon general reserve for £50,000 and upon other reserves for £15,000 to meet heavy development expenditure, they had shown a net trading loss of £19,959. This year, after making the same usual deductions, but after taking £50,000 only from reserves, compared with £65,000 a year ago, there remained a trading credit balance of £6,901. In other words, the trading result showed an improvement of £26,860 on its predecessor.

They believed they had now passed the days of unremunerative turnover and the orders they now had in hand entitled them to look forward without undue optimism to much better trading figures during the current year.

Their factory was now full of work in connection with Air Force requirements, besides which they were busy turning out Power-Napier engines for the Power Boat Company's famous speed boats. Indeed, their hopes for the Sea Lion looked like being realised to the full.

They were in production on a moderate scale with both "Rapier" and "Dagger" engines, the latter of which would be seen this year on Empire Air Day and at the Royal Air Force Display at Hendon in Hawker "Hector" machines; they were fully maintaining their work on Admiralty contracts; they were very busy turning out Sea Lions and, with production work to support them, they were, in their experimental and development sections "hatching out" new engines to give performances at least comparable with those of their friends and competitors who had wrested the lead from them on the death of the old "Lion" and had held it for some years past. It was not permissible to disclose particulars of those new engines, but there was no harm in saying that they had reached a stage at which they were encouraged by the Powers-That-Be to entertain good hopes of their future.

The report was adopted.

MOSS' EMPIRES, LIMITED

INCREASED PROFITS

The thirty-eighth ordinary general meeting of shareholders of Moss' Empires, Limited, was held, on the 17th instant, in the company's London offices.

Colonel J. J. Gillespie (chairman), in moving the adoption of the report and accounts, said, *inter alia*:—

1. The bonus distribution of ordinary shares carried at last year's meetings had increased the ordinary share capital by £21,000, which fact must be taken into account in considering the dividend recommended to be paid on the ordinary shares.

2. £2,000 of 4½ per cent. debenture stock had been redeemed out of the sinking fund set up in terms of the trust deed.

3. The reserve fund stands at £439,513 before adding the transfer of £15,000 to reserve now recommended. In estimating the true value of the company's reserves, regard must be paid to the surplus values of the freehold and leasehold properties and to the fact that no credit is taken in the accounts for goodwill.

4. Theatre furnishings are £10,000 less after debiting the cost of additional furnishings and writing off depreciation.

5. Investments are £4,000 less, principally owing to certain investments falling in at face value, and the bank balance is increased by £37,800.

6. The national crisis and the influenza epidemic affected business in the latter part of the year.

7. Net profits from theatres, etc., brought into profit and loss account show an increase of £8,400 over 1935. The balance of profit carried to the balance sheet is £118,680, being an increase of £4,775.

8. No definite change of policy intended by the board. The successful management of once-nightly theatres in the Provinces presents difficulties.

A final dividend on the ordinary shares of 5 per cent. actual, less income tax, making 10 per cent. for the year 1936, was carried by the shareholders.

A resolution to convert the issued preference and ordinary shares into preference and ordinary stock was also carried.

The directors' report and accounts were adopted and the retiring directors and auditors were re-elected.

CONSOLIDATED MINES SELECTION COMPANY, LIMITED

SATISFACTORY RESULTS AND PROSPECTS

The forty-first ordinary general meeting of the Consolidated Mines Selection Company, Limited, was held, on the 15th instant, at River Plate House, London.

Mr Walter McDermott (the chairman) said that the accounts showed that a satisfactory share in the advantages accruing to the metal industries through the activity of the past year had been secured. A strong balance sheet position was shown with cash and cash assets exceeding all current and contingent liabilities by £254,497. Investment stood at £723,815, which was, at the present time, substantially below the aggregate market quotations. Out of a net profit of £274,051 a dividend at the rate of 30 per cent., less tax, was proposed, and the transfer of £50,000 to the general reserve, making that account £250,000. There had been no very marked change in the specific investments held by the company.

The Anglo-American Corporation of South Africa had had a busy year, and had raised its ordinary dividend from 2s. to 3s. The various Rand goldmining interests of T.E. Corporation were of importance indirectly to their company, which also held directly interest in various of the gold properties. They had recently taken a participation in a very large alluvial gold property in the Yukon district. Their interest in West African goldmining embraced substantial holdings in a number of the best known properties. Their interests in the copper mining industry of Northern Rhodesia were an important element in any estimate of future prospects. Directly and indirectly through Anglo-American Corporation they were particularly interested in Rhodesian Anglo-American, which was now in receipt of dividends through the profitable operation of Rhokana.

It might be fairly presumed that the company's operations of the future might be expected to yield satisfactory returns. Apart from their gold interests he thought that for some time to come they could view with equanimity the prospects of their interests in base metals production.

The report was unanimously adopted.

GOVERNMENT RETURNS, &c.

NATIONAL ACCOUNTS

The total ordinary revenue for the week ended March 13, 1937, amounted to £22,689,000, against ordinary expenditure of £16,548,000. After allowing for an increase in Exchequer Balances of £248,606, the operations for the week, as shown below, decreased the gross National Debt by £4,668,000, to approximately £7,923 millions.†

(000's omitted)	
(No increases)	£
Treasury Bills.....	3,739
Public Department Advances.....	95
P.O. and Teleg. (Money) Acts.....	800
Other debt (War Loan Acts)	34
Nil	—4,668

† Including £375 millions on Account of Exchange Equalisation Fund and Borrowing for Statutory Sinking Fund.

A complete analysis of the approximate position of the National Debt at December 31, 1936, appeared in *The Economist* for January 2, 1937.

REVENUE		Total Receipts into the Exchequer				
	Estimate for the year 1936-37	April 1, 1935, to Mar. 14, 1936	April 1, 1936, to Mar. 13, 1937	Week ended Mar. 14, 1936	Week ended Mar. 13, 1937	
ORDINARY REVENUE	£	£	£	£	£	
Inland Revenue—						
Income Tax	259,000,000	225,423,000	242,151,000	6,178,000	8,161,000	
Sur-tax	56,500,000	44,770,000	46,030,000	3,860,000	4,150,000	
Estate, etc., Duties	89,000,000	83,320,000	82,330,000	1,470,000	1,940,000	
Stamps	27,000,000	21,470,000	25,180,000	1,670,000	590,000	
Excess Profits Duty and Corporation Profits Tax	750,000	500,000	500,000	...	...	
Land Tax and Mineral Rights Duty	750,000	680,000	620,000	20,000	20,000	
Total Inland Revenue.....	433,000,000	376,163,000	396,811,000	13,196,000	14,861,000	
Customs and Excise—						
Customs.....	207,525,000	188,292,000	201,801,000	5,020,000	6,213,000	
Excise.....	110,000,000	101,800,000	103,900,000	1,100,000	1,100,000	
Total Customs and Excise	317,525,000	290,092,000	305,701,000	6,120,000	7,313,000	
Motor Vehicle Duties (Exchequer Share)	5,000,000	5,255,000	5,150,000	177,000	...	
Post Office (Net Receipt)	11,256,000	14,600,000	14,650,000	100,000	350,000	
Crown Lands	1,350,000	1,320,000	1,320,000	...	...	
Receipts from Sundry Loans	5,000,000	4,915,404	4,549,601	...	...	
Miscellaneous Receipts.....	25,250,000	17,373,972	17,215,478	4,956	165,367	
Total Ordinary Revenue ...	628,381,000	709,719,376	745,397,079	19,597,956	22,689,367	

REVENUE	Estimate for the year 1936-37	Total Receipts into the Exchequer			
		April 1, 1935, to Mar. 14, 1936	April 1, 1936, to Mar. 13, 1937	Week ended Mar. 14, 1936	Week ended Mar. 13, 1937
SELF-BALANCING REVENUE	£	£	£	£	£
Post Office	71,944,000	60,850,000	65,300,000	950,000	900,000
Motor Vehicle Duties apportioned to Road Fund	26,500,000	25,321,000	27,189,000	101,000	...
Total Self-balancing Revenue	98,444,000	86,171,000	92,489,000	1,051,000	900,000
Total	...	795,890,376	837,886,079	20,648,956	23,589,367

EXPENDITURE	Estimate for the year 1936-37	Total Issues out of the Exchequer to meet payments			
		April 1, 1935, to Mar. 14, 1936	April 1, 1936, to Mar. 13, 1937	Week ended Mar. 14, 1936	Week ended Mar. 13, 1937
ORDINARY EXPENDITURE	£	£	£	£	£
Interest and Management of National Debt	224,000,000	209,456,485	208,881,831	309,414	420,554
Payments to Northern Ireland Exchequer	7,500,000	5,684,574	6,656,139	...	...
Other Consolidated Fund Services	3,200,000	2,981,891	2,872,008	...	13,985
Post Office Fund	600,000	1,126,817	420,529	...	...
Total	235,300,000	219,249,767	218,830,507	309,414	434,539
Total Supply Services (excluding Post Office)	578,088,000	490,813,525	537,122,631	15,862,311	16,113,267
Total Ordinary Expenditure	813,388,000	710,063,292	755,953,138	16,171,725	16,547,806
New Sinking Fund (1928) (Finance Acts, 1928 and 1936)	...	11,235,392	11,572,020	1,000,000	1,225,001
Total (excluding Self-Balancing Expenditure)	813,388,000	721,298,684	767,525,158	17,171,725	17,772,807
SELF-BALANCING EXPENDITURE	£	£	£	£	£
Post Office	71,944,000	60,850,000	65,300,000	950,000	900,000
Road Fund	26,500,000	25,321,000	27,189,000	101,000	...
Total Self-Balancing Expenditure	98,444,000	86,171,000	92,489,000	1,051,000	900,000
Total	...	807,469,684	860,014,158	18,222,725	18,672,807

† Estimated Expenditure as per Financial Statement (H.C. 77) ...	797,897,000
Add: Supplementary Estimates	41,058,000
Less: Provision made in the Budget	25,600,000
Excess Votes for 1935	33,000
Met from within the fixed debt charge of £224,000,000	813,388,000

The aggregate revenue from April 1, 1936, to March 13, 1937, is shown below:—

(000's omitted)		Revenue	£
Expenditure	755,953	745,397	
Increase in balances	52	£22,180	
Net borrowing		11,572	
Net borrowing		10,608	
	756,005	756,005	

* Authority will be sought in the Finance Bill to meet the Statutory Sinking Funds by borrowing.

POSITION OF THE FLOATING DEBT

Ways and Means Advances Outstanding:	Mar. 14, '36	Mar. 31, '36	Mar. 13, '37	Mar. 13, '37
Advances by Bank of England	36,575,000	19,055,000	39,635,000	95,000
Advances by Public Department	762,285,000	763,115,000	677,970,000*	3,740,000
Treasury Bills outstanding	798,860,000	782,170,000	717,605,000	3,835,000

* Includes £3,000 the proceeds of which were not carried to the Exchequer within the period of the account.

TREASURY BILLS BY PUBLIC TENDER

Tenders for £45,000,000 Treasury bills were opened on March 12, 1937. The amount applied for was £88,450,000. Tenders were accepted for Treasury bills at three months dated Monday to Friday at 99 17s. 4d., about 37 per cent. and above in full; Saturday at 99 17s. 5d. and above in full. The average rate per cent. was 10s. 4.95d. The amount allotted was £45,000,000.

Date	Amount Offered	Total Applications	Amount Allotted	Average Rate
January 4, 1935	30,000,000	49,560,000	27,500,000	0 6 1.64
July 5, 1935	40,000,000	60,905,000	40,000,000	0 12 4.32
January 3, 1936	35,000,000	68,075,000	35,000,000	0 10 10.72
July 3, 1936	50,000,000	72,750,000	50,000,000	0 12 1.27
January 1, 1937	40,000,000	75,450,000	40,000,000	0 12 5.63
March 5, 1937	45,000,000	75,050,000	45,000,000	0 10 8.67
March 12, 1937	45,000,000	88,450,000	45,000,000	0 10 4.95

NATIONAL SAVINGS CERTIFICATES

Total Sales of Savings Certificates	No. of Certificates	Value
Week ended February 27, 1937	704,562	£528,421
Week ended March 6, 1937	708,702	£531,526
February, 1916, to March 6, 1937	1,287,423,810	£1,012,005,795

At the end of January 1937, the amount remaining to the credit of investors in Savings Certificates, excluding interest, was £390,340,230.

THE BANKERS' GAZETTE

BANK OF ENGLAND

RETURN FOR WEEK ENDED WEDNESDAY, MARCH 17, 1937

ISSUE DEPARTMENT

Notes Issued:—		£	
In Circulation	463,815,281	Government Debt	11,015,100
In Banking Department	49,845,400	Other Government Securities	187,076,248
		Other Securities	1,899,989
		Silver Coin	8,663
		Amount of Fiduciary Issue	200,000,000
		Gold Coin and Bullion	313,660,661
			513,660,661

BANKING DEPARTMENT

Proprietors' Capital		£	Government Securities	£
Rest	14,553,000		Other Securities	94,854,900
Public Deposits	22,846,052		Discounts and Advances	3,764,547
Other Deposits	93,969,062		Securities	£22,935,082
Bankers'	£93,969,062			
Other Accounts	£37,256,835			
	131,225,897		Notes	26,697,629
			Gold and Silver Coin	986,208
	172,353,537			
				172,353,537

Including Exchequer, Savings Banks, Commissioners of National Debt, and Dividend Accounts.

Both Departments	Amount, Mar. 17, 1937	Inc. or Dec. on Last Week	Inc. or Dec. on Last Year
Note circulation	463,815,261	— 659,848	+ 59,147,223
Public deposits	22,846,052	+ 5,888,565	+ 5,954,631
Bankers' deposits	93,969,062	+ 142,328	+ 3,120,451
Other deposits	37,256,835	+ 410,608	+ 53,699
Total outside liabilities	617,887,210	+ 4,960,437	+ 68,576,004
Capital and rest	18,281,588	+ 15,200	+ 1,067
Government debt and securities	292,945,648	+ 4,845,716	+ 44,522,162
Discounts and advances	3,764,547	+ 480,990	+ 4,841,475
Other securities	24,833,071	+ 568,584	+ 5,722,246
Silver coin in issue department	8,663	+ 311	+ 1,035,508
Coin and bullion (bank's reserves)	314,616,869	+ 42,638	+ 113,251,836
Reserves of notes and coin in banking department	50,801,608	+ 702,486	+ 6,195,387
Proportion of reserve to outside liabilities			
(a) Banking Department only ("proportion")	33.0%	— 0.8%	— 6.3%
(b) Gold stocks to deposits and notes ("reserve ratio")	50.9%	— 0.4%	+ 14.2%

(000's omitted)

Date	Issue Department		Banking Department			Gold in or out of Bank	Bank Rate
	Notes Issued	Circulation	Public Deposits	Bankers' Deposits	Other Deposits		
1937	£	£	£	£	£	£	%
Feb. 24	513,661	455,067	12,971	100,419	37,876	NH	2
Mar. 3	513,661	460,954	15,175	95,768	37,700	NH	2
" 10	513,661	464,475	16,957	93,827	37,667	NH	2
" 17	513,661	463,815	22,846	93,969	37,257	NH	2

(000's omitted)

Date	Issue Department		Both Depts.		Banking Department			Reserve and the "Proportion"
	Govt. Debt and Securities	Other Securities	Gold Coin and Bullion and Reserve Ratio	Govt. Securities	Discounts & Advances	Other Securities		
1937	£	£	£	£	£	£	£	%
Feb. 24	197,594	2,393	314,334	51 1/2	85,043	4,914	20,273	59.267
Mar. 3	197,667	2,323	314,517	51 1/2	85,089	4,295	21,942	59.562
" 10	198,026	1,965	314,574	51 1/2	90,074	4,246	22,299	50.069
" 17	198,091	1,900	314,617	50 1/2	94,854	3,765	22,933	50.802

BANKERS' CLEARING RETURNS

LONDON

(000's omitted)

	Town	Metropolitan	Country	Total
1937	£	£	£	£
January 1 to March 3	6,890,020	395,156	679,645	7,964,821
Week ended March 10	805,629	43,734	84,591	933,954
Week ended March 17	702,041	39,065	66,966	808,072
Total to date, 1937	8,397,690	477,955	831,202	9,706,847
Total to date, 1936	7,055,748	435,793	750,180	8,241,721
Total to date, 1936	+ 1,341,942	+ 42,162	+ 81,022	+ 1,465,126
Increase or decrease in 1937	= 19.0%	= 9.7%	= 10.8%	= 17.8%
Total for year 1936	35,039,856	2,039,620	3,537,598	40,617,074
Total for year 1935	32,443,575	1,887,112	3,759,751	37,559,751
Increase or decrease in 1936	+ 2,586,281	+ 152,508	+ 308,534	+ 3,046,823
	= 8.0%	= 8.1%	= 9.6%	= 8.2%

PROVINCIAL

(000's omitted)

No. of working days:	Week ended March 13		Month of February		Aggregate Totals January 1 to March 13	
	1936	1937	1936	1937	1936	1937
BIRMINGHAM	2,734	2,605	11,677	12,212	+ 4.5	30,348
BRADFORD	1,117	1,000	4,417	4,560	+ 3.2	11,896
BRISTOL	1,215	1,337	5,729	5,517	- 3.7	14,712
DUBLIN	6,548	6,154	...	...	...	63,810
LEEDS	762	1,007	3,459	4,089	+ 18.2	8,976
LIVERPOOL	726	997	4,162	4,396	+ 5.6	10,830
MANCHESTER	744	728	3,075	3,288	+ 6.9	8,386
NEWCASTLE	6,411	7,881	26,048	30,420	+ 16.7	121,104
NOTTINGHAM	9,785	11,006	43,798	47,425	+ 8.2	14,064
SHEFFIELD	1,182	1,397	5,747	6,159	+ 7.1	15,427
	886	930	4,379	4,910	+ 12.1	12,568
	32,561	35,574	114,954	125,231	+ 8.9	360,130
						389,712

OVERSEAS BANK RETURNS

NOTE.—The latest return of the Bank of Spain appeared in *The Economist* for August 15, 1936. In February 6, Danzig, February 27, Argentina, Australia, Egypt, India, and Norway, in March 6, Bulgaria, Denmark, Greece, International Settlements, Latvia, Turkey and Federal Reserve Reporting Members in March 13.

U.S. FEDERAL RESERVE BANKS.—In \$'s (000's omitted)

U.S. FEDERAL RESERVE BANKS					
U.S.F.R. BANKS	Mar. 19, 1936	Feb. 25, 1937	Mar. 4, 1937	Mar. 11, 1937	Mar. 18, 1937
RESOURCES					
Gold Certificates on hand and due from the Treasury	7,667,340	8,847,880	8,847,400	8,846,410	8,844,420
Total reserves	8,028,430	9,129,480	9,125,260	9,120,630	9,122,800
Total cash reserves	346,080	270,620	266,400	263,020	265,860
Total bills discounted	5,630	4,110	7,340	4,920	4,380
Bills bought in open market	4,680	3,080	3,080	3,080	3,080
Total bills on hand	10,310	7,190	10,420	8,000	7,410
Industrial advances	30,320	23,350	23,110	23,040	22,650
Total U.S. Govt. securities	2,430,320	2,430,230	2,430,230	2,430,230	2,430,230
Total bills and securities	2,471,130	2,460,770	2,463,750	2,461,270	2,460,290
Total resources	11,237,630	12,385,100	12,355,280	12,264,290	12,495,720
LIABILITIES					
Federal Reserve notes in actual circulation	3,730,980	4,167,930	4,195,440	4,169,470	4,172,760
Aggregate of excess member bank reserves over requirements	2,390,000	2,100,000	1,310,000	1,380,000	1,450,000
Deposits—Member bank—reserve account	5,143,770	6,705,290	6,660,140	6,749,100	6,829,580
Government deposits	1,067,360	179,880	216,470	186,380	86,540
Total deposits	6,539,130	7,187,180	7,156,870	7,173,900	7,159,560
Capital paid in and surplus	302,750	305,290	305,320	305,620	305,590
Total liabilities	11,237,630	12,385,100	12,355,280	12,264,290	12,495,720
Ratio of total reserves to deposit and F.R. note liabilities combined	78.2%	80.4%	80.4%	80.4%	80.5%
U.S.F.R. BANKS AND TREASURY COMBINED					
RESOURCES					
Monetary Gold Stock	10,173,000	11,425,000	11,443,000	11,484,000	11,515,000
Treasury and National Bank Currency	2,503,000	2,532,000	2,535,000	2,537,000	2,538,000
LIABILITIES					
Money in Circulation	5,841,000	6,372,000	6,407,000	6,376,000	6,385,000
Treasury Cash and Deposits with Federal Reserve Banks	3,587,000	2,782,000	2,836,000	2,858,000	2,784,000

BANK OF SWEDEN.—In kronor (000's omitted)					
Assets	Mar. 14, 1936	Feb. 23, 1937	Feb. 27, 1937	Mar. 6, 1937	Mar. 15, 1937
Gold reserve	430,141	460,544	460,530	460,971	461,421
Government securities:					
Swedish	28,500	28,945	28,945	28,945	28,945
Foreign	68,400	16,574	16,574	18,734	18,939
Gold abroad not included in the gold reserve	14,920	69,611	69,613	69,547	69,480
Bills payable in Sweden	10,541	10,938	10,930	10,667	11,049
Bills payable abroad	318,891	439,311	439,435	529,337	547,906
Balance abroad	199,943	336,146	361,580	279,192	267,276
Advances	28,098	23,049	22,433	22,330	21,966
LIABILITIES					
Notes in circulation	732,913	762,358	841,532	810,818	817,156
Government deposits	160,643	158,782	150,501	137,577	128,216
Private deposits	286,995	625,708	584,632	643,626	650,626

AUSTRIAN NATIONAL BANK.—In schillings (000's omitted)†					
Assets	Mar. 7, 1936	Feb. 15, 1937	Feb. 23, 1937	Feb. 28, 1937	Mar. 7, 1937
Cash reserve	242,535	242,817	242,819	242,822	242,826
Gold coin and bullion	85,050	85,838	86,284	87,901	89,468
Other foreign exchange	218,711	202,179	200,494	200,891	193,193
Bills discounted	624,444	620,152	620,152	620,152	620,152
LIABILITIES					
Notes in circulation	872,972	825,822	793,347	892,522	847,806
Government deposits	293,903	309,568	342,848	241,359	290,783

NATIONAL BANK OF CZECHOSLOVAKIA.—In Cz. K.* (000's omitted)					
Assets	Mar. 7, 1936	Feb. 15, 1937	Feb. 23, 1937	Feb. 28, 1937	Mar. 7, 1937
Gold	2,689,614	2,585,721	2,585,202	2,586,898	2,585,000
Balances abroad and foreign currency	60,647	323,606	290,015	277,136	224,637
Discounts and advances	1,268,705	1,700,824	1,544,980	1,884,506	2,080,184
State notes debt balance	2,040,802	2,019,553	2,019,331	2,019,131	2,018,805
LIABILITIES					
Bank notes in circulation	5,355,705	5,342,475	5,129,941	5,787,045	5,703,764
Deposits	723,131	728,974	770,896	415,089	628,586

NATIONAL BANK OF JUGOSLAVIA.—In dinar (000's omitted)					
Assets	Mar. 8, 1936	Feb. 22, 1937	Feb. 28, 1937	Mar. 8, 1937	
Cash reserve:					
Gold at home and abroad	1,484,772	1,640,980	1,642,171	1,648,724	
Other foreign exchange	298,972	692,217	693,381	658,675	
Bills and advances against security	1,663,821	1,686,580	1,695,553	1,697,073	
Government advances	1,671,795	1,648,847	1,648,846	1,648,854	
LIABILITIES					
Notes in circulation	4,905,726	5,198,727	5,346,539	5,359,413	
Sight deposits	1,497,498	2,045,918	1,909,293	1,944,077	
Time deposits	93,900	50,000	50,000	50,000	

NATIONAL BANK OF ROMANIA.—In lei (000's omitted)†					
Assets	Feb. 29, 1936	Feb. 6, 1937	Feb. 13, 1937	Feb. 20, 1937	Feb. 28, 1937
Gold and gold exchange	10,893,326	15,643,797	15,648,089	15,657,059	15,707,710
Commercial bills	5,151,190	6,053,138	6,007,429	5,949,085	5,937,735
Agric. and urban advances	2,687,522	2,614,653	2,403,535	2,429,881	2,431,722
Treasury bills issued against losses on credit	5,917,659	5,822,226	5,847,791	5,929,949	5,930,309
State debt and advances to Treasury	5,638,745	3,624,386	3,624,386	3,624,386	3,624,386
LIABILITIES					
Notes in circulation	22,127,415	24,917,828	24,894,010	25,014,739	24,960,938
Other sight liabilities	8,719,005	10,864,856	10,937,703	10,756,516	11,755,354
Long-term liabilities	4,672,201	4,726,074	4,856,934	4,805,289	4,678,785

BANK OF POLAND.—In zloty (000's omitted)					
Assets	Feb. 29, 1936	Jan. 31, 1937	Feb. 10, 1937	Feb. 20, 1937	Feb. 28, 1937
Gold	445,052	397,278	398,633	399,224	400,296
Foreign exch. and balances	17,089	31,899	33,568	34,269	36,090
Bills discounted	613,695	626,624	593,221	587,041	609,325
Loans against securities	97,668	60,179	60,658	61,872	63,647
Treasury bonds discounted	36,730	35,402	40,962	11,560	17,501
LIABILITIES					
Notes in circulation	979,058	999,251	980,578	951,382	1,000,179
Sight liabilities	163,338	232,279	254,378	285,677	254,487

BANK OF ESTONIA.—In Est. kronas (000's omitted)					
Assets	Feb. 29, 1936	Feb. 7, 1937	Feb. 15, 1937	Feb. 23, 1937	Feb. 28, 1937
Gold coin and gold bullion	34,128	34,175	34,172	34,172	34,176
Net foreign exchange	2,390	11,286	10,980	11,303	12,390
Home bills discounted	10,286	11,838	11,716	12,017	12,180
Loans and advances	9,964	9,997	10,502	10,842	13,991
LIABILITIES					
Notes in circulation	40,065	43,199	43,168	45,873	46,004
Current accounts	29,294	30,690	32,413	30,669	33,703
Ratio of reserve to current liabilities	52.6%	61.5%	59.7%	59.4%	58.4%

BANK OF LITHUANIA.—In lt. (000's omitted)					
Assets	Feb. 29, 1936	Dec. 31, 1936	Jan. 15, 1937	Jan. 31, 1937	Feb. 15, 1937
Gold	41,240	73,100	73,102	74,601	76,813
Silver and other coins	5,044	7,698	8,024	7,981	7,925
Foreign currency	16,154	4,084	4,128	3,217	3,402
Discounts	83,051	91,735	90,511	90,997	88,629
Advances	11,671	13,638	13,220	13,720	13,890
LIABILITIES					
Notes in circulation	106,264	110,348	107,455	111,639	109,553
Current accounts	27,759	41,521	44,314	46,590	53,843
Deposits on demand	19,300	36,487	38,623	35,458	31,956

BANK OF DANZIG.—In Danzig gulder (000's omitted)					
Assets	Feb. 29, 1936	Dec. 15, 1936	Dec. 31, 1936	Jan. 15, 1937	Jan. 30, 1937
Gold coin and bullion	20,781	29,409	29,661	29,002	29,091
Danzig subid. coin	4,325	4,927	3,805	4,542	4,196
Balances abroad and foreign bills	7,243	3,151	1,694	2,949	2,957
Discounts	15,364	15,757	17,894	17,409	14,045
LIABILITIES					
Notes in circulation	27,698	29,634	32,045	29,298	31,764
Deposits on demand	2,990	10,058	8,292	11,748	10,270

BANK OF JAPAN.—In yen (000's omitted)					
Assets	Feb. 15, 1936	Jan. 23, 1937	Jan. 30, 1937	Feb. 6, 1937	Feb. 13, 1937
Gold coin and bullion	503,122	551,682	552,576	553,875	554,690
Other coin and bullion	34,079	32,098	30,458	30,610	31,806
Discounts	544,709	524,514	536,116	525,920	522,814
Advances	159,647	223,758	225,019	227,716	228,638
Advances on foreign bills	133,753	61,246	164,396	129,787	84,327
Government bonds	361,691	579,763	601,718	573,255	566,705
LIABILITIES					
Notes	1,220,474	1,463,019	1,586,002	1,520,663	1,432,503
Government deposits	378,207	308,345	298,181	300,016	330,620
Other deposits	54,624	60,541	76,088	61,252	62,462

MONEY AND EXCHANGE RATES							
LONDON MONEY RATES							
	Mar. 11, 1937	Mar. 12, 1937	Mar. 13, 1937	Mar. 15, 1937	Mar. 16, 1937	Mar. 17, 1937	Mar. 18, 1937
Bank rate (changed from 2½% June 30, 1932)	2	2	2	2	2	2	2
Market rates of discount—60 days' bankers' drafts	4½	4½	4½	4½	4½	4½	4½
4 months' do.	4½	4½	4½	4½	4½	4½	4½
6 months' do.	4½	4½	4½	4½	4½	4½	4½
Discount Treasury Bills—2 months'	4½	4½	4½	4½	4½	4½	4½
3 months'	4½	4½	4½	4½	4½	4½	4½
Loans—Day-to-day	1	1	1	1	1	1	1
Short	1	1	1	1	1	1	1
Deposit allowances: Bank	1	1	1	1	1	1	1
Discount houses at call	1	1	1	1	1	1	1
At notice	1	1	1	1	1	1	1

Comparison with previous weeks							
	Short	Bank Bills	Trade Bills	Short	Bank Bills	Trade Bills	
	3 Months	4 Months	6 Months	3 Months	4 Months	6 Months	
1937							
Feb. 18	1	1	1	1	1	1	1
Mar. 4	1	1	1	1	1	1	1
Mar. 11	1	1	1	1	1	1	1
Mar. 18	1	1	1	1	1	1	1

LONDON RATES OF EXCHANGE							
I.—Spot Rates (Range of the day's business)							
London on	Par of Exch.	Mar. 12, 1937	Mar. 13, 1937	Mar. 15, 1937	Mar. 16, 1937	Mar. 17, 1937	Mar. 18, 1937
New York, \$	14.86	4.881-883	4.881-883	4.881-883	4.881-883	4.881-883	4.881-883
Montreal, \$	4.86	4.871-883	4.881-883	4.881-883	4.881-883	4.881-883	4.881-883
Paris, Fr.	124.21	106½	106½	106½	106½	106½	106½
Brussels, Bel.	35.00	28-98	28-98	28-98	28-98	28-98	28-98
Milan, L.	92.46	92½	92½	92½	92½	92½	92½
Zurich, Fr.	25.22	21-41-45	21-43-46	21-44-46	21-44-46	21-44-46	21-44-46
Athens, Dr.	375	540-555	540-555	540-555	540-555	540-555	540-555
He's'ors, M.	183.23	226-227	226-227	226-227	226-227	226-227	226-227
Madrid, Pt.	25.22	70-85(1)	70-85(1)	70-85(1)	70-85(1)	70-85(1)	70-85(1)
Lisbon, Esc.	110	59-50	59-50	59-50	59-50	59-50	59-50
Amst'dm, Fl.	12-107	110-110	110-110	110-110	110-110	110-110	110-110
Berlin, Mk.	28.43	12-13-16	12-13-16	12-13-16	12-13-16	12-13-16	12-13-16

Registered Marks							
	(c)	481-531	481-531	481-531	49-54	49-54	49-54
Vienna, Sch.	34.58	251-271	251-271	251-271	251-271	251-271	251-271
Bu'pest, Pen.	27.82	26-28	26-28	26-28	26-28	26-28	26-28
Prague, Kc.	1164	161½	161½	161½	161½	161½	161½
Danzig, Gul.	25.00	1391-1401	1391-1401	1391-1401	1391-1401	1391-1401	1391-1401
Warsaw, Zl.	43.88	251-261	251-261	251-261	251-261	251-261	251-261
Riga, Lat.	25.22	241-251	241-251	241-251	241-251	241-251	241-251
Bucharest, Lei	818.8	660-675	660-675	660-675	660-675	660-675	660-675
Const'ple, Pst	110	610*	610*	610*	610*	610*	610*
Belgrade, Din.	276.92	615	615	615	615	615	615
Kyovo, Lit.	49.66	209-219	209-219	209-219	209-219	209-219	209-219
Sofia, Lev.	673.66	281-291	281-291	281-291	281-291	281-291	281-291
Tallinn, E. Kr.	18-158	171-181	171-181	171-181	171-181	171-181	171-181
Oso, Kr.	18-158	171-18	171-18	171-18	171-18	171-18	171-18
St'khon, Kr.	18-158	171-18	171-18	171-18	171-18	171-18	171-18
Cop'h'gen, Kr.	18-158	171-18	171-18	171-18	171-18	171-18	171-18
Alex'nd'r, Pst.	971	22-35	22-35	22-35	22-35	22-35	22-35
Br. India Rup	182	971	971	971	971	971	971
Hong Kong, \$		182	182	182	182	182	182
Kobe, Yen	†24.58	182	182	182	182	182	182
Shanghai, \$		182	182	182	182	182	182
Singapore, \$	†28d.	182	182	182	182	182	182
Batavia, F. . .	12.11	182	182	182	182	182	182
Rio, Mil. . . .	15.86	182	182	182	182	182	182
B. Aires, \$. .	†11.45	16-25	16-25	16-25	16-25	16-25	16-25
Valparaiso, \$	40	16-25	16-25	16-25	16-25	16-25	16-25
M'video, \$. .	+ 51d.	16-25	16-25	16-25	16-25	16-25	16-25
Lima, Sol. . .	17.38	181-191	181-191	181-191	181-191	181-191	181-191
Mexico, Pes.	9-78	171-181	171-181	171-181	171-181	171-181	171-181
Manila, Pes.	†24.66d.	241-2	241-2	241-2	241-2	241-2	241-2
Moscow, Rbla.		25½m	25½m	25½m	25½m	25½m	25½m
B'ngkok, Bahr	†21-82d	22-22½	22-22½	22-22½	22-22½	22-22½	22-22½

COMPARISONS WITH CORRESPONDING PERIODS, 1935 and 1936

(000's omitted)				
	Great Western	L.M.S.	L.N.E.R.	Southern
First half-year 1936, compared with first half-year, 1935:				
Gross increase or decrease.....	+ 263	+ 937	+ 534	+ 85
Second half-year 1936, compared with second half-year, 1935:				
Gross increase or decrease.....	+ 491	+ 1,575	+ 751	+ 378
First half-year 1937, compared with first half-year, 1936:				
10 weeks to March 13, 1937 ...	+ 115	+ 261	+ 104	+ 29
Weekly average first half 1937	+ 11½	+ 26½	+ 10½	+ 2½
Latest week 1937 compared with 1936.....	+ 20	+ 43	+ 41	+ 2

LONDON TRANSPORT

	Week ending March 13, 1937	Aggregate 37 weeks to March 13, 1937	Compared with corresponding period of last year
Week ending March 13, 1937	(548,800)	(548,800)	+ (9,400)
Aggregate 37 weeks to March 13, 1937	(2,667,600)	(2,667,600)	+ (603,000)

* For an explanation of the manner in which the figures are made up, see *The Economist*, March 17, 1934, page 610.

OVERSEAS RAILWAY RECEIPTS

Name	Weeks	Ending	Present Mileage	Gross Receipts for Week	Gross Aggregate Receipts
				1937	+ or -
				1937	+ or -

INDIAN

		1937	Rs.	Rs.	Rs.	Rs.
Assam Bengal	47	Feb. 20	1,330	15,20,800	2,077	15,91,744
Barsi Lt. Ry.	47	Feb. 20	292	49,900	320	13,66,900
Bengal & N. Western	24	Mar. 2	2,107	10,88,863	6,895	1,61,09,377
Bengal-Nagpur	47	Feb. 20	3,268	25,52,000	11,43,50	7,14,76,111
Bombay, Bar. & C.I.	50	Mar. 10	3,072	40,79,000	4,45,000	11,10,66,000
Madras & S. Mahr.	47	Feb. 20	3,229	21,08,000	41,63,62	62,063
Rohilk'd & Kumaon	24	Mar. 2	3,572	22,09,444	25,700	31,69,680
South Indian	46	Feb. 20	2,332	14,66,658	26,909	4,61,16,133
† 10 days.			§ 8 days.			

† 10 days.

§ 8 days.

CANADIAN

		1937	\$	\$	\$	\$
Canadian National	10	Mar. 14	23,566	3,639,703	+ 269,312	35,801,902
Canadian Pacific	10	14	17,223	2,523,000	+ 118,000	25,074,000
						+ 3,318,430
						+ 1,416,000

SOUTH AMERICAN

			1937						
Antofagasta (Chili and Bolivia)	11	Mar. 14	834	£20,560	+ 6,650	174,350	+ 22,000		
Argentine N.E.	37	13	753	*115,700	- 24,000	5,403,100	+ 492,500		
				*£7,177	- 1,931	322,715	+ 34,247		
B.A. and Pacific	37	13	2,860	*12,020,000	+ 229,000	54,595,300	+ 3,471,300		
B.A. Central	35	Feb. 27	1,084	*£125,310	+ 20,081	3,285,713	+ 282,440		
				\$157,200	+ 75,600	5,080,000	+ 1,064,600		
B.A. Gt. Southern ..	37	Mar. 13	5,084	*13,320,000	+ 671,000	89,685,000	+ 7,688,000		
				\$3,305,955	+ 50,315	5,413,169	+ 596,209		
B.A. Western	37	13	1,930	*1,895,000	+ 18,000	29,476,000	+ 1,597,000		
				*\$55,321	+ 9,993	1,773,526	+ 135,780		
Central Argentine ...	37	13	3,700	*2,923,300	+ 885,200	93,218,830	+ 1,696,180		
				*£181,346	+ 61,599	5,599,506	+ 1,119,789		
Central Uruguay	36	6	273	*£12,863	+ 234	448,140	+ 61,387		
C. Ur. (East Ext.) ..	36	6	311	*£7,852	+ 95	83,004	+ 10,951		
C. Ur. (N. Ext.)	36	6	185	*£1,801	+ 79	57,912	+ 7,548		
C. Ur. (W. Ext.)	36	6	211	*£792	+ 195	37,529	+ 5,588		
Cordoba Central	37	13	1,218	*1,458,000	+ 46,000	19,669,000	+ 1,642,000		
				*£28,410	+ 4,200	1,773,526	+ 135,780		
Entre Rios	37	13	810	*183,300	+ 21,800	8,068,300	+ 1,118,700		
				*£11,371	+ 1,882	483,589	+ 75,342		
G. Westn. of Brazil ..	11	13	1,082	*£7,300	+ 2,300	93,700	+ 14,800		
Leopoldina	11	13	1,918	*£202,600	+ 457,000	18,807,000	+ 2,005,000		
				\$25,325	+ 7,478	234,271	+ 41,210		
Leopoldina Termn.	11	13	1,918	*\$378,000	+ 45,000	3,743,000	+ 211,000		
Nitrate	11	13	397	*£1,371	+ 188	58,302	+ 2,333		
Paraguay Central	37	13	274	*\$3,064,000	+ 781,000	98,690,000	+ 1,562,000		
Salvador	37	13	100	*Col.34,000	+ 9,100	180,258	+ 112,162		
San Paulo	10	7	153	*\$200,000	- 113,000	23,940,000	+ 904,000		
United of Havana	37	13	1,353	*£66,944	+ 16,883	864,383	+ 77,954		

* Converted at average official rate during week ended Mar. 13, 16-12 pesos to the £.
 † Free market rate. ‡ Receipts in Argentine pesos. † Fortnight.
 § Converted at official rate. ¶ Converted at "controlled free" rate.
 f Converted at the "free" rate as a result of a decision of the High Court.

OTHER OVERSEAS

Egyptian Delta Light	48	Feb. 28	621	£ 15,280	- £ 270	£ 234,017	+ £ 2,122
Railways	10	Mar. 11	1,956	£ 1,956	+ 555	£ 20,243	+ 235
Egyptian Markets	34	Aug. 29	104	Ps. 14,208	- 62,843	840,732	- 724,859
Gr. Southn. of Spain ..	10	Mar. 7	483	\$308,700	+ 47,500	\$2,896,100	+ 482,500
Mexican Railway ...							

+ 8 days.

† 8 days.

SUEZ CANAL RECEIPTS

Suez Canal	11	1937 Mar. 10	...	£ 358,700	+ £ 63,400	£ 2,325,400	+ £ 63,800
† 10 days.							

† 10 days.

TRAMWAYS WEEKLY GROSS RECEIPTS

	1937						
Anglo-Argentine	10	Mar. 11	325	\$657,281	+ 12,774	6,239,719	+ 9,303
B. Aires Lacroze	35	Feb. 28	...	\$81,611	+ 1,801	2,413,511	+ 83,189
Burnley, Colne and Nelson Jt. Trspt.	10	Mar. 13	76	£ 4,954	+ 51	50,165	+ 1,516
Calcutta Tramways	10	Mar. 13	...	Rs. 1,28,041	+ 14,188	7,07,512	+ 30,954
Isle of Thanet Elec.	8	Feb. 24	...	£ 3,005	+ 42	24,784	+ 970
Liverpool Corp.	49	Mar. 10	...	£ 29,326	+ 1,056	1,452,107	+ 22,373
Madras Electric	11	Mar. 15	...	Rs. 52,505	+ 338	2,56,105	+ 2,722

† Fortnight.

MONTHLY TRAFFICS

Company	Months	Ending	Description	Receipts for Month	Receipts to Date
				1937	+ or -
				1937	+ or -
Algoma Central	1	Jan. 31	Gross	\$ 143,808	+ 34,753
British Columbia Power	8	Feb. 28	Net	\$ 1,234,197	+ 54,300
Catalinas Warehouses	1	Feb. 28	Gross	\$ 376,367	+ 1,387
Mashonaland	1	Jan. 31	Gross	\$ 2,136	+ 168
Midland Uruguay	8	Feb. 28	Gross	\$ 116,140	+ 18,269
N.W. of Uruguay	8	Feb. 28	Gross	\$ 75,000	+ 4,125
Uruguay Northern	8	Feb. 28	Gross	\$ 58,320	+ 26
Rangoon Electric	1	Feb. 28	Gross	\$ 18,000	+ 5,249
Rhodesian	1	Jan. 31	Gross	\$ 1,997	+ 440
Mexican Light and Power	12	Dec. 31	Gross	\$ 7,800	+ 132
			Net	\$ 865	+ 61
			Net	Rs. 1,77,244	+ 11,489
			Net	£ 210,786	+ 30,327
			Net	Can. \$ 723,156	+ 41,831
			Net	797,997	+ 169,489
			Net	Can. \$ 152,591	+ 11,721
			Net	208,920	+ 253,465

AMERICAN RAILROADS

Company	Month of Jan., 1937	Compared with Jan., 1936	12 Months 1936	Compared with 12 Months 1935
	\$		\$	\$
Baltimore and Ohio	Gross 13,867,000	+ 1,401,000	168,992,000	+ 27,149,000
	Net 2,021,000	+ 10,000	30,185,000	+ 6,000,000
Erie	Gross 6,909,000	+ 690,000	85,005,000	+ 9,910,000
	Net 1,188,000	+ 270,000	16,339,000	+ 3,378,000
New York Central	Gross 29,903,000	+ 1,697,000	361,063,000	+ 51,033,000
	Net 3,884,000	+ 1,205,000	45,278,000	+ 9,313,000
Pennsylvania Railrd.	Gross 37,824,000	+ 4,903,000	441,425,000	+ 14,183,000
	Net 4,816,000	+ 494,000	54,557,000	+ 14,183,000
Southern Pacific	Gross 19,099,000	+ 5,505,000	204,338,000	+ 40,979,000
	Net 2,895,000	+ 2,031,000	34,087,000	+ 14,254,000
Union Pacific	Gross 12,501,000	+ 2,084,000	155,214,000	+ 22,910,000
	Net 921,000	+ 10,000	25,070,000	+ 5,775,000

† Net operating income.

DIVIDEND ANNOUNCEMENTS

Rate % per Annum, except where marked % or Stated in Cash

Name of Company	* Interim or † Final	Date of Payment	Comparison with Last Year	Total
				Latest Year
				Previous Year
BANKS				
Bank of Scotland	18†	...	Same	%
Chartered Bank of India	14†	...	Same	%
National Bank of Egypt	11†	...	Same	%
National Bank of India	9†	...	Same	%
TEA AND RUBBER				
Aniherst (Selangor) Rubber	5%†	Apr. 12	...	7½
Ayer Kuning Rubber	2½*	Mar. 31	Same	7½
Badliupur Tea	6%*	May 4	4%*	5
Baraora (Syhet) Tea	...	...	...	4
Ceylon Timber and Rubber	...	...	...	3
Cluny Rubber	...	...	...	2
Cromlix Rubber	...	...	...	Nil
Damansara Rubber	...	...	...	5
Dambula Valley Tea	2½†	Mar. 31	Same	4
Federated (Selangor) Rubber	...	Mar. 31	...	5
Foothills (Malaya) Rubber	5%*	Apr. 3	Nil*	7
Hanwell Rubber	...	...	...	6
Highlands and Lowlands Rubber	8%†	May 1	...	12
Jasin (Malacca) Rubber	...	...	...	10
Kampong Kuantan Rubber	10%†	Apr. 9	...	10
Kuala Pilah Rubber	...	...	...	20
Landron Rubber	...	...	...	6
Ledbury Rubber	...	...	...	5
Malay Coconut Estates	...	...	...	7½
P.P.K. (Ceylon) Rubber	...	...	...	10
Pilmor Rubber	...	...	...	5
Rosevale Rubber	...	...	...	6½
Tanvancore Tea	...	...	...	6½
Yataderia Rubber and Tea	...	...	...	7½
Mining				
Camp Bird	17½%†	Apr. 17	...	6
Central Provinces Manganese Ore	5%†	Apr. 5	Same	10
Kent (F. M. S.) Tin	19†	Apr. 15	...	27½
Naraguta Extended Areas	5½*	Apr. 15	3%*	10
Naraguta Katama Areas	15%†	Apr. 15	...	22½
Do., 1936-37	5%*	Apr. 15	7½%*	...
Oroville Dredging	6d p.s.*	Apr. 15	...	...
Poregum Gold (India)	7½%†	Apr. 24	10%†	...
Rambutan	1/- p.s.*	Apr. 5	...	...
Rawang Tinfields	11/3p.s.*	Apr. 9	Same	10
St. John del Rey Mining	5%*	Mar. 31	Same	10
Sungei Way Dredging	1/- p.s.*	Mar. 31	Same	2/- p.s.
Tekka	1/- p.s.*	Mar. 31	Same	1/8 p.s.
Tekka-Taipung	1/- p.s.*	Mar. 31	Same	...
OTHER COMPANIES				
African and Eastern Trade	...	...	...	7½
Do., Preferred	...	...	...	12
African Theatres	17½%†	...	...	27½
Allen and Hanburys	...	...	...	...
Alliance Trust	12%†	...	...	23
Amalgamated Metal	...	...	...	6
Anchor Line	3½%†	Apr. 12	11%†	7
Atkinson (J. and E.)	...	Apr. 1	Nil†	5
Berry Wiggins and Company	...	...	...	3½
(B. ord.)	...	...	...	...
Boys Gas	4½%†	Apr. 8	...	16½
Boots Pure Drug	6%*	...	Same	8
British Aluminium	...	...	Same	...
British Insulated Cables	...	...	...	10
British Pepper and Spice	(m) 15%†	...	Same	(m) 20
British Thomson-Houston	...	...	...	6½
Carrick's (Caterers)	3%†	Mar. 31	Same	7

COMMERCE AND TRADE

OIL OUTPUTS

(Continued on page 680)

PHENIX OIL AND TRANSPORT COMPANY, LTD.—The gross production of crude oil of the Phoenix Group for February was 56,994 tons.

of crude oil of the Fincantia Group for February, was 60,000 tons.

CAMP BIRD.—Dividend for 1936 6 per cent., against nil.
AMALGAMATED METAL.—Ordinary dividend 7 per cent. for 1936, against 6 per cent.

MIDDLESBROUGH.—Pressure for supplies of pig-iron, semi-manufactured steel, and finished steel, continues, and, under the circumstances, it is practically impossible to place orders for early delivery. Local consumers of foundry pig iron continue to be rationed and are unable to build up any stocks. East Coast hematite is scarce, but makers are doing their utmost to keep home users supplied. There is no immediate prospect of the output of pig iron being increased to any considerable extent. Shipments of pig iron from the Tees from March 1st to the 16th amounted to 6,667 tons, against 3,285 tons during the same period in February. Prices remain unaltered at the official fixed figures. The shortage of semi-finished materials is acute. The quantities imported from the Continent have not reached the quota, but endeavours are being made to obtain larger quantities. Arrangements are on foot to control the distribution of semi-manufactured material to the re-rollers.

Finished steel is in exceptional demand by home users, but fair quantities continue to be exported. Steel prices remain unchanged, but are subject to revision before June 1st. A further shipbuilding order for four small vessels has been placed with local shipbuilders. In the scrap market official prices for heavy steel have not yet been announced. Foreign ore imports into the Tees continue on a large scale, the quantity imported during the first 16 days of March being 134,300 tons, against 141,866 tons during the corresponding period last month. The market in Durham blast-furnace coke is strong. Sellers are adopting a firm attitude and are not inclined to sell below 29s. to 30s. per ton, delivered at the furnaces here.

GLASGOW.—The situation in the West of Scotland is perhaps a shade easier this week. While supplies of raw materials are still quite inadequate for the requirements of consumers, there has been some slight improvement in deliveries. Re-rollers who have been, and still are, short of supplies have been able to keep plants running without further curtailments, and it is understood that a fair tonnage of Continental material will be available before the end of the present month. There is a great deal of new business on the market for materials of all kinds and for manufactured steel articles and structures, but in many cases it is difficult to find suppliers who are able to give the deliveries required as almost all manufacturers have already contracted for the bulk of their output for some time to come. Prices continue to advance.

CARDIFF.—Arrangements have been made between Guest Keen Baldwins Iron and Steel and the British Iron and Steel Federation for a resumption of work at a 1,400-ton blast furnace at Dowlais, and it is expected that production will begin in the summer. It has been officially emphasised, however, that operations will be only temporary. In spite of the scarcity of pig iron and scrap, the tinplate works continue very active. Shipments at Swansea last week totalled 7,788 tons, compared with only 3,030 tons in the corresponding week last year, and at 76,941 tons the exports to date this year are more than double those for the same period of 1936. Premiums over scheduled prices have been further increased, and transactions this week have been arranged at 23s. per basis box. Stocks are also low. Galvanised sheets are unchanged at £15 15s. per ton and steel bars at £6 2s. 6d.

OTHER METALS

COPPER.—After touching £78 per ton, the cash price declined sharply and closed on Wednesday at £71 10s., a net loss of £5 12s. 6d. on the week. Forward copper was also easy, although the decline was less marked than in the cash position. The easier tendency was due to a considerable amount of profit-taking; to the execution of many stop loss orders, and to a reduction in consumers' demand. But the optimistic undertone still persists, and there is a widespread belief that prices will recover in the near future.

The February copper statistics showed a decline of 6,000 short tons to 330,070 tons in world stocks. Extra United States stocks showed a decline for the first time since October, 1936, falling by 1,630 tons to 192,050 tons. In view of the very heavy consumers' buying during February, this decline was not surprising, and had little effect on prices. The market was, however, very impressed by the rise of 4,831 tons to 101,681 tons in the extra-American output of refined copper, and the jump of 6,580 tons to 113,970 tons in the extra-U.S.A. production of blister copper during February. These increases are especially significant in view of the fact that February had three less working days than January. They have convinced many operators that the ability of producers to raise their output at short notice is rather better than had been expected by the market.

Sales on the London Metal Exchange: 4,850 tons on Monday, against 3,750 tons last week; 4,750 tons on Tuesday, against 4,500 tons last week; 4,600 tons on Wednesday, against 7,100 tons last week. Domestic spot was quoted at 16-7½ cents per lb. in New York on Wednesday, against 17-25 cents a week ago and 13-72½ cents a month ago. Wednesday's official closing price for standard cash in London was £71 10s. to £71 15s., compared with £77 2s. 6d. to £77 10s. a week ago. Stocks of refined copper in British official warehouses at the end of last week, at 28,704 tons, showed a decrease of 3,417 tons, while stocks of rough copper, at 607 tons, were 100 tons larger.

LEAD AND SPLITTER.—In sympathy with copper and tin, and in response to many stop loss orders, both metals reacted sharply and closed at the lowest levels of the week. The United States market has also been easier, for the first time for many weeks. There is, however, no change in the basic position of the markets, apart from the fact that certain speculators have become more careful. But if copper and tin recover, lead and splitter may be expected to follow. According to the *Metallgesellschaft*, the world lead smelter output rose from 132,681 metric tons in December to 133,049 metric tons in January, the highest monthly level for several years. Production outside the United States and Spain reached 95,652 metric tons in January, against 93,116 tons in December, and 84,352 tons in January, 1936. The recent sharp increase is all the more satisfactory as, from the statistical point of view, the extra-U.S.A. lead market is the only market on which there is a genuine shortage of supplies. It is true that splitter prices have been firmer than lead prices of late, but this fact is rather based on the hope that the United States might be forced to import splitter in the near future and not so much on the actual situation over here.

Sales of lead on the London Metal Exchange: 4,500 tons on Monday, against 4,000 tons last week; 2,750 tons on Tuesday, against 3,500 tons last week; 2,700 tons on Wednesday, against 9,000 tons last week. The New York quotation on Wednesday was 7-25 cents per lb., against 7-75 cents a week ago and 6-00 cents a month ago. The official closing quotation in London for soft foreign for shipment during the current month was £32 18s. 9d. per ton, compared with £36 a week ago.

Sales of splitter on the London Metal Exchange: 3,250 tons on Monday, against 6,500 tons last week; 4,100 tons on Tuesday, against 8,000 tons last week; 3,600 tons on Wednesday, against 7,700 tons last week. Wednesday's quotation in East St. Louis was 7-50 cents per lb., against 7-50 cents the week before and 6-40 cents a month earlier. Wednesday's official closing quotation in London for "good ordinary brands" for shipment during the current month was £33 8s. 9d. per ton, against £36 5s. last week.

TIN.—After a week of violent fluctuations, the cash price closed on Wednesday showing a net loss of £5 5s. on the week. Consumers who had been out of the market until the beginning of this month, because they found tin at £230 and £240 too high, were willing buyers this week at prices above £300. Many operators, on the other hand, who bought tin above £300 have become frightened and have resold at £290. These facts indicate clearly the present unhealthy state of the market, and show that psychological factors play a much greater role on the tin market than sober economic considerations. To check the unhealthy advance in tin prices, the I.T.C. last Friday increased the quota for the second quarter of this year from 100 per cent. to 110 per cent., and has also asked the Governments participating in the international restriction to permit the immediate export of all available stocks irrespective of quota limits. The I.T.C. estimates that, on the basis of the present quota and the current rate of consumption (170,000 tons per annum), stocks should increase at a rate of 2,700 tons per month; so that by the end of June stocks should be well in excess of 30,000 tons. The Committee met again on Thursday of this week to settle questions connected with the release of stocks in producing countries.

Sales of tin on the London Metal Exchange: 1,000 tons on Monday, against 850 tons last week; 875 tons on Tuesday, against 900 tons last week; 400 tons on Wednesday, against 1,400 tons last week. The New York quotation on Wednesday was 65-25 cents per lb., against 65-75 cents a week ago and 51-62½ cents a month ago. Wednesday's official closing quotation in London for standard cash was £295 15s. to £296 per ton, compared with £301 to £301 10s. a week ago. Stocks of tin in London and Liverpool at the end of last week totalled 1,504 tons, a decrease of 194 tons on the week.

OTHER NON-FERROUS METALS.—Among other non-ferrous metals, aluminium ingots and bars for home delivery were again quoted on Wednesday at £100 per ton, and rolling billets at £102 per ton. Nickel, for home and export, was maintained at £180 to £185 per ton. Quicksilver, on the spot, was quoted at £14 7s. to £14 7s. 6d. per flask of 76 lbs., against £14 6s. last week. Chinese antimony was quoted at £78 to £80 per ton ex warehouse, as against £75 per ton last week. Chinese wolfram for "March-April" shipment was quoted at 54s. to 55s. per unit, c.i.f., compared with 46s. 6d. to 47s. 6d. last week. Refined platinum was steady on Wednesday at £11 15s. an ounce.

TEXTILES

COTTON.—Manchester.—The event of the week has been the advance in raw cotton prices. New records have been established in Liverpool and New York. Activity has been fostered by the encouraging trade demand for raw cotton and by reports of increasing world consumption, but the upward movement has also been stimulated by large speculative operations, especially in Egyptian Sakel cotton. In certain directions freer buying of yarn and cloth has taken place, although the higher prices and the wide fluctuations have, to some extent, checked trade. With regard to raw cotton, there has been a striking advance in quotations for Egyptian qualities, and quotations for both Sakel and Giza 7 have risen by more than 1d. per lb. in Liverpool. This advance has been due to reports of a shortage of supplies of the finer grades of Egyptian cotton. Speculators entered the market with the result that very wide fluctuations have taken place in prices. With regard to the American cotton situation, bullish advices have been received from the United States. Meanwhile, the Washington Government continues to release loan cotton. According to some reports, weather in the belt for crop preparations is now more favourable, and an appreciable increase in the acreage is considered probable. These factors, however, seem to be ignored at the moment.

Spinners have advanced yarn quotations, and are holding out for full rates. A fair business has been done in both American and Egyptian in cloth, and despite many difficulties in arranging terms of fresh contracts and also delivery dates, turnover has increased. There has been more activity for India, while steady buying has taken place for Egypt, Java, put through for Canada, with a fair turnover for South Africa. A varied business has been done in home trade fabrics.

COTTON PRICES

	1937				Corresponding Date	
	Feb. 24	Mar. 3	Mar. 10	Mar. 17	1935	1936
Raw Cotton—Mid. American..... per lb.	d. 7-85	d. 7-58	d. 8-01	d. 8-12	d. 6-25	d. 6-30
" Sakellaridis Fully Good Fair Egyptian..... per lb.	10-25	10-48	11-22	12-70	8-04	9-26
Yarns—32's twist..... per lb.	12½	13½	13½	13½	9½	10½
" 40's weft..... per lb.	12½	12½	13½	13½	10½	10½
" 60's twist (Egyptian)..... per lb.	18	18	19	19½	15½	15½
32-in. Printers, 116 yds., 16 by 16, 32's and 50's.....	s. d. 20 5	s. d. 20 8	s. d. 21 0	s. d. 21 0	s. d. 17 5	s. d. 17 0
36-in. Shirtings, 75 yds., 19 by 19, 32's and 40's.....	28 4	28 7	29 0	29 9	23 9	24 0
38-in. ditto, 38 yds., 18 by 18, 10 lb.....	11 3	11 5	11 7	11 7	10 4	9 11
39-in. ditto, 37½ yds., 16 by 15, 8½ lb.....	10 3	10 5	10 7	10 7	9 2	8 11

SPECULATION IN COTTON.—Very erratic movements have taken place in Egyptian cotton prices on the Liverpool and Alexandria Cotton Exchanges. Reports were received that a syndicate taking advantage of the known shortage of desirable grades of Sakel cotton commenced speculative operations on a large scale. A big advance took place in prices on Monday, followed by a slump on Tuesday, but a recovery occurred next day. It is reported that big speculative deals are still being carried out. Business in the Lancashire cotton industry has been made very difficult by these wide fluctuations. With prices jumping 1d., and sometimes 1d. per lb. each day, traders have not been in the mood to enter into important yarn or cloth contracts. They have been waiting for more settled conditions, but it is realised that the present wave of speculation might continue some little time.

WOOL.—Bradford.—The course of prices at the recent series of London Sales has revealed the underlying strength of the market, which was continued to run full time, particularly those engaged in the production of on the increased price of wool and tops. Even spinners, having covered most of their requirements to the end of May and June, are unwilling to follow in the wake of wool, notwithstanding the general opinion that raw wool prices are likely to remain firm, and find a ready sale. At the recent auctions the home trade was credited with purchasing 40,500 bales, and the

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Continent 32,000 bales. Although no specific quantity was put down to the United States, it is understood that that country picked up a few lots of both merinos and crossbreds, particularly in shipes. The carry-forward is only 6,500 bales, which constitutes a low record. There is some anxiety regarding the quantity that is likely to be available for the next series commencing on April 26th; in all probability it will be less than at the recent sales, which, for a second series was the smallest ever known by the present generation of woolmen.

The chief question today is whether prices are getting too high to be of real service to the wool textile industry. No doubt the large buyers of cloth are facing a new level of prices that is not liked, but current quotations for both merinos and crossbreds seem justified by the present state of general business activity. Prices are being dictated not solely by the home trade, as has been the case during recent years, for activity in most countries is higher, and world consumption of wool is larger than for a long time, while supplies cannot be increased at short notice.

GRAIN MARKETS

WHEAT.—Under the influence of an expanding demand, prices have again advanced this week, and are now approaching the season's highest. Germany and Italy have again been in the market, besides other important buyers. American markets have also had a strong tone.

On Wednesday last, "May" futures were quoted in Chicago at 138½ cents per bushel, against 137½ cents the week before and 135½ cents a month ago. Quotations in London, Wednesday: No. 1 Northern Manitoba, ex ship, 54s. 6d. per 496 lbs., against 53s. to 53s. 6d. a week ago; No. 2 Northern Manitoba, ex ship, 53s. 6d., against 52s. to 52s. 6d. a week ago. According to *The Corn Trade News* total shipments of wheat and flour last week totalled 1,565,000 quarters, against 1,979,000 quarters in the previous week and 1,196,000 quarters in the corresponding week a year ago.

FLOUR.—A sharp increase in quotations occurred this week. Wednesday's London quotations (excluding quota payments) were: Straight run, delivered Home Counties, 42s. 6d. per 280 lbs., against 40s. 6d. a week ago; delivered inner London, 42s., as compared with 40s. a week ago. Manitoba patents, ex store, 40s. 6d. to 42s., against 40s. 6d. to 42s. a week ago. Australian, ex store, 33s. 6d. to 34s. 3d., against 33s. to 33s. 6d. last week.

BARLEY.—Imported barley has been a rather quiet market, both here and on the Continent. The bulk of the English crop of malting barley has now been disposed of. "May" futures were quoted at 81½ cents per bushel in Winnipeg on Wednesday, against 81½ cents a week ago. Quotations per 448 lbs. in London on Wednesday were: "English feed," at farm, 36s. to 38s., as against 36s. to 38s. a week ago; "English malting," at farm, 38s. to 45s., against 38s. to 45s. last week. Californian (new), ex ship, 54s. 6d., against 51s. to 60s. last week; Chilean, brewing (new), ex ship, 44s. 9d., against 44s. 9d. to 50s. a week ago.

OATS.—On Wednesday, "May" futures were quoted at 47½ cents a bushel in Chicago, against 48½ cents a week ago and 50½ cents last month. Quotations in London, Wednesday: "English Black," at farm, 23s. to 25s. per 336 lbs., against 24s. to 26s. a week ago; "English White," at farm, 23s. to 25s., against 24s. to 26s. a week earlier; mixed Canadian feed (Vancouver), landed, 23s. 9d. per 320 lbs., compared with 23s. 9d. last week.

MAIZE.—Prices on United Kingdom markets have advanced this week. Meanwhile, the weather in Argentina has not been favourable for conditioning the new crop and sellers have consequently tended to become cautious. "May" futures were quoted on Wednesday at 108 cents per bushel in Chicago, against 108½ cents a week ago and 106 cents last month. Quotations in London, Wednesday: "Plate," landed, 26s. 6d. per 480 lbs., compared with 26s. a week ago; "Plate," ex ship, 25s. 6d., as against 25s. a week ago; "Plate," March, 26s., as against 25s. 9d. a week ago; yellow maize meal, ex wharf, was quoted at 16 15s. to 16 17s. 6d. per ton, as against 16 17s. 6d. to 17 last week.

AMERICAN WHEAT MARKETS.—The following table shows wheat quotations for selected weeks in 1935-37:—

Nearest Future	Jan. 2, 1935	Dec. 31, 1935	Mar. 18, 1936	Dec. 30, 1936	Mar. 10, 1937	Mar. 17, 1937
Winnipeg (No. 1, Manitoba) —Cents per 60 lb.	82½	84½	83½	129	132½	136½
Chicago (No. 2, Winter) —Cents per 60 lb.	98½	101½	97½	135½	137½	138½

The visible supply of wheat in Canada amounts to 86,322,000 bushels, against 88,101,000 bushels last week, and 114,816,800 bushels in the corresponding week last year.

SALES AND PRICES OF BRITISH CEREALS.—The following table gives the estimated sale of home-grown wheat during the harvest years 1933-34 to 1936-37:—

	1933-34	1934-35	1935-36	1936-37
Estimated sales of home-grown wheat—	Cwts.	Cwts.	Cwts.	Cwts.
1 week to March 13	265,153	286,254	277,912	205,919
28 weeks to March 13	8,715,637	10,364,223	10,495,640	7,780,635
Average price of English wheat per cwt.	s. d. 4 5	s. d. 4 7	s. d. 6 3	s. d. 8 11

The following is a statement showing the quantities sold and the average price of British cereals in the past two weeks, and for the corresponding weeks in each of the years from 1933 to 1936:—

Week ended	QUANTITIES SOLD			AVERAGE PRICE PER CWT.		
	Wheat	Barley	Oats	Wheat	Barley	Oats
March 11, 1933	Cwts. 174,923	Cwts. 79,502	Cwts. 38,344	s. d. 5 2	s. d. 6 3	s. d. 5 11
March 10, 1934	265,153	87,145	48,949	4 5	9 0	6 4
March 16, 1935	296,254	135,209	44,634	4 7	7 9	6 10
March 14, 1936	277,912	108,390	48,452	6 3	7 6	5 11
March 6, 1937	244,731	133,058	64,833	8 11	9 10	8 2
March 13, 1937	205,919	117,276	59,383	8 11	9 9	8 2

OTHER FOODS

BACON.—The improved tone last week was reflected in an increase in the official quotations. The improvement has since been well maintained. The official quotations (per cwt. for No. 1 Sizable) which formed the basis for dealings on the London Provision Exchange this week were: English, 90s. to 94s.; Canadian, 82s.; Danish, 90s., against 86s. to 90s., 77s., and 86s. last week. Arrivals in London last week included: Danish, 12,940 bales; Canadian, 6,430; Dutch, 2,370; Lithuanian, 1,179; and Polish, 2,848; as against 13,410, 6,889, 2,318, 1,061 and 3,021 bales, respectively, in the previous week.

BUTTER.—The market was firm and active, all descriptions being higher on the week. Quotations (per cwt.) on the London Provision Exchange on Wednesday were: New Zealand, finest salted, 98s. to 99s.; Australian, choicest salted, 98s. to 99s.; Danish, 128s.; compared with 94s. to 95s., 95s., and 125s., respectively, a week ago.

CHEESE.—The market was generally steady, New Zealand showing a further price advance. Quotations (per cwt.) on the London Provision Exchange on Wednesday were as follows: English, finest farmers, 86s. to 88s.; Canadian, finest coloured, 71s. to 72s.; and New Zealand, finest coloured, 63s. 6d. to 64s.; against 86s. to 88s., 71s. to 72s., and 57s. 6d. to 58s., respectively, a week ago.

COCOA.—The rise in prices, both in London and New York, has continued. The spot quotation in New York on Wednesday was 11½ cents per lb., as against 11½ cents per lb. last week. In London, on Wednesday last, good fermented new crop, Accra, March-April, was quoted at 52s. movements of cocoa in London were as follows: Landed, 43,605 bags; delivered, for home consumption, 12,282 bags; exported, nil; stocks, 199,086 bags, against 123,341 bags a year ago.

COFFEE.—The London spot market was quiet but steady. Similar conditions ruled in New York. The New York market was quiet and per lb. in New York, as compared with 9½ cents per lb. last week and 9½ cents per lb. a month ago. Movements of coffee in London last week were as follows: Brazilian, landed, 16 cwt.; delivered, for home consumption, 71 cwt.; exports, nil; stocks, 3,179 cwt., against 11,334 a year ago. Central and other South American: Landed, 9,108 cwt.; delivered for home consumption, 2,280 cwt.; exported, 1,256 cwt.; stocks, 87,400 cwt., against 91,640 last year. Other kinds: Landed, 3,085 cwt.; delivered, for home consumption, 5,216 cwt.; exported, 919 cwt.; stocks, 114,942 cwt., against 90,853 last year.

EGGS.—A further seasonal decline in prices occurred this week, the drop being greatest in English. At Smithfield, on Wednesday, English per 120, as against 11s. 9d. to 12s. last week; while Danish (15½ lb.) made 11s. to 11s. 3d., as against 11s. 6d. to 11s. 9d. last week.

FRUIT.—Despite bad weather, business at Covent Garden has been fairly good, with prices at a moderate level. *The Fruitgrower* states that the steady demand for apples continues, with prices steady to firm. Pears also encounter a consistent demand, quotations being well maintained now due from Australia. English and Belgian grapes are scarce, but South African are steady, while plums sell well at slightly higher rates. Reliable parcels of oranges are in demand and are making better prices, but grape fruit are a slow item. Lemons are not so firm in price.

MEAT.—Although business at Smithfield has been rather quiet, prices are higher in some instances. On Wednesday last, Argentine chilled 3s. 4d. to 3s. 10d. a week ago. New Zealand frozen mutton was 3s. 4d. to 3s. 10d., against 3s. 4d. to 3s. 10d. a week ago. According to the 9,325 tons, an increase of 496 tons on the corresponding week last year. Beef and veal accounted for 5,286 tons, mutton and lamb 2,421 tons, and pork and bacon 1,004 tons, as compared with 4,771, 2,400 and 1,102 tons, respectively, in the same week of 1936.

MILK.—Information relative to the operation of the Milk Marketing Scheme during February as issued by the Milk Marketing Board, is given in the following table, together with comparable statistics for earlier months:—

	Feb. 1936	Nov. 1936	Dec. 1936	Jan. 1937	Feb. 1937
Regional pool prices* (per gallon):	d.	d.	d.	d.	d.
Northern	14½	13½	14	14	14
North-Western	14½	13½	14	14	14
Eastern	14½	13½	14	14	14
East Midland	14½	13½	14	14	14
West Midland	14½	13½	14	14	14
North Wales	14½	13½	14	14	14
South Wales	14½	13½	14	14	14
Southern	14½	13½	14	14	14
Mid-Western	14½	13½	14	14	14
Far Western	14½	13½	14	14	14
South-Eastern	14½	13½	14	14	14
Liquid milk price (per gallon, all regions)	15	14½	13½	13½	13½
Manufacturing price (per gallon, average)	17	17	17	17	17
Total sales under contract	65-22	64-64	63-61	64-15	60-00
For liquid consumption	44-71	46-51	47-30	48-14	45-02
For manufacturing	20-51	18-13	16-31	16-01	14-98

* On account to the nearest farthing.

Accredited producers receive 1d. per gallon in addition to the above prices. Premiums for level deliveries and for Grade "A" or special services are paid to the producers concerned in addition to the pool price from accounts. Transport charges are payable by individual producers and are deducted

PEPPER.—On Wednesday, Singapore white Muntok, spot, was quoted at 6d. per lb. in bond, against 6d. per lb. a week earlier. Black Lampong, per lb. last week, was quoted at 3½d. per lb. sellers, compared with 3½d. follows: Black, landed, 10 tons; delivered, nil; stocks, 1,796 against 1,691 last year. White, landed, 45 tons; delivered, 42; stocks, 11,817 compared with 12,864 a year ago.

RICE.—The spot price of Burma No. 2, cleaned, was 10s. 3d. per cwt., ex warehouse, on Wednesday, as compared with 10s. 3d. per cwt. a week ago. "March-April," in singles to Continent and U.K., was quoted at

OVERSEAS TRADE RETURNS

IMPORTS (Value C.I.F.)

	Month ended February 28		Two Months ended February 28	
	1936	1937	1936	1937
I.—Food, Drink and Tobacco—				
A. Grain and Flour	4,587,833	8,469,492	9,355,554	13,958,893
B. Feeding-stuffs for Animals	678,845	938,804	1,443,670	1,796,782
C. Animals, Living, for Food	423,370	457,049	888,424	910,768
D. Meat	5,980,586	6,007,838	12,171,900	13,019,468
E. Dairy Produce	5,010,574	4,264,221	10,425,891	9,691,741
F. Fresh Fruit and Vegetables	2,706,389	2,799,312	5,465,901	5,815,356
G. Beverages and Cocoa Preparations	3,345,155	3,717,469	7,966,960	7,919,322
H. Other Food	3,753,687	3,340,858	7,875,720	7,270,136
I. Tobacco	976,961	669,696	3,018,464	2,074,087
Total, Class I	27,463,900	30,664,539	58,612,184	62,456,501
II.—Raw Materials and Articles Mainly Unmanufactured—				
A. Coal	1,146	2,489	10,513	4,268
B. Other Non-Metalliferous Mining and Quarry Products	254,418	324,733	556,073	644,247
C. Iron Ore and Scrap	666,561	572,229	1,329,206	1,096,362
D. Non-Ferrous Metalliferous Ores and Scrap	1,093,960	1,179,092	2,161,165	2,201,495
E. Wood and Timber	1,584,551	2,396,311	4,202,836	5,243,136
F. Raw Cotton and Cotton Waste	3,472,892	3,830,444	7,672,544	8,795,196
G. Wool, Raw and Waste, and the like	4,542,154	5,355,887	9,148,385	10,799,596
H. Silk, Raw, Knobs and Noils	181,591	152,128	432,863	297,331
I. Other Textile Materials	1,058,156	1,370,235	2,586,948	3,341,311
J. Seeds and Nuts for Oil, Oils, Fats, Resins and Gums	2,299,557	2,814,611	5,043,602	5,921,611
K. Hides and Skins, Undressed	1,670,131	1,838,212	3,492,047	4,831,393
L. Paper-making Materials	794,060	847,876	1,947,979	1,898,819
M. Rubber	532,390	60,647	1,108,764	975,896
N. Miscellaneous Raw Materials and Articles mainly Unmanufactured	740,883	841,216	1,608,114	1,790,443
Total, Class II	18,892,452	22,126,200	41,299,039	47,841,104
III.—Articles Wholly or Mainly Manufactured—				
A. Coke and Manufactured Fuel	13,482	20,732	19,303	38,657
B. Pottery, Glass, Abrasives, etc.	525,270	552,532	1,075,094	1,124,080
C. Iron and Steel and Manufactures thereof	943,595	794,074	1,877,488	1,589,354
D. Non-Ferrous Metals and Manufactures thereof	2,414,680	3,458,294	4,616,954	6,632,436
E. Cutlery, Hardware, Implements and Instruments	493,370	585,436	955,523	1,119,965
F. Electrical Goods and Apparatus	249,031	313,655	519,851	608,739
G. Machinery	1,214,361	1,754,330	2,493,942	3,513,821
H. Manufactures of Wood and Timber	593,862	545,711	1,172,385	1,118,048
I. Cotton Yarns and Manufactures	218,149	249,020	417,721	474,800
J. Woollen and Worsted Yarns and Manufactures	228,796	342,079	468,498	694,568
K. Silk Yarns and Manufactures	243,817	202,074	501,821	411,083
L. Manufactures of other Textile Materials	590,520	680,613	1,221,154	1,323,487
M. Apparel	1,581,019	938,466	1,530,360	1,596,398
N. Chemicals, Drugs, Dyes and Colours	905,334	961,221	1,910,479	2,070,905
O. Oils, Fats and Resins, Manufactured	2,520,093	3,048,651	5,465,110	5,579,524
P. Leather and Manufactures thereof	707,986	763,040	1,352,926	1,499,856
Q. Paper, Cardboard, etc.	1,142,819	1,094,793	2,370,667	2,212,534
R. Vehicles (including Locomotives, Ships and Aircraft) ..	446,405	522,298	867,741	1,063,599
S. Rubber Manufactures	52,698	58,900	107,857	114,262
T. Miscellaneous Articles wholly or mainly Manufactured	1,337,389	1,677,151	2,694,905	3,384,616
Total, Class III	15,692,676	18,563,070	31,639,784	36,170,732
IV.—Animals, not for Food	98,710	88,385	212,698	203,126
V.—Parcel Post	120,838	210,433	367,708	468,019
Total	62,268,676	71,652,627	132,131,413	147,139,482

9s. per cwt., against 8s. 10½d. last week. Movements in London last week were as follows: Landed, 66 tons; delivered, 63; stocks, 1,097 tons, against 1,066 a year ago.

SUGAR.—Raw sugar was a quiet market in London this week. The New York spot market had an easier tone. The New York spot quotation was 3.50 cents on Wednesday, as compared with 3.55 cents per lb. last week and 3.55 cents per lb. a month ago. Wednesday's sales of raw sugar in London included "May" delivery at 6s. 8½d. to 6s. 9d., against 6s. 8d. to 6s. 8½d. a week ago. Movements of raw sugar in public warehouses in London and Liverpool last week were as follows: Imports, 9,666 tons, against 3,058 in the previous week and 12,248 in the same week of 1936; deliveries, 16,366 tons, against 16,866 and 14,006 tons, respectively; stocks, 213,832 tons, against 220,532 and 241,823 tons, respectively.

TEA.—The following table shows the average prices (compiled by the Tea Brokers' Association) of tea sold in Mincing Lane on Garden Account in recent weeks:—

Week ended	Northern India	Southern India	Ceylon	Java	Sumatra	Africa	Total
Mar. 12, 1936	d. 13-23	d. 13-17	d. 14-93	d. 11-09	d. 10-53	d. 11-76	d. 13-50
Feb. 4, 1937	13-63	13-38	15-78	12-22	11-23	12-68	14-06
Feb. 11, "	13-73	13-73	15-87	12-59	11-29	13-00	14-16
Feb. 18, "	14-04	14-19	16-15	13-35	11-93	13-21	14-53
Feb. 25, "	14-32	14-71	16-60	14-35	11-94	13-65	14-84
Mar. 4, "	14-34	14-76	16-78	13-35	12-24	13-52	14-92
Mar. 11, "	14-29	15-01	16-82	14-18	12-38	13-34	14-92

EXPORTS OF PRODUCE and MANUFACTURES of the UNITED

KINGDOM (Value F.O.B.)

	Month ended February 28		Two Months ended February 28	
	1936	1937	1936	1937
I.—Food, Drink and Tobacco—				
A. Grain and Flour	£ 124,580	£ 148,586	£ 295,529	£ 294,685
B. Feeding-stuffs for Animals	65,609	58,496	119,068	112,705
C. Animals, Living, for Food	555	260	663	878
D. Meat	79,438	81,851	168,629	172,281
E. Dairy Produce	80,075	80,107	163,004	176,199
F. Fresh Fruit and Vegetables	7,296	59,049	29,212	124,908
G. Beverages and Cocoa Preparations	744,176	1,337,245	1,791,463	2,627,902
H. Other Food	997,938	970,761	1,969,825	1,835,288
I. Tobacco	364,808	383,341	727,184	764,457
Total, Class I	2,464,275	3,119,696	5,258,377	6,109,303
II.—Raw Materials and Articles Mainly Unmanufactured—				
A. Coal	2,124,947	2,257,433	4,470,062	4,810,581
B. Other Non-Metalliferous Mining and Quarry Products and the like	69,638	85,420	152,237	190,420
C. Iron Ore and Scrap	24,964	85,778	65,554	183,007
D. Non-Ferrous Metalliferous Ores and Scrap	149,014	245,506	312,238	451,600
E. Wood and Timber	6,941	7,708	11,443	15,620
F. Raw Cotton and Cotton Waste	70,406	88,539	143,076	176,972
G. Wool, Raw and Waste, and Woollen Rags	644,010	1,059,461	1,213,140	2,121,923
H. Silk, Raw, Knubs and Noils	638	470	2,256	1,013
I. Other Textile Materials	32,346	49,245	96,655	89,665
J. Seeds and Nuts for Oil, Oils, Fats, Resins and Gums	360,913	361,401	578,280	665,921
K. Hides and Skins, Undressed	209,875	208,131	407,296	409,213
L. Paper-making Materials	91,933	145,399	175,632	272,206
M. Rubber	16,424	29,448	30,388	53,318
N. Miscellaneous Raw Materials and Articles mainly Unmanufactured	284,347	264,749	563,134	547,941
Total, Class II	4,086,396	4,900,686	8,223,421	9,991,400
III.—Articles Wholly or Mainly Manufactured—				
A. Coke and Manufactured Fuel	253,975	277,304	527,702	593,062
B. Pottery, Glass, Abrasives, etc.	644,768	714,490	1,293,086	1,401,679
C. Iron and Steel and Manufactures thereof	2,491,522	3,279,554	5,389,393	6,721,104
D. Non-Ferrous Metals and Manufactures thereof	1,114,175	1,005,363	2,065,880	2,089,134
E. Cutlery, Hardware, Implements and Instruments	620,725	691,373	1,228,722	1,843,111
F. Electrical Goods and Apparatus	726,153	803,922	1,519,316	1,652,970
G. Machinery	3,402,562	3,463,396	6,866,184	6,984,337
H. Manufactures of Wood and Timber	88,850	93,916	186,892	187,443
I. Cotton Yarns and Manufactures	5,208,056	5,324,980	10,345,196	10,682,894
J. Woollen and Worsted Yarns and Manufactures	2,954,927	3,101,435	5,821,318	6,266,246
K. Silk Yarns and Manufactures	110,608	108,486	211,268	210,448
L. Manufactures of other Textile Materials	1,325,370	1,522,328	2,711,469	3,126,207
M. Apparel	1,058,670	1,011,874	1,900,550	2,022,458
N. Chemicals, Drugs, Dyes and Colours	1,662,654	2,015,509	3,387,674	3,846,873
O. Oils, Fats and Resins, Manufactured	492,510	338,759	842,220	897,346
P. Leather and Manufactures thereof	317,476	406,513	653,303	823,686
Q. Paper, Cardboard, etc.	524,053	549,456	1,038,435	1,114,498
R. Vehicles (including Locomotives, Ships and Aircraft)	2,414,314	2,834,842	4,625,148	5,519,778
S. Rubber Manufactures	138,423	124,848	262,194	259,345
T. Miscellaneous Articles wholly or mainly Manufactured	1,812,750	1,978,783	3,534,455	3,861,748
Total, Class III	27,562,541	29,737,121	54,190,405	59,604,567
IV.—Animals, not for Food				
	56,684	30,364	111,123	91,366
V.—Parcel Post				
	940,677	784,170	1,779,672	1,859,001
Total	35,110,573	38,572,037	69,563,198	77,655,637

representatives at the sales, against the previous record of 159, reached at the March sale of last year. The value of the skins sold, at (U.S.A.) \$5,100,000, represented a new record. The turnover at the eleventh sale in July last was \$2,860,000 and at the tenth sale in March, 1936, \$3,280,000. The last sale revealed the growing international importance of the Leningrad auctions, which, have become one of the most important events of the international fur trade in the past two years.

RUBBER.—Prices have advanced by 1d. per lb. in a strong market. Although American consumers still withheld their demand, trade buying has been fairly active and speculators have also participated. At its meeting on Tuesday the International Regulation Committee fixed the quota for

the second half of the year at 90 per cent., an increase of 10 per cent. over the quota fixed for the second quarter. The market had feared a more drastic increase and prices were accordingly buoyant. The spot price in New York on Wednesday was 24½ cents per lb., compared with 23½ cents per lb. a week ago and 21½ cents a month ago. Wednesday's official buyers' price for standard ribbed smoked sheet on the spot in London was 1s. 0½d. per lb., as against 11½d. on the corresponding day last week. In forward positions, business has been done at 1s. 0½d. to 1s. 0½d. for "April" shipment, as against 11½d. to 11½d. a week ago. Stocks in London and Liverpool at the end of last week totalled 56,187 tons; against 59,829 tons a week earlier. A year ago stocks amounted to 151,921 tons.

WHOLESALE COMMODITY PRICES

UNITED KINGDOM: LONDON, March 17th.

The prices in the following are revised with the assistance of an eminent firm in each department

CEREALS AND MEAT			
GRAIN, Etc.—			
Wheat—	s. d.	s. d.	
No. 2, N. Man. 496 lb.	53 6		
Eng. Gaz. av., per cwt.	8 11		
Barley, Eng. Gaz. av.	9 9		
Oats,	8 2		
Maize, La Plata, landed			
480 lb. stan. ex mill,	26 6		
Flour, Lon. stan. ex mill,			
280 lb.,	40 9		
Rice, No. 2 Burma, per cwt.	9 0		
MEAT—			
Beef, per 8 lbs.—			
English long sides	3 10	4 8	
Argentine chilled hinds	3 6	4 0	
Mutton, per 8 lbs.—			
English wethers	6 4	7 4	
N.Z. frozen	3 4	4 0	
Lamb, per 8 lbs.—			
N.Z. frozen	4 6	5 2	
Pork, English, per 8 lbs.	5 8	6 4	
OTHER FOODS			
BACON—			
English, per cwt.	90 0	94 0	
Irish, per cwt.	86 0	93 0	
Danish, per cwt.	99 0		
Dutch, per cwt.	88 0		
HAMS—			
Canadian, per cwt.	91 0	94 0	
United States, per cwt.	93 0	94 0	
BUTTER—			
Australian, per cwt.	98 0	99 0	
New Zealand, per cwt.	98 0	99 0	
Danish, per cwt.	128 0		
CHEESE—			
Canadian, per cwt.	71 0	72 0	
New Zealand, per cwt.	63 6	64 0	
English Cheddars, per cwt.	86 0	88 0	
Dutch, per cwt.	50 0	55 0	
COCOA—			
(Duty, British grown, 11/8; foreign, 14/- cwt.)			
Accra, f.f., per cwt.	52 6	53 0	
Trinidad, per cwt.	80 0	85 0	
Grenada, per cwt.	88 0	73 0	
COFFEE—			
(Duty, British grown, 11/8; foreign, 14/- cwt.)			
Santos sup. c. & f. cwt.	50 0	62 0	
Colombian, good, per cwt.	62 0	85 0	
Costa Rica, med. to good, per cwt.	62 0	80 0	
East Indian, per cwt.	60 0	75 0	
Kenya, medium, per cwt.	60 0	75 0	
EGGS—			
English, per 120	10 9	11 3	
Danish, per 120	11 0	11 3	
FRUIT—			
Valencia, cases, per 120	11 0	15 0	
Jaffa, cases, per 120	8 6	13 0	
Lemons, Malaga, cases, per 120	14 0	16 0	
Sicilian, cases, per 120	25 0	34 0	
Apples: Amer. (var.) boxes, (var.) boxes	10 9	13 0	
" Australian, boxes			
ONIONS—			
Valencia, case, per 120	6 0	8 0	
Egyptian, bags, per 120			
Grapes, Almeria, barrels, per 120	7 0	10 6	
Grapefruit, Jaffa, Amer., per 120			
LARD—			
Irish finest bladders, per cwt.	72 0	80 0	
U.S., per cwt.	71 0	72 0	
POTATOES—			
English King Edward, per cwt.	9 0	9 6	
SPICES—			
Pepper, per lb.—			
Black Lampong	0 3½		
White Muntok	0 6		
Cinnamon—1st sort, per lb.	0 3½		
Cloves—Zanzibar, per lb.	0 10½		
Ginger—per cwt.—			
African	65 0		
Jamaica, ord. to good	62 6	90 0	
Mace, per lb.	1 10	2 6	
Nutmegs, 65's, per lb.	0 11½		
SUGAR—			
(Duty, 11/8 per cwt.)			
Centrifugals, 96%, ppt.	6 9		
shipm. c.i.f. U.K./Cont.	17 6	19 0	
B.W.I., crystallised			
Java, white, c. & f. India	Nominal.		
Oct-Dec—London—			
Yellow Crystals	20 11		
Cubes	24 4½	24 10½	
Crushed	22 7½		
Granulated	20 6	21 4½	
Home Grown	20 4½	20 7½	
TEA—			
Indian—per lb.—			
Pekoe	1 1½	1 5½	
Broken Pekoe	1 1½	1 7½	
Orange Pekoe	1 1½	1 8½	
Broken Orange Pekoe	1 1½	2 6½	
Ceylon—per lb.—			
Pekoe	1 2	2 3½	
Broken Pekoe	1 2	1 7½	
Orange Pekoe	1 2½	2 2	
Broken Orange	1 2½	2 3½	
TOBACCO—			
(Duty, 9/8-10/6½ per lb.)			
Empire growth, 7/5½-8/3½ per lb.)			
Virginia leaf—			
Common to fine	0 8	2 6	
Rhodesian leaf	0 8	1 10	
Nyasaland leaf	0 7	1 4	
" strips	0 9	1 6	
East Indian leaf	0 5	1 7	
" strips	0 6	1 9	
TEXTILES			
COTTON—			
Mid-American, per lb.	8-12		
Sakellaridis, f.g.f.	12-70		
Yarns, 32's twist	13½		
" 60's twist	19½		
FLAX—			
Livonia ZK, per ton	79 10	81 0	
Pernau HD, per ton	80 0	81 0	
Sianetz Medium 1st sort	88 0	90 0	
HEMP—			
Italian P.C., per ton	67 0		
Manilla, Mar.-May "J2"	35 10		
Sisal, African, per ton	28 0	29 0	
Wool—			
English Southdown, greasy, per lb.	18		
" Lincoln hog, washed	18½		
Queensland, sud. super cmbg.	31		
N.S.W. greasy, super cmbg.	20		
N.Z., grey, half-bred 50-56	19		
" Crossbred 40-44	15		
TOPS—			
Merinos 70's average	40		
" 64's "	38		
Crossbred 48's	23		
" 46's "	22½		
MINERALS			
COAL—			
Welsh, best Ad'ty., ton	19 6	22 6	
Durham, best gas, f.o.b.	20 0		
Tyne	20 0		
Sheffield, best house, at	23 0	25 0	
IRON AND STEEL—			
Pig, Cleveland No. 3, d/d.	81 0		
Bars, M'brough	237 6		
Steel rails, heavy	170 0		
Tin plates, per box	22 6	23 0	
METALS—			
Copper, Electrolytic, ton	78 0/0	78 0/0	
Standard	71/10/0	71/15/0	
Lead, Eng. pig., per ton	34/10/0		
Soft foreign	32/18/0		
Spelter G.O.B.	33/7/6		
Tin—English ingots	296/0/0		
Standard cash	295/15/0	296/0/0	
MISCELLANEOUS			
CHEMICALS—			
Acid, citric, per lb., less 5%	1 0	1 0½	
Nitric	0 2½	0 3½	
Oxalic, net	0 5	0 6	
Tartaric, English, less 5%	1 0½	1 1	
Alcohol, Plain Ethyl	12 0		
Alum, lump	£ s. d.	£ s. d.	
Ammonia, carb.	8 10	8 15	
Sulphate	27 0	28 0	
Arsenic, lump	35 0		
Bleaching powder, per ton	8 15	9 0	
Borax, gran.	13 0		
Do. powder	14 6		
Nitrate of soda, per cwt.	7 9		
Potash—Chlorate, net	0 4	0 4½	
Sulphate	0 4	0 10	
Soda Bicarb.	10 0	11 0	
Crystals	5 0	5 3	
Sulphate of Copper, per ton	25 0	26 0	
CEMENT—			
London area, fute sacks, 11 to ton			
(charged and credited at 1/6d. each) or			
paper bags 20 to ton (free, non-returnable)			
4-ton loads and upwards 39/- per ton			
and up to 4-ton loads 41/- per ton			
COPPER—			
S.D. Straits c.i.f., per ton	21/2/6		
DRUGS—			
Camphor	£ s. d.	£ s. d.	
Japan, refined	2 4		
Ipecacuanha	6 9	7 0	
HIDES—			
Wet salted—Australian			
West Indian	0 6½	0 7	
" "	0 4½	0 5	

† These prices are for fuel oil for inland consumption—other than for use in Diesel-engined road vehicles—and do not include the Government tax.

UNITED STATES

New York quotations unless otherwise stated

	Mar. 18, 1936	Feb. 17, 1937	Mar. 10, 1937	Mar. 17, 1937
Wheat, No. 2, Winter, nearest future, Chicago, per bushel	97½	135½	137½	138½
Maize, nearest future, Chicago, per bushel	60½	106	108½	108
Oats, nearest future, Chicago, per bushel	26½	50½	48½	47½
Rye, nearest future, Chicago, per bushel	55½	112½	108½	109½
Barley, nearest future, Chicago, per bushel	(a)	85	82	79
Coffee, Rio No. 7, cash, per lb.	6½	9½	9½	9½
" Santos No. 4, cash, per lb.	9	11½	11½	11½
Cocoa, Accra, nearest future, per lb.	5.00	9.83	11.00	11.50
Sugar, Cuban Centrifugals, 96 deg., spot, per lb.				
Cotton, middling, spot, per lb.				
Rubber, smoked sheet, spot, per lb.				
Petroleum, Mid-continent crude 33 deg., to 33-90, at well, per barrel				
Copper, "Electrolytic," Domestic, spot, per lb.				
Copper, "Electrolytic," Export prompt, per lb.				
Spelter, East St. Louis, spot, per lb.				
Lead, spot, per lb.				
Tin, "Straits," spot, per lb.				

(a) Nominal.

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the West European Powers after their Abyssinian experience—they have halted, faced about and started to re-arm. At home, the most impressive event of the last three months has undoubtedly been the unanimity of public opinion of all shades in support of the Government's re-armament programme. And while it is true, as we have insisted, that re-armament has no virtue in itself, but only as an instrument for a brave and wise policy, we believe that MR BALDWIN and his successor, having once willed the means, will find themselves compelled sooner or later to will the end.

Nor is it only the secular peace-loving Powers that have now turned at bay. The announcements of the British re-armament programme and the subscription of the French defence loan have been followed by the publication of the Papal encyclical, with which we deal at greater length in another column. And at the moment when HERR HITLER is being reminded that a German road once led to Canossa, SIGNOR MUSSOLINI has received an equally sharp reminder that some Italian ways lead to Caporetto.

At the moment of going to press it is impossible to forecast the effect of the Italian *débâcle* at Brihuega on the ultimate fortunes of the European war in Spain. It may be that the Moors, black and blonde, who are being rushed up by GENERAL FRANCO, may succeed in checking the advance of the Government forces. It may even be that Madrid will eventually prove untenable. But whatever may happen in the Spanish theatre of war, the break in the morale of the Italian troops in Castile is a decisive event. This Italian defeat threatens to undo a large part of SIGNOR MUSSOLINI'S work. The Romagnol dictator has laboured to convince the world that it has to reckon with a rejuvenated and remilitarised Italy. If he cannot rebut the charge that the Italians lose their leonine heroism as soon as they find themselves in action against European troops with a modicum of up-to-date equipment, the prestige of Fascist Italy will slump all over Europe.

It already appears, indeed, to be slumping in

Austria, whose recent clientage to Italy has been one of the symbols of Italy's power. Last Sunday's football match at Vienna—with which we also deal elsewhere—was a bad omen for the Italians, who were hissed off the field after having lost two goals to their Austrian opponents by the time the match was broken up. Austria is said to have discovered that Italy has been selling her to Germany as a *quid pro quo* for German support of Italian ambitions in the Mediterranean. DR VON SCHUSCHNIGG, who is not the man to take a betrayal lying down, has promptly retorted by working for an understanding with Czechoslovakia and Hungary. The successor-States of the Habsburg Monarchy—ex-victors and ex-vanquished alike—have a strong common interest in standing together against Germany's drive to the south-east. It almost looks as if, at this eleventh hour, they were not only beginning to see their common interest but also to act upon it. A consolidation of South-Eastern Europe against all attempts at domination on the part of any outside Power would be an immense reinforcement to European peace.

These are signs of a turn of the tide in the affairs of Europe and of this country. We cannot be sure that they reflect a turn, and are not surface eddies. They may be an illusion; or they may be a mere backwash on the surface of the great deep. In any case, even if the current of events is really setting in our favour, we can be sure that it will not carry us to the haven where we would be if we merely sit back and congratulate ourselves on our masterly inactivity. One cannot drift up-stream; and if indeed the tide is for the moment flowing up our creek, then we must be prompt and active to take it at the flood. The dictators' extremity is our opportunity. Whatever the present turn of affairs may portend, it unquestionably gives an imperious call to our Government to throw their energies at long last into a really courageous and constructive foreign policy. Men of good will, whatever their party, should combine to work for this the moment Parliament reassembles after the Easter vacation.

Motoring at Easter

WHATEVER the calendar may say, Easter marks the turn of the year. Indeed, it is not a couple of centuries since it was customary in English official documents to date the year as beginning on Lady Day, March 25th. We emerge this week-end from a rain-swept winter into a season of fresh air, flowers and the open road. Possibly some of our readers, confronted this Easter with the inevitable figures of record holiday traffic by train, tram, bus, charabanc and private car, may ponder the implications of the fact that Britain is on the way to become a nation of motorists. What does it all mean, and where is it likely to end?

The Age of Mechanical Propulsion, in fact, has come about quite simply. Those of us who are neither very rich nor very poor are appreciably better off than in earlier days. Even if we do not earn more money—and we probably do—there are more things on which we can spend it. Our hours of gainfully occupied labour are shorter. There is more variety in what we eat and drink and wear. Whether or not we are a better nation (we are certainly soberer), we are beyond doubt better served.

The motor car ranks high among the new pleasures which are open to us under the modern regime. Before the War, motoring was a luxury and an adventure; to-day, a car still confers a certain distinction on its owner, but it is a luxury which is on the fringe of becoming a conventional necessity. There are 4,503,000

more people in Great Britain now than in 1913, an increase of eleven per cent.; but the number of cars has risen tenfold in the interim.

To-day there is one private car for about every twenty persons in the country, and the number of cars in use is steadily increasing. In 1929 it was 893,800; in December, 1936, it was 1,554,700. If the experience of the last decade is repeated, we shall have at least twice as many cars on the road in 1947 as we have to-day. The period of really rapid growth began about 1922-23, when the motor manufacturers discovered that a market which had been strictly limited so long as car prices ranged from £500 to £1,000, became surprisingly elastic in the £100 to £250 zone. For the middle-class family, the ownership of an exclusive and efficient instrument of personal transport became feasible. Moreover, as prices were further reduced, and the addition of fresh decorative and mechanical accessories provided an incentive to the frequent exchange of old for new cars, a highly organised market for second-hand cars was created. This, with the rapid extension of the hire-purchase system, has made it possible for great numbers of people, with little or no capital or savings, to acquire a car.

Even in the last ten years, the average new car has been halved in price, and at the same time improved in engine and body design, finish, springing, tyres, comfort and convenience. The following figures, compiled

by the Society of Motor Manufacturers and Traders, show that the reduction has been practically continuous throughout the period, though it has slowed down slightly since 1931:—

INDEX OF RETAIL PRICES OF PRIVATE CARS

(1924=100)					
1925	97.1	1929 ...	75.0	1933 ...	61.4
1926	94.8	1930 ...	68.1	1934 ...	51.8
1927	91.6	1931 ...	60.8	1935 ...	49.8
1928	80.0	1932 ...	59.6	1936 ...	*

* Not yet available, but will show a further reduction

The car of to-day not only costs less to buy than its prototype of even a few years ago, but is less expensive to run, if we leave the toll of the tax-gatherer out of account—an important proviso, as we shall see later. The price of a gallon of petrol, exclusive of tax, has fallen from 3s. 9½d. in 1920 and 1s. 6½d. in 1924 to 11d. to-day; only a short time ago it was as low as 9d. The consumption of petrol per mile has been steadily reduced by improvements in engine design and in the weight of car bodies. The price of tyres has also fallen, and their life, in terms of car-miles, has steadily increased. The garage and "servicing" industry now vies in importance with the hotel industry. For an "all-in" cost varying between 2½d. and 5d. a mile men live in new places and see as much as they will of the world about them. The result, inevitably, has been new habits, wider horizons and—it must be added—a countryside of petrol pumps, road-houses, ye olde tea-shoppes and exhaust fumes.

In the 1910 Budget motoring attracted the attention of the tax collector. In 1915, under war-time conditions, the petrol tax was raised to 6d. a gallon. In 1921, this impost was temporarily abandoned and the vehicle tax was revived at the rate of £1 per unit of horse power per annum. This led to the development by British manufacturers of a new market for small cars with high-compression engines. The birth of the so-called baby car, which used very little petrol, was particularly opportune, for the petrol tax was reimposed in 1928 at 4d. per gallon and raised to 8d. in 1931. The lowering of the horse-power tax from £1 to 15s. in 1934 did not change the preference of the generality of motorists for small cars, but diverted the more wealthy owners from

medium- to high-powered models. Even for the humblest owner-driver, however, modern taxation certainly adds considerably to the cost of motoring. During the last six years the motorist has further been confronted with the cost of compulsory insurance and with an increasingly complicated system of traffic regulation. Motoring is by no means as simple as it used to be.

That restrictions and regulations are necessary is beyond argument. In 1920, seven people were killed on the road every day. In 1936, the figure was over seven-teen. And this vital problem of public safety is only one aspect of overloaded roads and congested traffic. Roads inherited from the days of the horse cannot safely cope with two millions of motor vehicles of all kinds. The process of control, consequently, has been progressive since the Road Traffic Act of 1930 required all motorists to be insured against third-party risks. Since 1935 we have had a speed limit of 30 m.p.h. in built-up areas, and a rigorous driving test. Rules and regulations, beacons and traffic lights have become the environment of motoring. The motorist's cares, in short, have grown with the motoring population, and it could hardly be otherwise in the interests of society as a whole.

Is the popularity of motoring likely to be checked? Insurance costs money; the new rules of traffic are complex and sometimes irksome; and congestion and danger reduce the attractiveness of the open road. But the number of cars continues to increase. We may protest that a positive policy of road reconstruction is long overdue. We may contend that motor traffic, and road transport generally, are being penalised to protect older modes of travel. We may grumble about the cost of taxation, garage accommodation and parking facilities. But the roads still throng with a growing host of cars, and most suburban houses are built with garages. The motor industry has become the third largest in the country. And whereas the minimum income for car ownership was put a few years ago at £450 per annum, it is now probably as low as £300.

The major problem of the future, indeed, is concerned with the road rather than the car. As long as our roads are left in their present state the traffic problem will become insoluble in a few years' time. The next step rests with the State. The traffic on the roads this Eastertide will point the moral far better than any figures or verbal argument.

Can the Commodity Boom Last?

AFTER some years of steady recovery, the commodity markets have developed a state of intense activity. Metal prices have broken away in a violent rise; rubber shows an inclination to follow suit, and most other commodities are also showing increasing strength. What has brought about this tidal wave? One theory suggests that the rapid rise represents only a natural adjustment of the commodity price level to the present state of industrial activity. But although the improving industrial position must unquestionably have an important effect on commodity prices, its influence has been apparent since 1933. Practically all prices, indeed, had shown quite a considerable recovery from slump levels before the onset of the present hectic movement. Within the last six months, however, the prices of rubber, cocoa and tin have risen by about 50 per cent., those of lead and copper have nearly doubled, and spelter quotations have increased by 150 per cent. Such movements as these cannot be satisfactorily explained in terms of "natural adjustment." They have been greater even than the rises recorded on the uncontrolled New York markets during the first six months of the Great War, and they suggest a background of urgency, amounting almost to panic, among consumers and of bullish con-

fidence among speculators, whose causes demand careful scrutiny, and whose consequences for industry may be very far-reaching.

The following table shows the course of prices for five leading commodities since the end of 1927. Monthly figures have been plotted on the chart overleaf.

End of	Tin (£ per ton)	Copper. (£ per ton)	Lead. (£ per ton)	Rubber. (d. per lb.)	Wheat. (s. d. per qr.)
1927	265.12	60.91	23.75	20.00	58 0
1928	225.75	74.00	22.25	8.69	49 3
1929	178.12	68.00	23.25	8.06	55 6
1930	116.50	46.50	16.25	4.25	24 6
1931	141.18	38.53	17.00	3.31	30 9
1932	148.44	28.56	12.50	2.42	25 3
1933	226.94	32.15	12.50	4.25	25 3
1934	228.44	28.37	12.00	6.40	30 3
1935	218.12	35.06	17.75	6.50	35 6
Sept. 1936	203.75	39.15	19.75	7.81	42 3
Oct. "	205.75	42.50	20.50	8.06	43 6
Nov. "	231.50	43.34	22.75	8.81	46 0
Dec. "	233.25	48.53	29.62	10.75	52 0
Jan. 1937	227.50	57.50	29.00	10.31	48 9
Feb. "	242.50	72.25	32.00	10.56	49 6
Mar. "	285.25	68.56	30.62	12.25	55 6

* March 23, 1937.

The figures plainly bring out the material fact that,

apart from certain artificial movements in tin prices due to the rigidity with which the restriction scheme was formerly administered, the rise in the commodity price level was gradual and orderly until the end of September, 1936. In the December quarter of last year, however, most of the leading commodity prices showed very substantial gains, which have become even more pronounced in the first three months of this year. The general rise was led by the metal group—a fact all the more remarkable since the end of one year and the beginning of the next are usually a quiet season in the metal markets. The factors which made the last quarter of 1936 a turning point are fairly clear. At the end of September the countries in the former gold *bloc* devalued their currencies, and the tripartite international currency agreement was simultaneously announced. Both measures set an effective limit on international speculation in currencies, and many professional operators turned their attention forthwith to commodities. Stocks of most materials had already been reduced to no more than normal levels, and the effect of this speculative intervention was apparent almost immediately. The increasing difficulty experienced by genuine consumers in covering their requirements except at rising prices produced something in the nature of a psychological revolution, particularly among metal consumers. The latter, who had previously been accustomed to cover only their immediate requirements, acquired in the early weeks of this year sufficiently large stocks to satisfy their needs for several months ahead. Naturally, the resulting rise, in its turn, attracted more speculators to the markets; and it was at this precise moment that the British Government declared the amount of its Defence Programme and its intention to acquire stocks of materials in connection with it. The large and efficient speculator, working behind the scenes, was joined by the small amateur—so much so that at the moment speculation in primary products like metals and cocoa has become the fashion among members of the general public who are normally strangers to the practice.

The international economic position, meanwhile, is rapidly improving. In addition to rising "peace-time" consumption, armament requirements are having an increasing influence on demand. An improvement in the general price level is certainly justified on economic grounds, and in markets where the rise has been gradual and orderly the position appears to be both sound and promising. Such abrupt movements, however, as have recently been witnessed in rubber, many metals and cocoa must be viewed in a different light. We do not suggest for one moment that a breakdown in the present price level is imminent. During the past six months available stocks have been taken off the markets, and, apart from liquidation by small speculators, which will not in any case be considerable, no forced offerings of commodities are likely in the near future. It is true that even moderate sales are capable of producing temporary but sharp setbacks, like the February slump in cocoa prices and the recent reaction in metals. The severity of the shake-out at the beginning of this week, again, exemplifies the sensitivity of the markets to even moderate offerings. On the whole, however, metal prices should be fairly maintained, and in rubber even a further rise is likely.

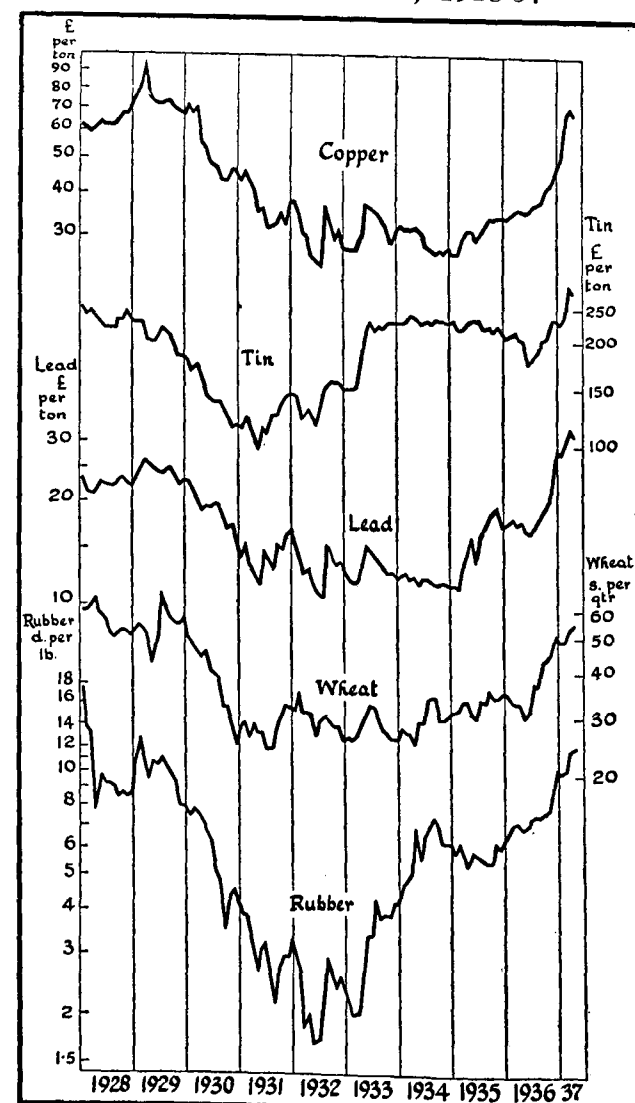
The danger of the recent "run-away" in the markets lies less in its immediate than in its long-term implications. High prices must needs have an adverse effect on consumption. Most of the economies secured by new uses for metals, which have been gained by technical research during the last few years, have been lost again, almost in a night. Further, at present prices the employment of substitutes becomes a factor of increasing menace to producers. So long as general industrial activity is rising and the armaments race continues, the adverse effects of the high price level may be largely obscured; but once industrial progress slows down, and the market realises the true extent of the influence of rearmament demand (which at present it greatly overestimates), a serious position will be created.

The gravest consequences, however, may ultimately be witnessed not on the consuming but on the producing

side. The present boom differs from all its predecessors since the War, because it is obtaining no support from producers, who have not yet had time to forget the lessons they learned in the slump. Already, production of uncontrolled commodities is being greatly stimulated. The same condition applies to markets subject to restriction schemes, such as rubber and tin, where basic quotas have been fixed at such high levels that many producers are able to work to the full extent of their present capacity; and to copper, where restriction has even been temporarily suspended. This is by far the most important of all the potential effects of the boom. Excessive output capacity for normal requirements has been, for the last seventeen years, the crucial problem of the commodity markets. Even to-day, potential production remains in excess of consumption. After the damping-down of output in the last few years, however, some time must elapse before production can again be raised to levels sufficiently high to enable producers to regain control of those markets which have lately taken the bit between their teeth.

It is this "certain time" which is the unknown element in the immediate equation. In the case of base metals, the interval may be limited to a few months only; in that of rubber it may last a year or more. Sooner or later, however, production will regain its swing, and substantial reductions will then be inevitable in those prices which have lately been rising over-rapidly. The sooner producers regain control of the position, the better the prospect of orderly adjustment. But if the present state of affairs is maintained for long, history will repeat itself, and the outcome of the boom will be another damaging and costly slump. Such a consummation would bring to nought all the efforts which the more far-sighted producers' representatives have made, since the last depression, to stimulate world consumption and the development of new uses for raw materials, by ensuring a fair and reasonable price level and a sufficiency of supplies.

COURSE OF PRICES, 1928-37



A New Deal in New Zealand

THE Labour Government in New Zealand came into power at the end of 1935, with a majority large enough to enable it to carry through Parliament any measure on which it was determined. Its subsequent actions have therefore needed no compromises with opponents and must be taken as interpreting Labour's own plan for the economic and political betterment of the Dominion. The party label calls up to British minds a vision of industrial nationalisation and of dilute Marxist theory. Neither of these is prominent in the principles, promises or performance of New Zealand Labour. The Party is opportunist in outlook, and has combined a measure of State Socialism in trade and finance with a reflationary spending programme and a social "New Deal." The latter includes better State pensions, shorter hours and improved conditions of work, higher wages and steadier employment.

None of these items is new in the aims or practice of New Zealand politics. The famous Joseph Seddon might well have been a leader of the present Labour Party. Indeed, as Dr. W. B. Sutch brings out in his valuable little book,* there is a strong thread of continuity with the policy of the previous regime. The complete nationalisation of the Reserve Bank diverged less far from the system of semi-public control introduced by Mr Coates than the latter itself diverged from the strictly orthodox plan originally proposed for the new central bank by Sir Otto Niemeyer. Again, the State monopoly of the sale of dairy products, combined with a guaranteed price, which the Government hopes will be the beginning of a comprehensive system of controlled external trade, is only quite a short step from the system of statutory marketing boards for primary produce which New Zealand has had for some years, and from the State regulation of meat marketing which was forced on New Zealand by the British policy of restriction. The Industrial Efficiency Act, one of the latest of Labour's measures, which applies compulsory rationalisation to any industry for which a Government-sponsored plan is accepted by a majority in the industry, is based on the definite demands of the manufacturers themselves, though it no doubt goes further than they intended. The amended Industrial Conciliation and Arbitration Act, which revived the principle of the statutory award, was in a large measure a restoration of pre-depression law; again, however, it went further in establishing a minimum basic wage, on the Australian model, sufficient to enable an adult married man with a wife and family of three to maintain himself in a condition of fair and reasonable comfort. The basic wage has been fixed by the Arbitration Court at £3 6s. a week for men and £1 16s. for women.

It would be untrue to say that the Labour Government has made no changes of principle or that the financial condition of New Zealand is as conservatively secure as it was under the Forbes-Coates regime. The outstanding change has been one from indirect to direct State control of various branches of economic life. The Reserve Bank has been fully nationalised, and its activities must now be regarded as subordinate to the general financial and economic policy of the Government. The existing Government control of the Bank of New Zealand (the leading commercial bank) is apparently to be made a reality. The railway system has been removed from the authority of a semi-independent board and placed directly under a Minister—another reversion to pre-depression practice. Among the results of this move have been the renewal of work on new lines which were certainly uneconomic a few years ago (and some of which may still be so), and a growing threat of penalisation or regulation of competing forms of transport. The Mortgage Corporation has been liquidated, with full compensation for its security-holders, as in the case of

* "Recent Economic Changes in New Zealand." (Wellington) Whitcomb and Tombs.

the Reserve Bank, and it has been replaced by a State Advances Corporation, a revived form of the Old State Advances Office. Finally, State control will impinge more and more closely upon the distribution of New Zealand's major products. This control has an international as well as an internal purpose. Unlike Labour in Australia, the New Zealand Labour Party does not stand for high protectionism, certainly not for high tariffs; it seeks to regulate trade rather than to tax it, and to bargain for external markets rather than to strive for self-sufficiency. Mr Savage has prudently postponed the promised undoing of the depreciation of the New Zealand currency against sterling until this part of his regulatory programme has been put into practice. All this inevitably puts great strain on the machinery of government. We have yet to see the full results of Labour's interesting experiment in associating all party members of Parliament with the work of administrative departments, where they serve virtually as under-secretaries for a Minister in charge.

The increase of direct State control also increases the temptation to spend public money extravagantly which is inherent in the Labour programme. "Roads and bridges," built under local pressure with an eye to electoral support, were notoriously one of the curses of pre-depression economies and political life in New Zealand. Labour will need strength of mind if this curse is not to come again in connection with the State railways and the large programme of other public works which is part of its panacea for unemployment. Much the same may be said of the State advances to people on the land, since over-borrowing on mortgages was among the chief causes of inflated land values in New Zealand and the subsequent financial destitution of agriculture. Even more dangerous is the guaranteed price system, applied at present to dairy produce and booked for extension to other goods. The price has been fixed on the basis of actual returns in the past, and the intention is to give stability by setting good years off against bad. This implies the building up of a surplus while prices are moderate or high. But will the dairy farmers of New Zealand tolerate such a system in the good years, when they are able to protest that they could have obtained better prices for themselves than the Government is paying them? A great deal turns on that question.

A final problem concerns public finance in the strict sense. Mr Savage's hints of possible reductions of interest on Government debt were hushed by Mr Nash's denials that any compulsion on bondholders was contemplated, and any such repudiation now seems most unlikely. Moreover, Mr Nash's Budget for 1936-37 was moderate and orthodox. The estimates for social services were raised by £2,500,000, which would be found out of the buoyancy of revenue, increases of income tax, and a graduated land tax. But moderate as Mr Nash may be, there are men behind him less conservative in their ideas of public finance, including some supporters of "social credit." If interest rates rise, and if the budgetary problem grows more strained, there will be strong pressure on the Government to use its control of the central bank to supply what goes in New Zealand by the specious name of "costless credit." Here is the real testing point of the New Deal. Can it be conducted within the limits of sound finance, or must its outcome be inflation and the undermining of the Dominion's credit structure?

New Zealand's prosperity and her Budget resources depend, more than those of any other Dominion, on the two-thirds of her exports which go to the British market. At the end of May, the Ottawa Agreements come up for renewal. The New Zealand Labour Government view with anxiety the possibility that the country's principal activity may be hit by any fresh protective measures for the English agriculturalist, or by any re-allocation of supplies within the Commonwealth. If that occurred, the Government would be forced to enter the Japanese and German markets. For some time the New Zealand Government can fall back on the large sterling assets built up in London. But such balances quickly waste. Labour's New Deal in New Zealand must depend, in the long run, on New Zealand's exports; and in that sphere Great Britain is still a deciding factor.

Our Limpid Lawyers

THERE is nothing that helps a man so much to clarity of thought and speech as study of the law and legal practice. From the first moment of applying his mind to this great subject, the young barrister adopts even in his common speech a precision of language, accompanied often by a rotundity of phrase, which delights those of his elders who are admitted to the privilege of his conversation. The habit, as it grows and ripens, prepares him for the later tasks of guiding a jury from the bench or drafting a Bill for the Houses of Parliament. In time he will acquire a lucidity and an impressiveness that are the envy of all who try to enshrine argument in words, and place him far above the historian, the scholar and the journalist.

To this happy fact we owe both the wise guidance of our juries, and the intelligibility of our Acts of Parliament. Who, for example, but a trained lawyer could have worded the simple penetrating sentence which occurred recently in a summing-up delivered to a jury by one of His Majesty's judges?—

Quite plainly, in my view as a lawyer, I cannot find it very difficult to see how you can fail to find that this woman is not guilty of manslaughter.

With these words ringing in their ears the jurymen retire. Let us follow them discreetly into the jury room and listen to the discussion (not very clearly worded, alas, since they are no lawyers) which springs from this direction.

"It's pretty clear anyway that he doesn't want us to bring in manslaughter."

"Wants us not to! He said we might."

"Pardon me, sir, but your memory is at fault. I memorised the words carefully. He said that he couldn't find it difficult to see how we could fail to find that she is not guilty."

"Exactly. Couldn't see and not guilty. Two negatives. And two negatives, as all educated men know, make a positive."

"No. No. It's not two negatives. It's three. Fail is a negative verb. When he said 'not fail to find' he meant 'not not find.' So there's an odd number of negatives, and the rule is that an even number of negatives makes a positive and an odd number a negative."

"Negative what?"

"Why, of course, a negative . . . Oh, I don't know, I'm muddled."

Here a third voice breaks in.

"If you gentlemen will allow me to say so, you are both wrong. There are neither two negatives nor three. There are four. In this context the word 'difficult' has the force of a negative, and what he meant was that he could see that we could not find that the woman is not guilty."

So we leave them steadily moving under skilled guidance to inevitable truth.

Let us turn now from the lawyer as director of juries to the lawyer as draftsman. At the peak of his profession stands the gentleman who drafts our Finance Acts and brings to his task a gift of straightforward, virile English prose which it is almost impertinence to praise. But even he, though pre-eminent, is not alone among draftsmen for his skill and clarity. That other gentleman who is employed by the Ministry of Transport to draft its Road Traffic Acts is very good, too, and scarcely a term passes in which his prose does not at least once come before a court of law. This term it came in the case of *Wyatt v. Guildhall Insurance Company*, which arose out of a curious problem concerned with a journey by car from Manchester to London. Mr A being about to drive to London offered to carry Mr B with him for 25s., and on the way had an accident in which Mr B was damaged to the extent of £235 2s. 10d. Mr B sued Mr A, and, having won his case, proceeded under the Act of 1934 direct against the insurance company which had covered Mr A for third-party risks.

The Road Traffic Act of 1930 set up, as we all know, a new crime—the crime of driving a car uninsured against certain third-party risks; but it did not call for an insurance of the owner's liability to passengers in the car itself unless the car was one in which passengers are carried for hire. Except, said the Act, in the case of vehicles in which passengers are carried for hire it is not necessary to insure liability to persons being carried in or upon the vehicle.

Now, the policy that Mr A had taken out excluded use for hiring, and the question inferentially arose whether, as he had accepted 25s. for the trip from Mr B, his insurance complied with the Act or not. As the Act said that cars must be covered which carry passengers for hire, things really looked rather black for Mr A. He must be a law-breaker. But wait. His Lordship is discussing the meaning of the words "carried for hire," and he comes to the conclusion that they mean not the giving of an occasional lift for money, such as this, but a regular habitual carrying for hire, which was foreign to Mr A's practice. So Mr A is all right. He is no law-breaker. He was not carrying for hire. His record remains unblemished.

Alas! Things are not so simple. His Lordship has now moved on to another section of his judgment and is discussing the words in the policy "use for hiring." And it appears that a car which is used for hiring is something entirely different from a car in which passengers are carried for hire. It is true beyond question that when Mr A took Mr B's 25s. for a trip to London he did not make his car one in which passengers are carried for hire by the terms of the Act; but he did, unfortunately, make it one that is used for hiring by the terms of the policy; so when Mr B stepped into the car in Manchester he was vitiating the Guildhall Insurance Company's policy, and the trip was made uninsured—which turns the driver of the car into a law-breaker liable to a punishment of three months' imprisonment, and this all through his being blind to the obvious and unmistakable distinction between (a) a vehicle which is used for hiring and (b) a vehicle in which passengers are carried for hire.

Our lawyers will, of course, have understood the whole thing from the outset and will say at once that the matter was plain as a pikestaff from A to Z. What Mr A ought to have done before giving Mr B a lift to London was this:—

(1) He should have secured a copy of the Road Traffic Act of 1930 and studied it carefully.

(2) He should have appreciated the fact that for his immediate purpose the sub-section that mattered was 36 (1) (b) (ii).

(3) He should have noticed that this sub-section contained both a proviso and an exception and seen that the words "persons being carried" in the proviso mean something different from "passengers carried" in the exception. He should have weighed both nicely, neither dividing the exception nor confounding the proviso.

(4) He should then have read carefully through his policy in the light of his study of the Act and seen at once that a vehicle which is used for hiring is not the same thing as a vehicle in which passengers are carried for hire, and that both of them are different from a vehicle in which persons are being carried for hire.

Altogether, the defence of ignorance which Mr A would probably set up is a defence with which one does not find it very difficult to see how one can fail not to be impatient. Our excellent Ministry of Transport, with great trouble, research and expense, invents one or two brand new crimes for the encouragement of the public; and its admirable draftsman sets the crimes forth in language to which His Majesty's judges, after some hours of argument from learned counsel, find it possible to attribute a meaning. It is our duty as citizens to anticipate the result of his Lordship's judgment on the draftsman's purpose, remembering that if we get it wrong we shall have taken that first step in law-breaking which, as all sociologists know, is so terribly difficult to retrace. Only by earnest concentration on sub-section 36 (1) (b) (ii) of the Road Traffic Act, 1930, shall a young man cleanse his ways.

Notes of the Week

* **Fenland Floods.**—For more than a week rising floods have ravaged 100,000 rich acres in the Fens. The loss to farmers and landowners is already estimated at over £1,000,000. The police, the Air Force and the Army have been brought in to help to reinforce the banks and have been brought in to help to reinforce the banks and unforeseen, as Opposition speakers pointed out in the House on Tuesday. For centuries the sea has receded on the fringes of Fenland, and more and more the Great Ouse has had to carry the flow of innumerable water courses through miles of mud flats blocked with silt and sediment. There is no clear channel and, as the drainage of the Fenland has been improved, the pressure in the bottle-neck has been made heavier. As long ago as 1931, the engineers of the Ministry emphasised the growing dangers of this situation. In recent weeks the menace has been accentuated by a combination of high tides, heavy rainfall, melting snows and strong winds. The Land Drainage Act of 1930 created a Catchment Board for the Ouse basin, an authority which might have anticipated this state of affairs, had it been financially able to do so. To improve the sea-channel over a period of ten years would cost perhaps £5½ millions, involving an annual expenditure of £300,000 for interest and repayment during 50 years. The maximum rate income of the Board is about £45,000, barely £5,000 more than the normal cost of maintenance and repair work. The onus then lay with the Government. In the last five years, the total grants-in-aid to meet the Ouse dangers have been £65,000. It is true that the work done with the partial aid of these grants has, so the Minister of Agriculture claimed on Tuesday, averted as yet the worst consequences of the present floods. It is equally true, however, that the problem has not been tackled adequately; and the 75 per cent. grants which the Government now offers are by no means large enough to enable the Catchment Board, with its limited financial resources, to avert similar disasters in the future. Fenland remains in danger, and its safety is of national importance.

* **Peace and Freer Trade.**—Nothing we can imagine could have been more disturbing and unsatisfactory, than the Prime Minister's reply to the big deputation on Monday from the 400 influential signatories of the recent manifesto for peace and freer trade. The manifesto was rejected for reasons so flimsy as to verge both on the ridiculous and the disingenuous. For example, the Government statement said that the main obstacles to trade were quota restrictions on industrial goods and exchange controls, neither of which—with the exception of the iron and steel import quota fixed by the British Iron and Steel Federation—did we maintain. Has Mr Baldwin—have Mr Runciman and Mr Eden, who accompanied him—never heard of their Chief Economic Adviser's Memorandum to the League of Nations on the effects of agricultural protectionism? Have they forgotten the rôle played in our bilateral trade agreements, so much lauded in the Government's statement later on, by the quotas we have imposed on imports into this country of bacon, pig-meat, dairy produce, meat, hops, potatoes, etc.? If we shut out agricultural produce, are we justified in railing at the corresponding import quotas placed by agrarian countries on industrial goods, as if they were the only, the causative evil? The Government state that our tariffs are not obstacles to trade, since more goods now come in over the tariff than when it was first imposed. It is scarcely possible to regard such a palpable abuse of logic as anything else than disingenuous. A sluice-gate is an obstacle until it is wide open, however the volume and velocity of water passing through it may vary. The Government's fallacious reasoning really means that, owing to domestic

recovery, this country's producers can now afford to pay the duties on more imports, so that the tariff is becoming more of a revenue kind. But they do not state that much the largest increase in our imports has been in non-dutiable, or only revenue-dutiable, goods!

On helping to construct a freer-trading bloc of countries, the statement is negative for reasons which seem more like excuses. The same British maintenance of an already abused most-favoured-nation clause, which balked the Oslo and Ouchy Conventions of concrete results over five years ago, is again pronounced. But it is reinforced by quaintly laboured arguments—e.g. that countries outside the freer-trading bloc would raise their restrictions, that political tension would increase in the world, and so forth. The Government thus prefer the best to be the enemy of the good in an economically evil world. They like bilateral agreements, and adjure other nations to reduce their tariffs first. As to the open door for colonial trade, they state that such a policy would "impair" the authority of Colonial Legislatures and impede their progress towards self-government by limiting their authority in fiscal matters." This is a travesty of human reasoning. Self-government is not a function of tariffs in colonial empires.

* **Cabinet and Colonies.**—The Government's statement rejects the mandate system for colonies. The utmost they can offer is a unilateral declaration by Powers that they will be guided in administering their colonies by the spirit of the Mandates article of the League Covenant. Somewhat lamely, the Government statement tells us that the Government do not "disguise from themselves the fact that such a declaration could have only a limited effect in lessening existing tensions; but they considered that it might usefully form part of a general settlement." If this kind of reasoning is the utmost to which the Government are able to proceed in their imminent negotiations with the United States, the British Dominions, and the "have-not" Powers, the outlook is grim. Mr Baldwin is about to retire; Mr Runciman has since 1932 surrendered his independent economic judgment; but we—and many in this country—cherished one or two hopes of Mr Chamberlain and Mr Eden. If this week's pseudo-economic statement indicates the bases of the new Government's crucial international negotiations, it is a bear point for peace and freer trade.

COLLECTION of Shipping

Documents, Bills, etc., on all Scandinavian places through our offices at Gothenburg, Stockholm and Malmö.

SKANDINAVISKA
KREDITAKTIEBOLAGET

Cabinet Salaries.—A Bill to revise the payment of Ministers will shortly be introduced by the Government. The Prime Minister will receive £10,000 instead of the present £5,000; the minimum salary for all other Cabinet Ministers will be £5,000, and for Under-Secretaries £1,500. Former Prime Ministers will be entitled to an annual pension of £2,000; and the Leader of the Opposition will receive a salary of the same amount in virtue of his full-time work and established position in the proceedings of Parliament. The measure is sweeping, and embodies most of the reforms which have been suggested from various quarters. The proposals will impose a cost on the Treasury, but their justification is the fact that it is not good for the State that its service should involve Ministers in substantial pecuniary sacrifice.

* * *

Pensions for Black-coated Workers.—The text of a Bill to extend the scope of the widows', orphans' and old-age pensions scheme has been published. The present scheme includes manual workers, others with incomes of not more than £250 a year, and (on a voluntary basis) certain other workers in insurable employment. The qualifications for admission under the proposed new scheme will be the possession of an income of not more than £400 for a man and of £250 for a woman. The effect of these proposals will be to include a very large number of people with relatively small incomes, such as clerks, shopkeepers, farmers and ministers of religion. Benefits will be the same as in the present scheme, and, as a concession, contributions for those joining at once will also be the same, *rs. 3d.* a week for men and *6d.* for women. After the first year, however, contributions will be adjusted to the age at entry, and will vary from *6d.* a week to *2s. 11d.* At the same time, the maximum age of entry, which for one year will be 55, will be reduced to 40. These proposals will do something—but none too much—to save those persons who are not covered by existing schemes from the distress which all too frequently afflicts members of the lower middle class.

* * *

Broadcasting Problems.—The tenth annual report of the British Broadcasting Corporation shows that the income from licences was, at £2,590,705, greater by £466,906 than in 1935. This was not, however, wholly available for sound broadcasting, because the Corporation had to meet heavy charges for television out of its allocated revenue. Its allocation is 75 per cent. of the net proceeds of licence issues. The Ullswater Committee recommended that, in future, this should be reserved for purposes other than television; and that the balance of 25 per cent., which is at present taken by the Exchequer, should be regarded as potentially available for broadcasting. The Corporation anticipates only a small increase in its revenue in the next few years, and is committed to heavy expenses for the Empire service, the regional scheme, television and the extension of premises. Progress in all these directions is desirable, but the vast majority of listeners pay their fee to use the existing services. The quality of those services ought not

to be impaired by the provision and development of television. A large part of the Treasury quota might very properly be surrendered.

* * *

Washington and Detroit.—For reasons both of politics and of industrial relations, public opinion in the United States continues to be in a state of turmoil. In politics the all-absorbing topic is provided by the President's proposals to enlarge the membership of the Supreme Court. It is still impossible to predict the outcome of the verbal struggle which is being waged over the bodies of the hesitant Senators. It is fairly clear that the House of Representatives will give the President what he wants. But in the Senate, his supporters, his opponents and the doubters appear to be of approximately equal numbers. If the issue were to be decided purely by the number of words spoken or the gallons of ink spilled, it would go emphatically against Mr Roosevelt. Articulate opinion is even more one-sidedly ranged against him than it was at the time of the November election. But the result of that election is sufficient to give anyone pause, and both sides are straining to catch the first accents of popular opinion. Mr Roosevelt, on his side, is pursuing a courageous and forceful campaign. His opponents have succeeded in enlisting the support even of Mr Chief Justice Hughes himself—a departure from convention which may have been involuntary, but is almost as startling as would be an expression of opinion by the King of England on a Bill touching the attributes of the monarchy. The labour situation may perhaps prove to be Mr Roosevelt's most powerful ally. For the recent victories of the Committee for Industrial Organisation have increased, rather than allayed, the tension in some of the largest industries. An ugly situation is developing in Detroit, where stay-in strikers are openly defying the law; and there is still danger of a strike in the coal industry. As at the time of any crisis, made by Man or by Nature, the case for a strong central authority appears to be enhanced. And Mr Roosevelt has both logic and experience behind him when he claims that consistent, let alone strong, central policy is impossible under the Constitution as interpreted by the present Supreme Court.

* * *

Inflationary Fears in America.—Neither the Supreme Court struggle nor labour uncertainties are holding back the rapid progress of American recovery. Indeed, the widespread rise in labour costs, consequent upon increases in wage rates or reductions in hours of labour, is helping to accelerate the already impressive upward surge of prices. There has been a distinct renaissance in recent weeks of anxiety lest an inflationary situation should develop. The Federal Reserve authorities, by doubling the reserve requirements of their member banks, have taken steps to hinder any further increase in the quantity of bank credit outstanding. But putting a limit to the supply of credit has not lessened the demand, and many member banks have been forced, in order to accommodate their customers' demands for advances, to sell some of their holdings of Government securities. On several days recently there has been pronounced weakness in the bond market. This carries a double threat, since it endangers the Treasury's financing programme and is also widely taken as a sign of incipient boom conditions. Mr Marriner Eccles, Chairman of the Board of Governors of the Federal Reserve System, consequently thought it necessary last week to state his views on the correct policy to be pursued. He made it clear that he is still determined to prevent any runaway inflation from emerging, and his formula for preventing it was to keep down the rate of interest and to balance the Budget—but by increasing taxes rather than by reducing expenditures on relief. Thus, the authorities of Great Britain and the United States, faced with a fundamentally similar problem, are pursuing diametrically opposite policies. The British plan is to unbalance the Budget and, apparently, to let interest rates rise. The

American plan is a balanced Budget and continued cheap money. Of the two, the American plan is closer to the theoretical ideal, but it is doubtful whether the mere absence of further credit creation or deficit financing will suffice to check the very impressive momentum which American expansion has already acquired.

* * *

Italy and Spain.—The flight of the Italian troops from Brihuega last week seems to have nettled Signor Mussolini; for this week he returned a day earlier from his Libyan triumphal tour in order to deliver one of his fieriest speeches in Rome on Tuesday, the occasion of the eighteenth anniversary of the first Fascist formations. To the measured protests by two English bishops against the Italian massacre in Addis Ababa, the Duce retorted with words evidently calculated more to restore Italian morale than to refute foreign criticism. The Italian people, he said, would not forget; they would remember, and prepare themselves. Meanwhile, on the same day in London, the Italian Ambassador was exploding a bombshell in the Chairman's Sub-committee of the Non-intervention Committee. He intimated as his personal view that Italy would not withdraw any "volunteers" from Spain until the Spanish Government forces had been defeated. This runs flatly counter to the express conditions offered by the German and Italian Governments last month, when they agreed to stop sending any more "volunteers." Evacuation of those already sent was to be discussed by the same committee as was to work out the details of supervision of Spain's frontiers, control of supplies of war material, etc. Now, as if in tit-for-tat mood, Italy wishes to allow her "volunteers" to proceed to wipe out the memory of the flight from Brihuega. The Italian Government's reply to the British Government's inquiry about alleged landings of Italian troops at Cadiz on March 5th—after the entry into force of the agreement to send no more "volunteers"—was also received this week. It states that only medical supplies and a staff of doctors were landed on that date. It would be interesting to know what kind of mandate these doctors had in Spain. Meanwhile, the Spanish Government forces have rolled the Italian divisions back to the gates of Sigüenza, where Spanish rebels have been brought up to stem the rout. This has been arrested; and on the three main fronts round the capital—Guadarrama, Sigüenza, and the immediate south-west suburbs—new positions are being prepared. The defenders of Madrid have again made a miraculous escape from apparently desperate straits.

* * *

Austria Herself Again.—Last Sunday an Italian football team was hissed and booed at Vienna for giving the Fascist salute; and, when play began, the visitors had no better luck with their opponents than with the spectators. The Austrian team was leading by two goals to none at the moment when the Swedish referee put an end to a game that was rapidly turning into a free fight. In the same city on the same day, the philo-Nazi Minister for Public Security, Herr Neustädter-Stürmer, was relieved of his office; and this piece of political news has the same significance as the contemporary sporting event. The meaning is that Austria is now moving away from the Rome-Berlin axis into a different orbit. The Austrians have never had much reason for loving either of their two late partners. They cannot forget that in the last war Prussia bullied and Italy betrayed them. The post-war understanding between Austria and Italy has always been overshadowed by the martyrdom of the South Tyrol; and if Italy remains odious to Austrian Social-Democrats and Nazis, Germany remains equally odious to Austrian Social-Democrats and Catholics, notwithstanding the Austro-German truce of July 11th last. The outbreak of open warfare between the Third Reich and the Vatican has now made the prospect of *Anschluss* or *Gleichschaltung* even more unpalatable to Austrian taste than it was before.

What has made the Austrians really angry is the accumulating evidence of an Italian move to sell Austria to Germany in exchange for German support of Italy's Mediterranean schemes. First came an Italian rebuff to Austrian overtures for securing Italy's acquiescence in an eventual restoration of the Habsburgs. This indicated that Italy had made up her mind to shape her Austrian policy more to Germany's liking. But now comes the rumour that Italy has secretly acquiesced in a virtual absorption of Austria into the Reich; and this news has moved Dr von Schuschnigg to energetic action. He is said to be working now for an understanding with Czechoslovakia hand in hand with Hungary. The latter country has never been pro-German at heart, and has shed the pro-German policy of General Gömbös since the late Hungarian Prime Minister's death. Hungary has to make up her mind whether she will join with Germany in fighting to partition Czechoslovakia, at the risk of losing her independence to so formidable an ally—as she once did to Austria. There are now signs that she is inclining to moderate her demands for treaty-revision for the sake of preserving her independence. Is it possible that the vacuum left by the break-up of the Habsburg Monarchy in 1918 is at last to be filled by an all-inclusive understanding between its successor States? It would not be the first miracle to be worked by Nazi aggressiveness.

* * *

The Papal Encyclical.—Last Sunday the congregations in all Catholic Churches throughout Germany listened to the reading of a Papal Encyclical in which almost every word was a telling blow at the Nazi regime. In this historic document the Pope reviews the history of the relations between Church and State in Germany since the signature of the Concordat between the Vatican and the Reich on the morrow of Herr Hitler's accession to power. On the Papal side, it is recalled, this contract was concluded, not without misgivings, in the hope that it might promote the welfare of German Catholics and at the same time make for peace between the German Government and the Holy See. The Pope goes on to claim, with justice, that this agreement has been respected loyally by the Church. With equal justice he denounces the Nazis for their cynical breach of faith. Where the bond has not been broken in form, it has been evaded in fact; and the Pope makes it clear that this persistent Nazi bad faith has become intolerable. The guarantee, given in the Concordat, for the continuance of religious instruction in the schools is being stultified by the deliberately anti-religious tone of the teaching in the rest of the curriculum. And it is well known that the voting by parents in Bavaria for State schools instead of Church schools has been carried out under every kind of unfair and illegitimate pressure.

The British and Polish Trade Bank A.G., Danzig

Paid-up Capital: D. Gulden 5,000,000.--
Reserves: D. Gulden 3,527,571.57

Chairman: Sir William Grenfell Max-Muller,
G.B.E., K.C.M.G.

Vice-Chairman: Józef Kozuchowski.

Joint Managers: Stanisław Pawłowicz and
Philip Frederick Rann.

Assistant Manager: Aleksander Kowalski.

The Bank was formed to facilitate Exports and Imports
from and to Poland, including Danzig.

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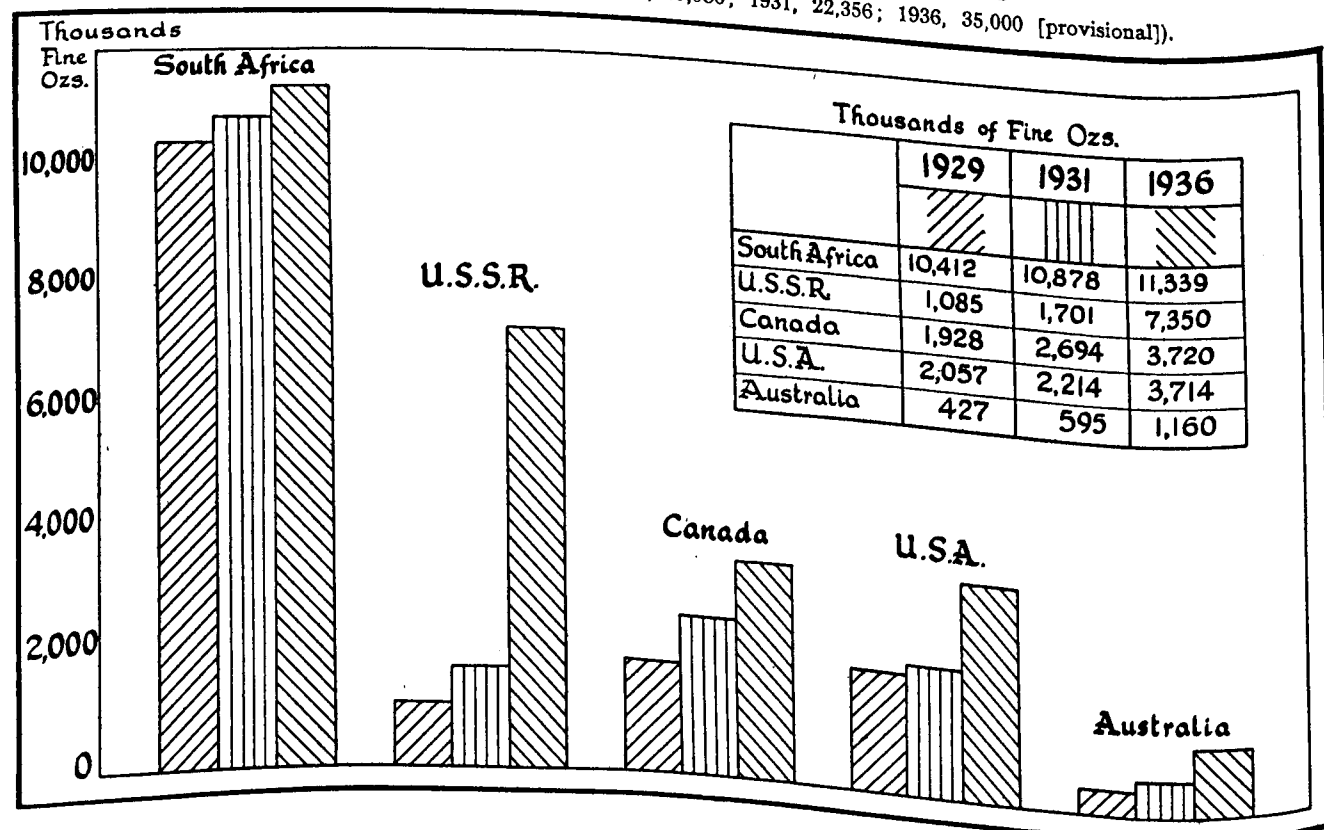
The Pope intimates that he will not be the first to denounce the Concordat; but that there is a line at which the Church will turn and fight. This line has now been reached. He also attacks the Nazi error at its heart. Whoever, he declares, detaches race or the nation or the State from the temporal scale of values and raises them to be the supreme model and deifies them with idolatrous worship falsifies the divinely created order of things. This sharp reproof strikes not only German National-Socialism but Italian Fascism too. And the Vatican newspaper has left Italian Fascism in no doubts about its meaning; for on Tuesday the paper deplored the pro-Nazi attitude of the official Italian press comments on the Encyclical. The suddenness and vigour of the Pope's attack is as salutary as it is surprising.

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King Leopold in London.—After Hr. Sandler's visit, another representative of a small country anxious to preserve both its independence and neutrality has been in London—this time King Leopold of Belgium. The visit of this young monarch, deservedly popular on both sides of the Channel, was private; but he cannot have failed to appreciate the warmth of his welcome. His long talk with Mr Eden on Tuesday afternoon is known to have been in the nature of a royal exposition of Belgium's anxiety to revise her status in the West European security system, now that this system has been rendered, by the German militarisation of the Rhineland, a stop-gap. Belgium does not wish for a perpetuation of her present status, guaranteed by, and guaranteeing, France and Britain; for that automatically involves her in their foreign policies—or lack of them. Belgium wishes her neutrality to be guaranteed by as many neighbours as possible. She will maintain defences strong enough to check and hold up any sudden attacks on her. It is noteworthy that the leading Belgian papers, commenting on the King's visit to London, have been careful to emphasise that military conversations with the General Staffs of neighbouring countries on warlike contingencies have never been ruled out by Belgium. Indeed, no guarantee of Belgian neutrality would be worth twopence without such conversations. But the decisive point remains the European settlement as a whole; and until the French or British Governments clarify their foreign policies, Belgium will naturally prefer a policy of *noli me tangere*.

GOLD PRODUCTION IN LEADING COUNTRIES

(World Total—Thousands of Fine Ounces—1929, 19,586; 1931, 22,356; 1936, 35,000 [provisional]).



Lull in France.—Since the half-day general strike in Paris on Thursday of last week the wave of feeling which had suddenly mounted to such dangerous heights has been steadily subsiding. The funeral of the persons who lost their lives in the riot at Clichy was attended by enormous crowds on Sunday, but it passed off quietly. If one reads between the lines of the subsequent utterances of the Communist leaders, one may detect a palpable anxiety not to push things to extremes. It may indeed readily be believed that the leaders have never had any stomach for a senseless campaign of violence which could have no result except to play into Herr Hitler's hands by wrecking M. Blum's present regime. It is madness for French Communists to take the offensive, as they did once again last week, against a semi-Fascist movement which is at present unmistakably in retreat. If they go on playing this suicidal game they will drive the Radicals into changing sides again; and then the Front Populaire—which, by the way, is an *expérience Blum* and not an *expérience Thorez*—will dissolve in order to make way for the familiar Bloc National. Fortunately, M. Blum is proving himself a very wise leader. In the debate in the Chamber on Tuesday night he appealed for a truce to provocative party demonstrations and political bear-baiting. He justifiably criticised the Parti Social Français for holding a provocative meeting in Clichy—it is equivalent to Blackshirt assemblies in the East End of London—and also criticised some of the police for firing without express orders. He foreshadowed the equipping of the police with non-lethal, but still effective means to dispel crowds. His speech was a first-rate performance. The Right were apologetic; the Left sullen. M. Blum's hold on French political allegiances has increased as a result of an occurrence which could easily have diminished it.

* * *

International Gold Production.—In the last analysis gold still serves as the basis of credit in modern countries, and, despite the adoption of managed currencies, the link between commodity prices and the available supplies of the precious metal has not been entirely severed. Considerable significance, therefore, attaches to the rapid increase in the world's output of gold in recent years, due mainly to increased profitability subsequent to the devaluation of the currencies of the

leading producing countries. World production of gold, as estimated by the Union Corporation, rose by nearly 80 per cent. in volume between 1929 and 1936. If allowance is made for the rise in the value of gold in terms of the principal currencies, the increase has been even more marked. The expansion of output in the leading producing countries since 1929 is shown graphically in the diagram on page 694. The relatively small increase in South Africa's output is due to the deliberate policy of concentrating on low-grade ore while costs of production remain low. Nevertheless, South Africa is experiencing a period of unprecedented prosperity. As Mr G. H. Beatty pointed out at Tuesday's annual meeting of the Transvaal Chamber of Mines, the value of South Africa's output of gold between 1932 and 1936 showed an increase of 59.2 per cent. During the same period salaries and wages in the industry rose by 38.2 per cent. and expenditure on "stores" by 63 per cent. Canada and the United States have nearly, and Australia more than, doubled their output. The most marked increase, however, took place in the U.S.S.R., which is intent on wresting the position of leading producer from South Africa. Considered in conjunction with the increase in the value of existing gold stocks, the increase in the world's gold production must necessarily strengthen the long-term prospect of rising commodity prices.

* * *

A Fitter Nation.—The Government's Physical Training and Recreation Bill has been issued. It lays down the duties and functions of the National Advisory Council and the Grants Committee; authorises the Board of Education and the Secretary for Scotland to make grants to voluntary bodies and local authorities; and considerably extends the existing powers of local authorities. The scope of the new policy will clearly be very wide. Clubs, community centres, and all sorts of voluntary organisations for social, athletic, and educational purposes will be assisted; teachers, wardens and leaders may be provided; and contributions may be made to the running expenses of all such schemes. The training of teachers will be provided for by the setting-up of a National College, and the making of special grants to existing colleges. All activities of which physical training and recreation form a part, however small, will come within the purview of the Council and the Grants Committee. National facilities will thereby be maximised, as far as an allocation of £2,400,000 for the next four years will allow. Much valuable co-ordination between the diverse agencies for social welfare will be the wholly desirable result of this Bill. A great deal now depends upon the spirit in which the proposals are put into force.

* * *

Britain and South-East Europe.—It has for some time been obvious that British prestige in South-Eastern countries has suddenly risen. After the humiliations suffered by British diplomacy in the last two years this is evidence of a welcome rehabilitation. In Yugoslavia the most important reasons are political and social; the economic factor also, however, plays an important part. According to last year's Dresden agreements, a repayment of Yugoslavia's credits frozen in Germany was arranged by which German industry should make new deliveries to Yugoslavia as compensation trade. But the disinclination of the Yugoslavs to German manufactures is becoming more and more apparent. How much this benefits British interests may be seen by referring to the 1935 import of spinning equipment. The great expansion of the Yugoslav textile industry is reflected in the total imports of such machinery, which increased from 4,500,000 dinars in 1934 to 13,300,000 dinars in 1935. Imports of English spinning machines rose from 251,000 to 5,485,000 dinars; and in 1936 the rise continued. While Yugoslavia's exports to England and the Empire have risen during the last five years from 97,700,000 to 200,000,000 dinars, and her imports from these countries from 275,500,000 to 525,600,000 dinars, and is still in-

creasing, her trade with France presents at the moment an unfavourable picture. Yugoslavia's exports to France decreased from 74,500,000 dinars in 1933 to 62,800,000 dinars in 1935; and even the improvement of 1936, in the first nine months of which Yugoslav goods to the value of 63,300,000 dinars were exported to France, is comparatively slight. The result is that Yugoslav imports from France are stagnating; for the first nine months of 1936 they were only 78,600,000 dinars, against 177,700,000 dinars in 1934 and 161,000,000 dinars in 1935.

* * *

Similar developments have occurred in Czechoslovakia. Czech trade with Britain and the Empire is expanding from year to year. Exports to Great Britain show an increase of 30 per cent.—i.e. from 375 million crowns during the first nine months of 1935 to 493 million crowns during the corresponding period of 1936. At the same time, the significance of Czechoslovakia as a market for British products and raw materials from the Dominions and Colonies is steadily growing; and the Premier, Dr Hodža, has emphasised that the most important task of Czech commercial policy is the removal of all restrictions on trade with Great Britain, who might gradually become the best customer of Czechoslovakia and her most important supplier of raw materials. Not only in Rumania and Turkey, but in Bulgaria and Greece too, there is a growing conviction among the people and in political circles that England is again becoming a decisive influence in the problems of South-Eastern Europe and its terminus, the eastern Mediterranean. The turning point in British prestige in Outer Europe has been reached from both the economic and the political sides. The improvement in world market prices for cereals, tobacco, mineral oil, wood and other products of Outer Europe provided freer and better markets, so that German compensation offers—involving political as well as economic terms—could be neglected. The end of this process is not yet in sight; but it is doubly welcome for its tardy advent.

* * *

The Coming Imperial Conference.—The agenda for the forthcoming Imperial Conference, announced by Mr Baldwin last week, cover a wide field. The three main heads are to be, first, foreign affairs and defence; second, constitutional questions; and, finally, trade, shipping, and air communications. Even more relevant, however, is the implicit or explicit omission of certain subjects from the Conference discussions. The second head, for instance, is described as covering "matters relating to Commonwealth treaty procedure and to the international status of members of the Commonwealth." There is no mention of a review of the application of the Statute of Westminster in the abdication crisis, or of the working of the machinery for consultation between

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Commonwealth Governments on that occasion. Again, under the third head, matters arising from the Ottawa agreements are not to be discussed by the Conference itself, but in bilateral conversations. This procedure was foreshadowed by the conclusion of the new Anglo-Canadian agreement, and by the evident reluctance of the Australian Government to embark on a general overhaul of its system of tariffs and preferences when facing an imminent general election. Last Wednesday, the Prime Minister announced that the United Kingdom delegation to the Imperial Conference would comprise himself, Mr Ramsay MacDonald, Mr Chamberlain, Sir John Simon, Lord Halifax, Mr Malcolm MacDonald and Mr Ormsby-Gore. In addition, Mr Eden, Sir Thomas Inskip and Mr Runciman would be available for foreign affairs, Sir Donald Somervell for constitutional questions and Mr Runciman and Mr W. S. Morrison for economic questions.

* * *

South Africa's Budget.—The gold boom is writ large over Mr Havenga's latest budget. The estimated surplus of £5,000,000 in 1936-37 on an expenditure of £37,550,000 would look like bad budgeting were it not the Union Government's policy to create capital assets while times are good against the lean times that may be coming. This is a long-period as well as a short-period policy; for South Africa must always keep a weather eye on the wasting asset of the gold reefs. The gold mines are, in effect, now providing a double amortisation, one private and one public. Quite apart from their contribution to ordinary income tax, they will have paid £9,390,000 in special taxation this year, and the estimate for this item is raised to £9,500,000 for 1937-38. Of the current year's surplus, nearly £3,000,000 is to go to debt redemption, and the rest is transferred to loan account. Moreover, of the £4,350,000 surplus anticipated for 1937-38 on the present basis of taxation and expenditure, some £1,100,000 is to be transferred to loan account and £1,500,000 is reserved for debt redemption. The principal direct beneficiaries of the Union's fiscal prosperity are old-age pensioners, who are to have their allowances raised by a total of £750,000; the Native Development Account, which is to receive £233,000 more; and importers of petrol and oil, which are the chief items in Customs reductions costing £650,000. The 1937 defence votes total £1,666,000.

* * *

Coal Shortage.—Following news that the Birmingham Corporation has had difficulty in securing adequate coal supplies comes a fairly similar experience on the part of other local authorities. Two cases which have come to light during the past week (writes a trade correspondent) are those of Edinburgh and Glasgow. In the case of Edinburgh the convener of the department concerned is reported to have said that the shortage had been so serious that the gas department had been compelled to discontinue the production of benzol. He added that unless the position improved the alternative would be, if the Government did not prohibit it, the importing of coal from the Continent. The coal shortage is the subject of a report issued during the week by the gas department of Glasgow Corporation, in which it is pointed out that stocks have been steadily drawn upon for the past two months until now they stand at only 38,500 tons. In the case of Glasgow it appears that no tenders had been received by the appointed day in connection with a public health department contract, though the contractors had indicated that they hoped to be ready to present tenders in a few days' time. It is understood that both Edinburgh and Glasgow Corporations may raise the matter with the Government. The Scottish coal trade has been experiencing a stringent position for some considerable time past. Home business has rapidly increased as a result of the growing trade activity, and the extra requirements in this side of the trade have created diffi-

culties in regard to export business, orders in this field having in some cases been turned down owing to the inability of collieries to cope with them. At the moment the collieries are almost fully booked up for months ahead and they are now receiving a fair number of export inquiries in respect of 1938; though little definite business is being fixed, as the collieries are not prepared to commit themselves extensively so far ahead. Another factor which seems to be of major importance in recent times is the fact that the Scottish coal output has been steadily on the decline for a good many years past, as a result of the normal working-out of various seams. In recent months almost every colliery in the country has been working to capacity. The question of restricted outputs under the Coal Mines Act does not apparently arise. In trade circles the view is held that the present extreme shortage is likely to prove temporary and that it has been due in considerable measure to the recent unofficial strikes, which have affected output by several thousand tons daily. So far as the household and public utility undertakings are concerned, the trade is, meanwhile, at a peak level. When demands from these sources ease off in some weeks' time the position is expected to be more satisfactory. The matter, nevertheless, is one which appears to call for fuller examination by the appropriate authorities.

* * *

An Excellent Grid Report.—The Central Electricity Board, which is responsible for the national electricity grid scheme, was unfortunate in one respect, for it raised the bulk of its capital in long-term stocks before the decline in general interest rates—a matter on which it might well have been more wisely advised. In every other way, however, fortune has deservedly favoured the Board. It has been fortunate in the men who have served it, and particularly fortunate in the timing of its plans. It carried out its constructional work largely during the depression and began to give service in 1933, right at the beginning of a trade recovery whose extent has already put the earning power of the grid well ahead of its original budget estimates. Actually, the Board in 1936 achieved the position which, according to schedule, it was required to reach by 1941, for it earned the whole of its interest requirements. Last year the Board's profit was £1,689,487, against £1,087,287 in 1935. Total interest payments were £2,197,243, but of this some £680,637 was attributable to money applied to the standardisation of frequency, whose service is provided by a levy on the entire supply industry. The Board could legally have charged all the balance of the year's interest to capital. Instead, it has paid the interest on five loans out of revenue, has put £250,000 to redemption fund and increased its carry-forward to £1,419,614. Up to date, the grid has cost £30 millions, while the total capital saving from the reduction in the proportion of generating plant held in reserve by authorised undertakers has amounted to £14 millions. Since 1929, Great Britain's output of electricity has increased by over 95 per cent. against an expansion in world production of 35 per cent. Since 1932, the average fuel consumption per unit of electricity from 150 stations has declined by 14 per cent. This would have been equivalent to a saving of £1,420,000 last year if the coal prices ruling in 1935 had been maintained. Technically and financially, the grid has so far achieved resounding success, but the proviso at the end of the preceding sentence draws attention to a less favourable factor which has an intimate bearing on the future. Costs of fuel, machinery and equipment are rising, while a further substantial reduction of expenses on the distributing side presupposes far-reaching reorganisation on the lines of the MacGowan Report, and will not be achieved for years to come. A further increase in demand is certain, but the pace of the last two years can hardly be maintained indefinitely. The Board, however, has already made such good use of its exceptional opportunities that quite a moderate further advance will put its future financial stability beyond all doubt—provided only that the rise in costs does not attain unconscionable proportions.

Overseas Correspondence

From Our Special Correspondents

United States

Steel's Surrender

WASHINGTON, March 4.—Peace between big industry and the Lewis labour movement has overshadowed for a moment the intense fight over the Supreme Court. Something has happened which goes against the accepted dogma of human behaviour; economic power has been surrendered without a conflict. Not a great deal of economic power, to be sure, but the point is not the amount. Mr Lewis, shortly before his contract with the Steel Corporation, had blasted his way into the General Motors plants, and the settlement made there was generally taken as only an interim peace. General Motors would presumably wait to see what happened to Lewis in Steel. If he won, they would have to continue to deal with him. If he lost, they could share with Steel the benefits of its victory. Everybody believed that the fight in Steel would take place this summer and be a fight to the finish. Steel formed the extreme right wing of conservative industry; in thirty-six years of existence it had not deviated from its announced course of refusing to deal with an outside union. The steel area was believed to be fortified to the last factory gate and the companies knew how to take care of themselves.

But Steel chose not to fight. Instead it sat down with the Lewis union. Myron C. Taylor, chairman of United States Steel, sat down repeatedly, though secretly, with Mr Lewis himself. And in full light of publicity Benjamin Fairless, president of Carnegie-Illinois, sat down with Philip Murray, Mr Lewis's right-hand man. A contract was signed, setting a \$5 minimum wage for an eight-hour day, a forty-hour week, and time-and-a-half for overtime. The wage and hour schedules were supplemented by an agreement to accept the union as the bargaining agency for its members—the limited recognition granted by General Motors—and by a pledge not to discriminate against men for being members of the union. The last point, also made in the Motors settlement, is potentially most important of all, since it assures the Lewis unions the freedom to organise. So far his membership drives have not lined up a majority of employees either in Motors or Steel, not because workers were against him, but chiefly because they were afraid to join. From now on, recruiting will lead to bigger results, particularly as the union is given credit for the wage increases.

The Interests at Stake

That Steel surrendered economic power to the Lewis movement for reasons of self-interest goes without saying. The real meaning of the decision is that big business is not going to wreck Mr Roosevelt's recovery. Big business is more interested in profits than in the crusade against Mr Roosevelt. In a sense, big business has "followed the election returns," as Mr Dooley said of the Supreme Court. The immediate consideration was the boom in steel, great enough as part of American recovery, and promising to be greater still in a year or so because of the British re-armament programme and Europe's preoccupation with defence. Here was the bird in the hand, while in the bush was no bird at all. The choice was between prosperity and a fight that might not even be won. If won, it would be a costly fight. And if the inevitable trend is towards collective bargaining, the victory could not be permanent. There was little doubt that the steel industry could be shut down. Lewis had strength in Steel, and the new weapon of the sit-down

gave him paralysing power. The fight would have to be fought against the current of public opinion; and opinion would be led either openly or indirectly by the Roosevelt Administration.

Of the three great financial empires in the United States, Morgan, Rockefeller and Dupont, two have chosen to deal with Lewis. The Rockefellers as yet have not refused; their chance to adopt the Morgan and Dupont policy will come when Lewis invades the Standard Oil plants and challenges one of the most successful company unions in the country. The Morgan hierarchy, still dominant in steel, has felt the impact of younger executives in deciding to reverse the archaic veto on unions of 1901. Dupont, largest single owner of General Motors, was undoubtedly responsible for the settlement at Detroit, for it was effected by Donaldson Brown, chairman of the finance committee of General Motors, who is known as the Duponts' personal representative. Morgan policy can also be read in the decision of General Electric to negotiate a national contract with the Lewis affiliate in its factories.

A Milestone in Labour History

The labour victory, however, must also be attributed in substantial measure to the help of the President. Some of this help is known publicly. During the critical days of the motor strike he kept the negotiators together; and it was with his backing that Miss Perkins, Secretary of Labour, made negotiations with Lewis also mandatory for the General Motors executives. Miss Perkins made social history in refusing to become excited about the sit-down strike, simply because it was illegal. She remarked calmly that unions had once been illegal, as had picketing, but laws had been changed as sentiment changed. She thus forecast a change in the legal attitude towards the strikers' trespass, and, being a Cabinet officer, her calm had influence. Her second great contribution was to refuse to exempt the steel industry from the Walsh-Healey Bill. This requires a forty-hour week from contractors selling to the Government. The Navy needed steel and was not getting it. The steel industry thus found itself in the untenable position of jeopardising the national defence programme because of its labour policy.

The Administration has paid an election debt, and Mr Lewis can now turn on those critics who berated him for supporting Roosevelt at the polls. The victory is one which could not have been won without Mr Roosevelt. From labour's standpoint, the election strategy turns out to have been the most successful political adventure of its history. Though the wage increases now coming so freely to labour will soon be melted down by the increased cost of living, labour has won a foothold it never had before. And industrial management, in agreeing to collective bargaining, has stepped with a single stride from the nineteenth to the twentieth century.

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France

The Communists Alarm the Liberals

PARIS, March 24.—The success of the Defence Loan seems to have had more effect in the country than the disorders which unfortunately took place on the day after the issue of the second *tranche*. The decline of the Rentes from 74.25 to 70.50 was provoked more by the arbitrage of old Rentes against the new $\frac{1}{2}$ per cent. loan with an exchange guarantee, than by the recent riots. The franc, moreover, was well maintained, which seems to indicate that capital repatriation is still going on, if on a small scale.

These unprovoked riots, the general strike which followed and hampered the Parisian public, the sanctions applied by certain extremists against workers who refuse to join the Trade Unions, have all disturbed that liberal opinion which hates any kind of dictatorship. The Radical Ministers have taken the opportunity to emphasise their disapproval of such proceedings. They did not attend the solemn funeral of the victims of the riots, and on the same day the Minister of War, M. Daladier, made a speech in favour of liberty, in which he declared that to serve the Popular Front should not be to serve one's self by means of the Popular Front. It appears that the leaders were carried away by their followers. The latter could see, however, that they were still a minority, and that their wisest policy was to support the Blum Cabinet.

Recovery Continues

The rise in retail prices has been checked for the first time since June, 1936. But wholesale prices are still rising. To encourage production in order to increase the goods for sale remains the policy of the Minister of National Economy, who has urged the application of savings to production to facilitate the renovation of machinery. The number of unemployed on March 13 was 401,259 against 404,624 in the preceding week, and 477,118 in the same week of 1936. Railway receipts for the week ended March 4th show an increase of 10.83 per cent. compared with the same week of 1936. Total deposits in the four big banks of Paris show a new increase of 1,500,000,000 francs. This may, however, be due to the revalorisation of deposits in foreign currencies at their full exchange parity:—

	Francs.		
	December 31, 1936	January 31, 1937	January 31, 1937
Crédit Lyonnais	10,413,923,359	10,434,425,519	10,764,366,612
Société Générale	9,017,687,150	8,841,763,433	9,280,926,158
Compt. Nat. d'Esc.	7,456,252,232	6,926,096,096	8,112,661,978
Crédit Ind. et Comm.	1,595,801,304	1,335,617,221	1,683,194,264
Totals	28,483,664,045	27,537,902,269	29,841,149,012

Foreign trade in February showed a further rise in imports, both in volume and value. The import surplus rose to nearly 2,000 million francs, making 3,500 million francs for the first two months of 1937.

	In Francs ('000,000 omitted)		In Tons ('000 omitted)	
	Jan., 1937	Feb., 1937	Jan., 1937	Feb., 1937
Imports:—				
Foodstuffs	886	1,001	553	627
Raw materials	1,959	2,185	3,998	4,553
Manufactured goods	473	494	200	177
Totals	3,319	3,681	4,753	5,358
Exports:—				
Foodstuffs	283	237	93	83
Raw materials	575	609	2,097	2,091
Manufactured goods	914	848	211	210
Totals	1,773	1,695	2,403	2,385
Monthly deficit	1,546	1,985		

The Clichy riots and the decline on international markets caused a marked fall on the Paris Stock Exchange. International and French industrials were sold. The decline of Public Funds was accentuated, but these heavy liquidations have cleared the Stock Exchange, and the franc remained remarkably steady.

Germany

Irresponsible Finance

BERLIN, March 23.—Subject to certain items which had not been definitely fixed, the Reich Budget for 1937-38 was sanctioned on March 19th. As in the two preceding financial years the figures are kept secret. Prussia's Budget for 1937-38, sanctioned on the same day, balances at Rm. 1,991 millions, of which Rm. 47 millions will be devoted to extraordinary expenditure, mainly for land amelioration and the improvement of ports.

The Reich Budget must be given legislative sanction before March 31st. But under the law of March 24, 1933, which suspended the Constitution, legislation is enacted by Cabinet decision, and this applies to the annual Budget Law. No information is published about expenditure sanctioned in this way, but few months pass without official announcements that money has been spent for various purposes, often cultural, artistic, or personal, which could not have been provided for by the Budget, since these payments often concern issues which arose after the Budget was passed. In such cases a Budget Law amendment was not passed for the special expenditure. It seems, therefore, that individual Ministers can spend what they like; but owing to the secrecy observed and to the ban on press criticism it cannot be positively affirmed that this is so.

It is certain that if the Cabinet sanctions new expenditure without protecting itself by new legislation, the Reich Court of Auditing, which exists in order to prevent abuses of this kind, cannot take any effective action. The Court, it is true, can question any particular expenditure, not only on the ground that it does not accord with Budget Law, but even on general grounds of economy. But the independent authority which used to pronounce finally on such cases, that is, which could either hold a spending Minister responsible or overrule the protesting Court, has disappeared. Under the Constitution of 1871 this final authority consisted of the Bundesrat and the Reichstag. The Constitution of 1919, which replaced the Bundesrat with the Reichsrat, increased the Reichstag's competence in such matters. With the suspension of the Constitution in March, 1933, Parliamentary Budget Law in general collapsed, but the Court of Auditing remained in existence with its old functions. But while the Court can still question and challenge, it no longer does this to an authority independent of Ministers. The Cabinet itself decides the legal validity or the material justification of the Court's representations. Against this obviously irresponsible system certain ostensible correctives have been introduced. The Minister whose department is concerned must not be a party to Cabinet decisions on objections raised by the Court; and the Finance Minister can veto the overriding of any objection by the Cabinet. But these safeguards are nullified by a further rule that a Cabinet majority, if it includes the Chancellor, can by a second vote declare that any expenditure, even if vetoed by the Court, is in order. By a law of June, 1936, the Reich Budget Ordinance in this new form was extended to the Budget of the eleven States, and the Reich Court of Auditing also verifies State accounts. In effect, there is no real control. This is probably inevitable in view of Budget secrecy and of the disappearance of the Reichsrat and Reichstag.

Reich revenue from taxation in February was Rm. 779 millions, against 696 millions in February, 1936; in the first eleven months of the financial year 1936-37 it was Rm. 10,332 millions, against Rm. 8,746 millions in the same months of 1935-36. Nearly the whole increase came from taxes on income, property, and business, which yielded Rm. 1,439 millions more than in 1935-36. The increase in customs and excise was only Rm. 146 millions. The increase is partly due to the transfer to the Reich of the documents tax, the alteration in the rate of Corporation Tax, and the tax on long-distance motor goods traffic.

The Rationing of Steel Supplies

Waste paper is the latest commodity to be rationed, and manufacturing consumers are forbidden to buy in excess of their purchases of a year ago. Pig-iron output in February was 1,190,800 tons, against 1,292,100 tons in January. Herr Köhler, Director of the "Business Group" of Raw Materials, has published a statement about iron policy, the gist of which is that private industrial interests must be subordinated to "the necessity for securing our State and Nation against foreign enemies." Export trade in iron, says Herr Köhler, should be diverted from semi-finished to manufactured goods, and within the latter group to fully finished articles. This policy is dictated by foreign exchange considerations. Delay in delivering machinery and other finished goods to foreign buyers on the ground of lack of materials is condemned. It is officially complained that iron and steel consumers recently gave double orders to different firms in order to make sure of a supply. Under the Four-Year Plan steel will be rationed by a system of fixed monthly deliveries to different classes of consumers, the order of priority being: undertakings of public importance; material and plant for the Four-Year Plan and key industries such as engineering, shipping, motor cars, etc. There is to be a separate ration for producers of finished export goods.

The Incidence of Recovery

An official report on the number of persons engaged in the different industries in 1936 compared with 1933 brings out the rapid recovery in capital goods compared with consumption goods:—

	Number of Employed in Thousands	
	1933	1936
Iron and metal production	236	446
Machine manufacturing	272	596
Vehicles and vessels	117	309
Electrical	124	205
Building	257	920
Leather goods	53	67
Pottery	55	73
Glass	45	62
Textiles	658	778

In 1936 14.6 per cent. of all employed workmen (in 24 industries) were in building, against 6.4 per cent. in 1933; 7.1 per cent. in iron and metal production, against 5.9 per cent.; 9.5 per cent. in machinery, against 6.8 per cent.; 4.9 per cent. in the manufacture of vehicles and ships, against 2.9 per cent.; but only 1.1 per cent., against 1.3 per cent., in the leather trades; 1.1 per cent. against 1.4 per cent. in pottery; and 12.4 per cent., against 16.3 per cent., in textiles. It should be noted that the consumption goods industries suffered much less than the capital goods industries from the depression, and therefore recovered less. On the other hand, the disparity in the pace of expansion shown in the table would be much greater if 1932, not 1933, were taken as the starting-point. Already in the second half of 1932 capital goods, in particular iron and steel, had recovered very substantially.

Holland

Recovery and Rising Exports

AMSTERDAM, March 12.—Holland is now reaping substantial benefit from the general world-wide improvement in trade and industry. The enhanced prices of raw materials, such as rubber, tin, coal and sugar are all of benefit to this country through the colonies. Moreover, the Netherlands Indies are profiting by the new possibilities of increasing production. Reports from the Netherlands Indies rubber companies, for instance, show that in January and February their production was decidedly larger than in 1936. The Java sugar companies are also contemplating increased production. Initially, the Java sugar crop for 1938 was fixed at 1,200,000 tons, but now the Government has consented to a production of 1,400,000 tons. The results of the London Sugar Conference to be held in April are being

awaited hopefully. Effective international regulation to maintain remunerative prices is of vital importance to the Netherlands, because of the large amount of capital invested in the Java sugar industry.

As world prices rise the Netherlands balance of trade is making a satisfactory showing. The returns for the month of February are given in the following table compiled by the Central Statistical Bureau (in millions of guilders, and excluding gold and silver):—

	January-February 1936		February 1937	
	1936	1937	1936	1937
Imports	153	211	74	105
Exports	101	152	50	79
Percentage of imports covered by exports	65.7	71.9	68.0	75.1

Exports in February were actually 58 per cent. higher than in the corresponding month of the preceding year. In the following table the comparative figures for recent years are set forth month by month:—

	Imports (In million guilders)			Exports		
	1935	1936	1937	1935	1936	1937
January	76	79	106	55	50	73
February	70	74	105	51	50	79
March	80	79		54	55	
April	78	81		50	57	
May	78	76		58	53	
June	73	77		51	53	
July	76	79		54	60	
August	75	82		61	63	
September	76	82		59	72	
October	95	92		70	76	
November	86	100		60	77	
December	73	114		60	77	

The change which has taken place since the devaluation of the guilder in September, 1936, is strikingly illustrated.

Freer Trade Hopes

The discussions just held at The Hague between delegates of the States constituting the so-called Oslo group were intended to stimulate the extension of international commerce. Various aspects of the problems involved were examined by experts. The delegates of the different countries are now to negotiate with the object of achieving some practical result. The problems are difficult; but the delegates are not without hope that in the long run the co-operation of the Great Powers will be secured.

Because of the international political situation, the Prime Minister, Dr Colijn, has declared that Holland has resolved to increase her naval, air and military forces to provide more adequate national defences.

The financial and monetary situation remains satisfactory. Great liquidity continues to prevail on the money market, although the activity on the new issue market has somewhat subsided, because of the lack of success of several recent municipal loan issues. Generally speaking, it is believed that this setback will prove to be temporary and that capital rates will continue their downward course.

In view of this easy situation on the money market, and the continued firm tendency of the guilder, the question of Holland providing loans abroad is coming more and more to the fore. In the Netherlands, the granting of foreign credits in recent years has always

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been under the control of the Netherlands Bank, and for foreign issues a form of embargo is in force. The Minister of Finance recently declared that some form of supervision for the granting of credits abroad was necessary, although he did not think that direct State control was essential. The supervision exercised by the Netherlands Bank, he considered, fully met the purpose for the time being; the existing relationship between the Government and the Netherlands Bank was a sufficiently sound basis for such supervision. The sole decisive factor is and will be the interests of the Netherlands. A Commission has already been set up to consider whether legislative measures are desirable to place the Netherlands Bank's control on a statutory basis and to regulate the relations between the Bank and private banking institutions.

Company reports display on the whole some progress in the year 1936, both in profits and dividends. The annual reports which have been issued for some of our larger banks also strike an optimistic note. The announced amalgamation of the Incasso-Bank and the Bank Associatie has attracted some interest; it is reported that the former bank is to take over the 7.8 million guilders' worth of shares of the Bank Associatie.

The coal industry has decided to raise wages by 5 per cent. The possibility of wage increases has also been discussed in other industries.

Sweden

The Sterling Rate Crisis

STOCKHOLM, March 6.—The marked rise in Swedish wholesale prices, and fears of inflation in Great Britain because of the new armament loan gave rise to persistent rumours of a forthcoming lowering of the Swedish sterling rate. Moreover, the measure was advocated by such noted Swedish economists as Cassel and Heckscher. Since the Government and the Riksbank seemed rather reluctant to reveal their intentions there was general uncertainty about the sterling rate. The situation became particularly acute in the middle of February, when big Swedish exporting concerns sold their sterling holdings on a large scale to cover future losses on exchange. As a result the Bank of Sweden's foreign currency holdings rose during the week ended February 22nd by Kr. 60 millions to a total of Kr. 792 millions. The Government then defined its future policy in a *communiqué*; it was plainly stated that for the moment no change in the present sterling rate was intended. Almost simultaneously, Mr Helmer Stén, chairman of the Swedish Banking Association, in a speech at the annual meeting of the Svenska Handelsbanken, declared against changing the present rate. Mr Stén emphasised not only the risks which a lowering of the sterling rate would involve for the Swedish export industry, but also the danger of weakening the competitive power of industries working for the domestic market. He further stressed the danger of abandoning economic co-operation with the other Northern countries, particularly with Finland, which has no intention of lowering the sterling rate. After these declarations from official and business quarters it can be taken for granted that for the moment the economists are defeated and the sterling rate crisis is over. In order to assert stronger control over the money market and the credit supply the Treasury will be empowered by the Riksdag to issue Treasury bills, which the Bank of Sweden will use for regulating the market. At the same time, the Bank of Sweden will be empowered to pay interest on certain deposits. Furthermore, the board of the Bank of Sweden has requested the Riksdag to issue a law to compel the joint-stock banks to deposit a certain proportion of their cash reserves with the Bank of Sweden. These measures are intended to check the easiness of money, which a few years ago was the origin of recovery in Sweden, but which now threatens to engender an inflation.

Continued Rise in Prices

Figures are now available for Sweden's trade with Great Britain in 1936:—

	(In million kronor)	
	1935	1936
	Jan.-Dec.	Jan.-Dec.
Exports to U.K.	322.4	371.4
Imports from U.K.	285.2	308.0
Export surplus	37.2	63.4

There was an increase in 1936 of exports to the United Kingdom of 15 per cent. The increase of imports was only 8 per cent. Total Swedish exports, however, increased by 16.5 per cent. and the increase in imports was only 10 per cent. The rise in wholesale prices continues, and the Silverstolpe price index for February shows a further rise of 3 points to 134 (which was the average level for 1929). The largest increases were in the prices of vegetable foodstuffs and metals, particularly pig iron. Even retail prices began to stiffen, and the Bank of Sweden's retail price index for commodities recorded a rise from 101.8 to 102.9 (100=September, 1931).

Industrial production continues to expand. Though unemployment usually shows a substantial increase in January, the number of unemployed rose this year only from 31,000 to 34,000 during January (compared with 61,400 in January, 1936). A shortage of skilled labour is noticeable in the metal and machine industries, and the number of unemployed in the building trade showed a seasonal rise. Reports from the banks of their activity in 1936 show generally very satisfactory results, though profits have been mainly used for consolidating purposes; and dividends have been either maintained or slightly increased.

Turkey

German Dominance

ISTANBUL, March 5.—The decision of the Central Bank of the Turkish Republic to discontinue the financing of Turkish exports to Germany is interpreted as a move to put a stop to the development of Turkish economic dependence on Germany. The following figures give an idea of the place occupied by Germany in Turkish foreign trade:—

EXPORTS TO GERMANY			
1932	TL13,722,000	representing	13% of total exports
1933	18,223,000	"	19% "
1934	34,410,000	"	27% "
1935	39,201,000	"	41% "
IMPORTS FROM GERMANY			
1932	TL19,983,000	representing	23% of total imports
1933	19,048,000	"	25% "
1934	29,349,000	"	33% "
1935	35,508,000	"	40% "

The figures available for the first nine months of 1936 already show that this proportion had risen to 49 per cent. of exports and 46 per cent. of imports. By the end of 1936 the share of Germany in Turkish exports probably exceeded sixty per cent. This movement was due to the fact that Germany offered higher prices than any other country. The more Germany bought from Turkey, the higher Turkish prices rose, and the less Turkey was able to export to other countries despite special arrangements and private compensations. One after the other, Turkish clearing agreements came to a deadlock, with the result that one country after the other restricted the shipment of goods to Turkey. Germany, in her turn, began to raise the prices of the goods Turkey purchased from her. Thus Turkey was compelled to sell her staples to Germany and to pay the high price the latter asked for her finished goods. Moreover, as the claims of Turkish exporters on Germany increased, the Turkish State Bank financed Turkish exports to Germany, using for that purpose the amounts which frozen clearing accounts had placed at its disposal.

Independent Commercial Policy

When Turkey awoke to the realisation that this system had isolated her economically from practically the rest of the world, that high prices meant a high cost of production detrimental to her economic future, and that, moreover, German claims on Turkey were on the point of exceeding all Turkish claims on Germany, present and future, she decided to reverse her policy. Her first decision was to create the financial means necessary to that operation, the second to stop the financing of Turkish staples to Germany, and the third will probably be to discount German claims on Turkey, compensating these with her claims on Germany.

As a consequence of these measures, the prices of Turkish staples have fallen, and the moment may be near when importers all over the world will again be interested in purchasing Turkish staples. Any increase in the volume of Turkish exports to countries which, like Great Britain, have a congested clearing account, will correspondingly reduce the importance of outstanding balances, and encourage British and other exporters to look to Turkey as a promising market. This is all the more important, as the Turkish commercial market is sound. The balance of Turkish staples still awaiting export is estimated at fifteen million Turkish liras only.

Irish Free State

Decline in Population

DUBLIN, March 6.—The central problem of the economic life of the Irish Free State is the fall that is taking place in the population and the probable acceleration of the rate of decline in the future. Each census since 1851 has shown a fall in the Irish population, caused, of course, by the great volume of emigration to the United States. This emigration ceased about 1929, and it was expected that the 1936 census would show that the population of the Free State had increased since the previous census of 1926. In fact, however, the census revealed a slight fall.

What has happened to produce this result is that Great Britain has taken the place of the United States as the magnet for the Irish emigrant. Emigration from Ireland to Great Britain has always been substantial, but it never was statistically measured until last year, when the census revealed that between 1926 and 1936 it amounted to 78,130, of whom 31,421 were males and 46,709 females. It is a matter of common knowledge that the movement is increasing annually, and it has been officially stated in the Dail that the net emigration to Great Britain between mid-1935 and mid-1936 was 23,700. As the average annual natural increase in the Free State between 1926 and 1936 was 16,318, it is obvious why the population is falling.

Demand for Labour in Britain

In any event, the movement to Great Britain may be expected to continue and probably to increase. There is a growing demand for labour in Great Britain arising from the industrial expansion and the re-armament programme, to say nothing of the demand for recruits for the Services, which have always been popular with young Irishmen. This demand for labour will become greater as soon as the population of Great Britain becomes stationary prior to beginning its downward course. Mr Colin Clark predicts in his new book, *National Income and Outlay*, that the coming population changes in Great Britain will cause a great increase in the demand for female labour. The existence of this demand, even at present, appears from the figures given above, and its intensification would greatly increase the volume of female emigration from the Free State, with adverse indirect effects on the net reproduction rate in Ireland. The Free State population would thus tend to be reduced in a cumulative manner, directly by the emigration itself, and indirectly by the fall in the natural increase to which the emigration would lead.

It must be borne in mind that Irish labour has always

exhibited a very high degree of mobility. Throughout the nineteenth century the Irish poured across the Atlantic in an endless stream, in spite of the length of the journey and the cost of the passage. But the journey to Great Britain is short and the cost of the passage is trivial. No passport is required, and no immigration restrictions are experienced. Moreover, as was recently explained in the House of Commons, no machinery exists for the repatriation of immigrants from a Dominion. The fact is, as is well known to employers, that the mobility of labour between the Free State and Great Britain is greater than that between the depressed areas and the rest of the country.

From the standpoint of the theory of international trade, the relations between Great Britain and the Free State are very interesting, because the international mobility of the factors of production is much greater than that of products. Trade in both directions is hampered by protective and penal duties, quotas, prohibitions and every variety of impediment; but both labour and capital are free to move without any hindrance of any kind. The result is that there is a greater tendency towards equality in the price of the factors than in that of products. The cost of living in Great Britain is materially lower than in the Free State, and the price of many individual articles differs widely in the two countries; but wage rates and interest rates are practically the same. Needless to say, such an exceptional situation is very favourable to migration when the demand for labour is increasing more rapidly in one country than in the other.

Threat to Free State Economy

There is every reason to believe that emigration to Great Britain will increase in the future to a volume that will cause a serious fall in the population of the Free State. This prospect is naturally viewed with alarm in Ireland, because it has always been hoped that the institution of autonomy would end the drain on the manhood of the country. The programme of industrial protection in the Free State has assumed a growing market as the condition of its success, and this assumption is in danger of proving false. The deadweight public debt is growing rapidly, and a declining population would tend to increase the *per capita* burden of debt charges, possibly to an intolerable degree. Finally, a great deal of the investment that is being made in housing, electricity supply and transport may prove unremunerative if the number of consumers declines.

It is difficult to see how this great migratory movement can be stopped. Great Britain will certainly do nothing to discourage it, because British industry and the Services require all the labour they can obtain, and the supply of native labour, especially female labour, will soon be reduced as a result of the coming change in population. As regards action that could be taken in the Free State, no doubt a settlement of the economic war and a revival of agricultural prosperity would do something to stem the tide; but the effect of such changes would probably be very slight so long as the demand for labour in Great Britain continued to be maintained. One is driven to the conclusion that the only successful measure that could be taken would be the prohibition of emigration by law; but it is doubtful whether any Irish Government would dare to take so unpopular a step.

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Letters to the Editor

Dual Taxation in Britain and U.S.A.

TO THE EDITOR OF THE ECONOMIST

SIR,—There is widespread ignorance and apathy on the part of the public in this country, as to the very onerous burden of taxation now borne by British investors in American securities. There are many well-known large British companies, industrial, commercial and financial, whose interest in U.S.A. internal trade and commerce is mainly, if not wholly, covered by their holdings of stock in American companies—usually controlling holdings. The shares of these British companies are very widely held by investors in this country, and the dividends they receive on their investments may be, and probably are, seriously affected by the heavy dual taxation, American and British, to which they are subjected.

The taxation imposed in the last U.S.A. Finance Act was only settled after long delays. The Government had to make provision to meet enormous expenditure, past, present and future, and it was inevitable that taxation scales should be heavy, and that the net should be widely cast. The undistributed profit tax was introduced in order to compel companies to distribute current earnings practically up to the hilt so that these moneys would fall into the clutch of the tax collectors. Where these moneys were distributed as dividends to foreign corporations, the distributing company was compelled to "withhold" an income tax at the rate of 10 per cent. on the gross dividend in the case of "non-residents," and to apply a rate which works out at a little over 3 per cent. in the case of "resident" foreign corporations. The "resident" foreign corporation remained liable to certain other domestic taxes which the "non-resident" escapes. "Making the foreigner pay" was not likely to be an unpopular measure, with a Presidential Election ahead.

It was, however, left open to a "non-resident" to alter its status to that of a "resident" foreign corporation by doing business and acquiring a domicile in the U.S.A. But for a foreign company which for many years had been non-resident and suddenly after the passing of the Act sought to change its status, the position was difficult and delicate. Its main business and commercial interests were already probably in the hands of an American company in which it was interested, and it was therefore scarcely to be expected that it would set up in genuine competitive trading operations in the American market, whilst "Dummy" competitive operations might bring the Sherman Anti-Trust laws into view. If the foreign company set up an entirely new and outside business, this would doubtless excite the curiosity of the Tax Department.

Assuming, therefore, that a non-resident foreign corporation is unable or unwilling to change its status, its dividends from its American business must perforce be subjected to the withheld income tax of 10 per cent. But the American business has already paid U.S.A. revenue taxes of various kinds, and the simple table following shows what happens before the U.S.A. dividend (which, with an undistributed profits tax in sight, is likely to be the same as the U.S.A. profit) reaches its ultimate destination, namely, the holder of ordinary shares of the British company owning the American investment.

Assume net income	£100
Less U.S.A. taxes borne by American Corporation.	
Capital stock tax, pay roll tax, corporation income tax	20
(but excluding excess profits tax and undistributed profit tax if any).	8
	80
Less American income tax of 10 per cent. withheld on payment of dividend to non-resident foreign corporation	8
	72
Less British income tax at 4s. 9d. deducted by British company (disregarding surtax)	17
	55
Net amount receivable by shareholder of British company	

In the case of the British shareholder liable to surtax, the situation is even worse, and with the shortly expected

rise in British taxation, and the confidently anticipated increase in the 10 per cent. rate in U.S.A., the residue which will remain to the British shareholder in those companies with large U.S.A. investments will be a very insignificant proportion of the profit earned on his capital invested there.

This question has nothing whatever to do with the "hot money" problem which is exercising the minds of the U.S. authorities. The people playing the "hot money" game are not, in the main, investors seeking dividends from trading profits in industrial or commercial or legitimate financial businesses, but are people interested principally in capital gains. The problems of this category are entirely apart from those affecting long-established and more or less permanent investments in American businesses meeting all their financial, commercial and social obligations.

It is likely, therefore, that there will be renewed agitation for favourable consideration by the British Government of this question of reciprocal taxation relief with the U.S. As and when the large body of British investors who are directly and indirectly affected awaken to a realisation of the enormous burden involved in the existing dual taxation, deputations and delegations are likely to find their way to the Treasury and the Board of Trade. By this time no doubt a new Chancellor will require to consider the reply to be given to what is an eminently fair and reasonable proposition. It is, perhaps, superfluous to add that "Barkis" in the guise of the U.S. Government "is willing."

I remain,

Yours faithfully,

CHAS. BROTHERTON.

Manchester.

The Anatomy of Unemployment

TO THE EDITOR OF THE ECONOMIST

SIR,—It is comforting to find *The Economist* and Sir William Beveridge lending their authority to the view that "the beginning of an understanding of the problem of unemployment is to break it up." Hitherto this idea has only been a commonplace in the speeches of successive Ministers of Labour at any time since the Report of the Industrial Transference Board in 1928.

But if unemployment is to be broken up, might it not prove more satisfactory to be cautious about making "assumptions" for the purpose of an over-simplified diagram? What evidence is there that cyclical unemployment is a geographical symptom spread evenly over the ten geographical Divisions of the Ministry of Labour? Are the industries of the country spread evenly over these Divisions? Is it a phenomenon of trade cycles that the incidence of unemployment, in duration or extent, is spread at all evenly over all industries? Are there any two trade cycles recorded in which the incidence of unemployment has shown any close similarity?

It may be convenient to exclude from cyclical unemployment the unemployment which exists in coal, iron and steel, shipbuilding and cotton (these are the chief industries of the Depressed Areas which are said to typify "special" Unemployment), but if so, are we not entitled to ask for a new picture of cyclical unemployment?

The writer of your article is no doubt right in saying that the figures of the unemployed conceal distinct problems of unemployment—but this rough-and-ready "geographic" delimitation obscures them none the less. For example, the dock transport industry, which cuts across the geographical assumption, shows more than twice as much recorded unemployment as the coal mining industry. How much of this is normal, special or cyclical?

There is a "geographic" problem of unemployment, but it is a social one for the community in the area, as the recent report on South West Durham shows. This social problem, quick to arouse public sympathy, may tend to obscure the industrial or economic problem of "special" unemployment, which at present is "special" for each industry in varying degree, and in the last analysis, "special" for each of the unemployed in that industry.

These mechanistic analogies with cycles are deceptive; a more accurate analogy is biological, that of over-growth in some parts, partial decay, and compensating growth. On this the November issues of the *Labour Gazette* contain

suggestive information each year, and a study of the changes in unemployment insurance legislation and administration will throw a light on some obscurities in the variations of the aggregate numbers of the unemployed.

Yours, etc.

W. GRIFFIN.

[It was made quite clear in the article in question that the method of analysing unemployment contained in it could give no more than a rough approximation to the truth. Reference was also made to an article in *The Economist* of June 13, 1936, in which the limitations of the method were set out at length. From the point of view of policy, the analysis into Normal, Cyclical and Special Unemployment is of the utmost importance. Since it is impossible to give exact, statistical embodiment to these conceptions, it is unfortunately necessary to rely upon rough approximations. —ED. *Econ.*]

Germany's Reply

TO THE EDITOR OF THE ECONOMIST

SIR,—In your article on "Germany's Reply" in last week's issue, you analyse critically the main points of the German proposals, and conclude with the statement that it remains to be seen if the British and the German points of view can be reconciled to each other. The difference seems at first very great, but a reconciliation would, perhaps, be possible by reverting to the principles which inspired the Locarno Treaty, allowing for changed conditions, and leaving improvements to a later date.

The instrument to be replaced is concerned only with a West European settlement, and it seems reasonable that the new agreement should also be confined to the west. This would not exclude the possibility of a more comprehensive settlement at a later moment. As Germany is no

longer a member State of the League of Nations, this altered situation should be allowed for by not making it a *sine qua non* condition that any negotiation should be conducted within the framework of an institution in which Germany appears to have no confidence. Likewise, the attitude of Belgium should be left to that country to decide, as the latter might wish to reconsider her obligations under the Locarno Pact and the Article XVI of the Covenant.

Finally, although a more comprehensive scheme of mutual guarantee would appear reasonable, the difficulty of fitting it into the Locarno scheme would be considerable, as, carried to its logical conclusions, France and Germany should guarantee both Great Britain and Italy and their overseas possessions against any aggressor. A settlement reached along these limited lines would not give Germany a "free hand" in the East, as Great Britain would remain quite free, both individually and in her collective capacity, to take any action in the event of a German aggression.

The only point to be settled by arbitration would be whether an hypothetical French intervention would be justified by the French Mutual Assistance Pacts with East European countries. Should a German aggression be proved, the only consequence would be to withhold the assistance of the guarantors without affecting their freedom of action in the dispute.

If the above analysis is correct, it would appear that, apart from the technical difficulties of the selection of arbiters, which could probably be overcome, the only real obstacle would be the unfavourable German attitude towards the League of Nations.

In view of the real concession made by Germany in accepting for the first time the French Mutual Assistance pact system in Eastern Europe, it would seem advisable not to insist too much upon this point, in order to make a settlement possible.

I am, Sir,

Yours faithfully,

C. P. FODRIO.

London, W.C.1.

Books and Publications

An Englishman Without Guile*

It is rare in literature, and rarest in the field of biography, for an author and his subject to be exactly in tune with each other; but when the life of a great man does fall to be written by a biographer who is in sympathy with his hero's character, and who himself commands all the gifts needed for doing justice to it, the result will be a notable book. Such is the life of Lord Grey by Professor George Trevelyan. The historian is drawn by a double bond of sympathy towards the statesman who is here his theme; for he, too, is a Liberal by tradition as well as by conviction, and he is likewise a wholehearted lover of Nature in her English dress. Accordingly, notwithstanding the interest of Professor Trevelyan's book for the student of recent international history, what the reader will find here is first and foremost the fascinating portrait of a noble man.

The straightness and trueness of Grey's character is not exactly simplicity, for it can hardly be apprehended except in a series of contrasts—some of which sound almost paradoxical. The greatest contrast is that between Grey's profound serenity and his intimate acquaintance with grief. Grey lost two dearly loved wives, as well as two brothers for whom he had a strong affection. He saw "the lamps going out all over Europe" in August, 1914, and then lived on to see the darkness begin to descend again in 1933. Two houses of his to which he was deeply attached were destroyed by fire. And he lost the eyesight that was his window on a Nature which was his natural means of access to God. His sorrows all came to a point in the thoughts that ran through his mind while he was waiting to deliver his historic speech in the House of Commons on August 3, 1914. Yet his life is a cumulative proof that "Whom the Lord loveth, He chasteneth." As Grey wrote on the morrow of his wife's

* "Grey of Faldoon." By G. M. Trevelyan. Longmans Green. 16s.

death in 1906: "I had learnt all that happiness could teach me, and now I have learnt more."

Another contrast, already famous, is that between Grey's work and his tastes. Sent down from Balliol by Jowett for idleness, he at once went into politics and never left them—though he never liked them—till he had spent thirty-one years in political harness and had deliberately sacrificed his precious eyesight to his grievous public duty. For Grey, politics meant town-life, and town-life meant an industrialism which he hated—prophesying of it, in 1912, that God might find it so abominable that he would "sweep it all away."

In politics he combined, without effort, a scrupulous honesty with a hard-headed realism. He insisted on open diplomacy in his transactions with Germany over the Portuguese Colonies, and he was careful never to lead

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the Belgians to expect more from England than he was sure he could promise. Yet from 1906 to 1914, while working with one hand to keep the peace, he was always working simultaneously with the other to make sure that his own country should not be beaten if war broke out. Just because politics were so uncongenial to him, he was always conscious that, as a politician, he was working with shoddy stuff in an imperfect world. "My own ambitions and interests in life," he wrote in 1909 to Lord Morley *à propos* the Navy estimates, "are so dead that I am prepared to admit that these islands would be happier without an Empire and with ten millions only of population . . . ; but the Cabinet would not thank me if . . . I justified my continued presence in the Government by proclaiming this point of view."

Again, this lover of the open-air life—of fishing and listening to the song of birds—was the bosom friend of "intellectuals" like Haldane and Asquith, though "Hegel was a tiresome mystery to Grey, and Haldane could scarcely tell a robin from a sparrow." The bond between them was nothing other than the politics of which Grey writes, in 1909, from his cottage by the Itchen: "How awfully dull this is! Now if I tell you that one of my two bread-eating cottage robins" And again, *à propos* the Balkan Wars: "The dreary part of Foreign Affairs is that nothing can be dealt with on its merits."

Yet the greatest paradox of all is that this supremely autochthonous Englishman might have slipped into the life of a Hindu anchorite with all the ease of Kipling's Puran Dass. For he had achieved the essence of Yoga: he had liberated his spirit from all grasping. No appetite ever bound him to politics; after his wife's death, none bound him to life either; and that utter divorcement from this world came within a few weeks of his becoming Foreign Secretary. He took office in December, 1905. In January, 1906, he had his historic interviews with Cambon (Professor Trevelyan reckons this Grey's most momentous month in office save for July, 1914). On February 4, 1906, his wife died from injuries received in a carriage accident.

His detachment from office may be illustrated by a quotation:—

June 22nd and 23rd. The Government were beaten on Friday night, and we have spent these days in high hopes of an announcement on Monday which will bring the end of this terrible time in sight.

This entry in a diary was made by Grey in 1896. In 1933 he added the following explanatory marginal note:

During 1893-4-5 I had been in office as Under-Secretary for Foreign Affairs. I had become increasingly miserable at the tie to London and the curtailment of the time in the country, and the words "terrible time" simply mean being in office.

He himself balanced the *pro's* and *con's* of his detachment thus on an undated Sibylline tag:—

Living for the week-end. Work done conscientiously, but not living in thought. Advantages of detachment—nothing done to keep office. On the other hand, to desire to keep office causes concentration.

Yet this detachment from office is nothing to the detachment from life which was Grey's mood from February 4, 1906, till his own death more than twenty-seven years later. "I could manage a few years bravely, but there may be so many, and it seems impossible to keep up for thirty or perhaps more" (April 6, 1906). "I am forty-seven to-day, and I wish I was seventy-seven" (April 25, 1909). "I have had a mood this week of feeling the past very near me, and when that comes I always feel as if I might die very soon" (July 25, 1909). And here is his last word on the subject, written a few weeks after Mr Asquith's fall had allowed him at last to die that "natural political death" which he had been humorously courting as far back as the General Election of 1895.

It is a beautiful world outside of towns and much to be enjoyed if the War were over, but what I care for most is on the other side, and I am ready to go there when I can honourably do so.

Such was the man. May England long breed statesmen like him.

Short Notices

"Agricultural Prices." By Frederick Lundy Thomsen. McGraw-Hill Publishing Company. 471 pages. 24s.

Having drawn attention to the practical applications of price data, Mr Thomsen discusses such economic questions as supply and demand curves, the mechanism of price determination and the differences between spot and future prices. Later chapters have a statistical basis and are concerned with index numbers; the utilisation of statistical sources; the graphical presentation of results; the analysis of trends, cycles and seasonal variations; price forecasting and the preparation of "outlook reports." There is a chapter on price-raising methods, and the volume concludes with a series of seven chapters concerned with the prices of particular agricultural products.

"British Shipping Finance." Published by Fairplay. 600 pages. £1 1s.

The thirteenth annual appearance of this survey reveals a mass of information about British Shipping in 1937, much of it new, and all of it interesting and useful. Some 900 balance sheets of shipping companies are summarised for the past four years. There is a list of the directors and chief shareholders of 640 companies, and a record of shipping share quotations. An important section deals with the present employment and capacity of shipbuilding yards, of marine engineering equipment and of repair facilities. Marine insurance, shipping sales and coal prices are comprehensively surveyed. The book should be invaluable for purposes of reference.

"A History of England." By André Maurois. Cape. 512 pages. 12s. 6d.

This is a general history of the English people wittily and charmingly written by an enthusiastic student and admirer of England. M. Maurois is a Whig; and his account of social and economic events is weak. He knows very little about the latest research, but he has written a delightful book.

Books Received

The Limits of Economics. By O. Morgenstern. (London) William Hodge and Company, Ltd., 86 Hatton Garden, E.C.1. 160 pages. 7s. 6d. net.

Doctrines Americaines de Droit International. By Pitman B. Potter. (Paris) Centre Européen de la Dotation Carnegie. 138 pages. No price stated.

The Second Industrial Survey of South Wales. Part I. Industries. 500 pages. 15s. net. *Part II. Facilities.* 295 pages. 10s. 6d. net. *Part III. Development.* 404 pages. 10s. 6d. net. (Cardiff) University of Wales Press. (London) H. Milford. Three volumes. 30s. net.

Official Publications

The following may be obtained from H.M. Stationery Office, Adastral House, Kingsway, W.C.2.

Trade Agreement between the United Kingdom and Canada. February 23, 1937. Cmd. 5382. 9d. net.

Statement relating to Special Areas including Memorandum on Financial Resolution to be proposed. Cmd. 5386. 2d. net.

Fleets: Particulars of the Vessels of the Fleets of the British Commonwealth of Nations, France, United States, Japan, etc. Cmd. 5371. 2s. net.

Road Fund: Abstract Account of Receipts and Payments in the year ended March 31, 1936. 2d. net.

Report on the Import Duties Act Inquiry (1934): Part II. Iron and Steel Trades, Engineering and Vehicle Trades, etc. 4s. 6d. net.

Statement relating to Defence Expenditure. Cmd. 5374. 2d. net. *Supplementary Estimate, 1936: Civil Estimates and Estimates for Revenue Departments.* 6d. net.

Annual Statement of the Trade of the United Kingdom with British Countries and Foreign Countries, 1935 compared with the years 1931-34. Vol. I. 12s. 6d. net. Vol. II. £1 15s. net.

Local Loans Fund: Accounts, 1935. 2d. net.

Miscellaneous No. 2 (1937): League of Nations—Report of the Delegates of the U.K. to the Secretary of State for Foreign Affairs. December 31, 1936. Cmd. 5365. 9d. net.

Department of Overseas Trade. Report on Economic and Commercial Conditions in Paraguay, November, 1936. 1s. net.

Civil Estimates for the Year ending 31st March, 1938: Class I. Central Government and Finance. 1s. 6d. net. *Class VIII. Non-Effective Charges (Pensions).* 6d. net.

MONEY AND BANKING

How Russia Raises Capital

THE ratification of the new Soviet Constitution by the All-Union Congress of Soviets last December was said to be a considerable extension of democratic forms of life in Russia. This tendency comprises concessions to the acquisitive urges of man in the form of varying wage rates under the movement known as Stakhanovism; the allowance of small plots of land to individual peasants in collective farms, with the right to keep a cow, pigs and chickens, and to sell vegetables and home-made articles on the free market; abolition of rationing; the use of State Loans subscribed by individuals; the existence of private savings in the savings banks; and a tightening of the marriage, divorce and abortion laws. It is interesting, therefore, to see how Russia raises her capital resources.

About 99 per cent. of Soviet economic life is organised, either directly by the State, or in collectives, whether collective farms or associations of handicraftsmen who, through elected officers, purchase raw materials and arrange selling prices collectively. Money required for net investment in some economic activity is mainly derived from grants through the unified State Budget. The banking system, consisting of the Gosbank, or short-period credit bank, the savings banks, and the four special long-term credit banks, acts as a kind of accounting system under the slogan "Control by the Rouble." According to this, issue and repayment of all credits must be matched by movements of specific parcels of goods in the books of the banks.

The following are condensed Budget figures for the years since the establishment of the first Five-Year Plan:

REVENUE OF RUSSIAN UNIFIED STATE BUDGET
(In millions of Roubles)

Year	From Turnover Tax Profits and Direct Taxes	Proceeds of State Loans	Other Revenue including Balance from previous year	Grand Total
1928-9 ...	7,465.3	724.8	237.6	8,427.7
1929-30 ...	11,485.7	1,278.4	222.4	12,986.5
1930* ...	4,305.7	356.1	660.4	5,322.2
1931 ...	19,497.3	3,269.0	1,094.8	23,861.1
1932 ...	27,062.3	3,921.7	645.5	31,629.5
1933 ...	30,051.3	4,012.0	947.6	35,010.9
1934 ...	43,316.3	4,325.0	1,238.1	48,879.4
1935** ...	61,008.0	4,415.0	477.5	65,900.5
1936** ...	72,048.8	5,150.0	1,516.1	78,715.0
1937** ...	90,417.5	5,975.0	1,677.0	98,069.5

* One quarter only, to alter accounting years.

** Estimates.

EXPENDITURE OF RUSSIAN UNIFIED STATE BUDGET
(In millions of Roubles)

Year	National Economy	Social and Cultural	Defence and Adminis- tration	On State Loans	Re- mainder	Total
1928-9 ...	4,784.3	481.7	1,206.9	317.5	1,637.3	8,427.7
1929-30 ...	7,680.7	794.9	1,396.9	405.7	2,708.3	12,986.5
1930* ...	3,124.7	295.8	533.4	74.9	1,293.4	5,322.2
1931 ...	18,047.7	1,290.7	1,714.5	408.3	2,399.9	23,861.1
1932 ...	23,663.6	1,705.8	1,987.3	961.8	3,311.0	31,629.5
1933 ...	23,912.2	2,393.1	2,264.4	1,330.0	5,111.2	35,010.9
1934 ...	33,383.6	3,018.8	2,873.3	1,702.0	7,901.7	48,879.4
1935** ...	35,156.9	4,804.3	9,038.6	1,815.0	15,085.7	65,900.5
1936** ...	37,583.5	6,509.4	17,897.3	2,701.5	14,023.1	78,715.0
1937** ...	39,585.6	26,604.6	24,569.6	2,579.0	4,730.7	98,069.5

* One quarter only, to alter accounting years.

** Estimates.

The consolidated Budget of the U.S.S.R. derives revenue mainly from the social economy itself, in the form of turnover taxes on agricultural and extractive produce, and taxes on the profits of State industrial con-

cerns. There is a tendency for turnover taxes to become the main source of revenue, while taxes on the profits of State enterprises diminish, as a stimulus to efficiency. Direct taxation amounts only to about 3 per cent. of total revenue. The view on income tax of economists in the Soviet Union may be thus summarised: "Why allow people to earn money if you intend merely to take it away again?"

The proportion of total revenue derived from subscriptions to new loans is declining. In 1931 it was 13.6 per cent.; in 1935, 8.8 per cent.; in the 1937 estimates it is only 6.08 per cent. Since the bulk of expenditure is on national economy, the declining proportion of total revenue derived from loans or direct taxes indicates that new money capital has been found by indirect taxation, or "forced saving," rather than by any method familiar to us in private capitalist States. On the other hand, since each year the State borrows more from the public than it repays—as is shown by comparing the revenue and expenditure columns of the Budget under the headings "State Loans"—the internal National Debt has been gradually growing:—

RUSSIAN INTERNAL NATIONAL DEBT
(In millions of Roubles)

1928 October ...	1,422.1
1929 " ...	2,595.0
1930 January ...	2,586.8
1931 " ...	2,934.6
1932 " ...	6,221.0
1933 " ...	10,080.0
1934 " ...	14,369.2
1935 " ...	16,969.2*
1936 " ...	19,417.7*
1937 " ...	22,813.7*

* Estimates.

There are said to be approximately 45 million Russian bondholders at the present time, which suggests that the average holding is very small indeed. This probability is emphasised by the purchase of bonds by the masses on the instalment system out of their monthly earnings. In the summer of last year the writer visited several factories in Leningrad, Moscow and Stalingrad, and was surprised to see in each huge blackboards indicating the extent to which the workers at the bench were subscribing to the new 4 per cent. Conversion Loan. It is a frequent boast that almost every proletarian in the U.S.S.R. has invested a month or two's earnings in State Loans during the last year or so. To this extent, then, Russia's national debt, like ours, is held direct by the people; and to this extent Russia is becoming more "capitalist."

The use of State Loans, and the considerable encouragement of savings deposits—savings bank deposits rose from Roubles 1,638,000,000 to Roubles 2,461,000,000 between January, 1935, and October, 1936—are officially explained as representing "postponed consumption." Since there is a continuous slight tendency towards underfulfilment of the Plan rather than overfulfilment, there is a corresponding tendency towards a continuous inflation of wages—a rare phenomenon in private capitalist countries. This implies that, as long as prices are kept fixed, the State must either re-introduce some form of rationing or encourage workers to set cash aside for future consumption. Savings deposits and State Loans are thus regarded as a safety valve to offset the continuously rising level of money incomes. Finally, Russia has now another source of new capital; for she can envisage an active trade balance, and, with her growing gold production at falling unit costs (see the Note and Chart on page 694 of this issue), an active balance of payments. As her need to import manufactures diminishes, and her industrialisation proceeds, this last source of new capital may prove the richest.

Financial Notes

Suicide and Life Insurance.—Lord Wright has now given his judgment on the legal aspects of the appeal from Mr Justice Swift's judgment in the first court in the case of *Beresford v. Royal Insurance Company*. The appeal is allowed and *felo de se* is now a bar to claiming on a life policy. The ground on which Lord Wright based himself was the general principle *ex turpi causa non oritur actio*; and he had no doubt that *felo de se*, which is murder, is itself a *turpis causa*. In English law, it is as much murder (unless you are out of your mind) to take your own life as it is to take your neighbour's; and consequently your representatives or assignees are as certainly debarred from claiming on your policy as you yourself would be if you first murdered your neighbour and then tried to recover on his policy. The difficulty which clearly arises in reconciling this judgment with others which allow a felonious motorist to be indemnified on his third-party policy is avoided by drawing a distinction between a turpitudinous crime such as suicide and a non-turpitudinous crime such as manslaughter in a car. Practically, the judgment has the serious effect of jeopardising the savings of a man's lifetime and of impairing the security value of a life policy. Henceforward, a life policy will be unimpeachable security only to the company which issues it. Which of us can undertake that the man to whom we lend money will not commit suicide?

* * *

The Money Market.—Although one or more of the clearing banks have been calling every day this week, money has remained quite comfortable. The discount market has continued to borrow from the clearing banks against Treasury bills and from outside lenders against bonds, but there are signs that outside money is becoming a little less plentiful. In fact there were reports that some borrowers had to obtain part of their bond money from the clearing banks at one per cent. instead of from outside lenders at $\frac{3}{4}$ per cent., but other quarters stated that outside bond money was still plentiful at $\frac{5}{8}$ per cent. Business in bills was very limited. The clearing banks were not keen buyers, while the market largely missed the tender of March 19th and so had few bills to sell.

	Mar. 4 1937	Mar. 11, 1937	Mar. 18, 1937	Mar. 24, 1937
Bank rate	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$
Clearing banks' deposit rate	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$
Short loan rate:—				
Clearing banks	$\frac{1}{2}$ – $\frac{1}{2}$ – $\frac{1}{2}$ *	$\frac{1}{2}$ – $\frac{1}{2}$ – $\frac{1}{2}$ *	$\frac{1}{2}$ – $\frac{1}{2}$ – $\frac{1}{2}$ *	$\frac{1}{2}$ – $\frac{1}{2}$ – $\frac{1}{2}$ *
Others	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$
Discount rates:—				
Treasury bills	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$
Three months' bank bills	$\frac{1}{2}$ – $\frac{1}{2}$	$\frac{1}{2}$ – $\frac{1}{2}$	$\frac{1}{2}$ – $\frac{1}{2}$	$\frac{1}{2}$ – $\frac{1}{2}$

* Loans against Treasury bills and other approved bills and British Government securities within six months of maturity; 1 per cent. Treasury Bonds and other gilt-edged stocks within six months of maturity; and other collateral respectively.

The calendar is proving unusually troublesome during the last week of March. Thursday, Friday and Saturday of this week fall exactly three months after Christmas Day, Boxing Day and a Sunday, while Friday and Monday fall in the Easter holidays. Also Tuesday and Wednesday of next week correspond to the last two days of December, when no one was paying for Treasury bills. The result is that there are no Treasury bill maturities between Wednesday, March 24th, and Thursday, April 1st, and so no funds will be coming into the market. On the other hand, there will be heavy payments falling due next Tuesday for June 30th Treasury bills, while there are also the Easter currency withdrawals, and so for two days the market would normally be short of funds. Both last week and this week, however, the authorities have been buying Treasury bills maturing on April 1st and 2nd, and this will augment the market's supplies of funds over the end of March. In fact the market is having to be helped over the next few days.

The Foreign Exchanges.—The London market has been very quiet. The new French Defence Loan payments, due on April 1st, and not on March 22nd, as previously stated by us, have been the occasion for a moderate demand for francs, and the French Control has been selling sufficient francs to keep the spot rate for sterling at Frs. 106.36. Forward rates are unchanged at 50 centimes discount for one month and Frs. $1\frac{1}{8}$ for three months, but there has been practically no discount on very near positions running up to April 1st. This is because there is Defence Loan money temporarily on offer, which can be obtained up to that date at practically no cost at all. Dollars were offered at rates running from \$4.88 $\frac{3}{4}$ up to \$4.88 $\frac{1}{2}$. There has been some French selling in preparation for Defence Loan payments, but these dollars have been readily taken up by the French Control. The main influence on the rate has been the recent weakness in Wall Street, which has caused sales of American securities by foreign holders followed by the repatriation of the proceeds.

Insurance Notes

London Life Association.—The results of the annual valuation of liabilities of the London Life—including its associated companies, the Clergy Mutual and the Metropolitan Life—are given below for each of the last two years. The figure of £443,567 appearing in the 1935 results consisted of profits on realisation and revaluation of securities specially brought into account to meet a large proportion of the cost in that year of strengthening the valuation reserves:—

	1935	1936
Ordinary trading profits of the year.....	501,863	514,448
Profits on investments	443,567	...
Brought forward from preceding year	251,152	147,918
	1,196,582	662,366
To bonuses to policyholders.....	491,162	455,595
" staff pension fund	...	50,000
" strengthening of actuarial reserves ...	557,502	...
Carried forward	147,918	156,771
	1,196,582	662,366

The bases and assumptions used in valuation were the same as in 1935, namely: Rate of Interest, $3\frac{1}{2}$ per cent.; Mortality: Eastern Counties Rural Districts Table. (Future rates of reduction and future annual rates of bonus allowed for.) London Life: Reduction of Premium, $1\frac{3}{4}$ per cent. Reversionary Bonus, 30s. per cent. compound. Clergy Mutual: $\frac{1}{2}$ per cent. of sums assured increasing in the case of Whole Life Assurances by 2s. for each additional year of age over 65. Metropolitan: 4 per cent. The rate of bonus declared by the London Life is again 35s. per cent. per annum, calculated on the sum assured and existing bonuses. In the reduction of premium class the rate of reduction for the second successive year is 3 per cent.; the rate for some years prior to 1935 was 2 per cent., and it is once more stated that 3 per cent. must be regarded as exceptional. The bonus declared for the Clergy Mutual policies is the same as in 1935, namely a minimum reversionary bonus of 4 per cent. of the sum assured, but the rate of reduction of the Metropolitan has been reduced from 10 per cent.—the 1935 rate was a special one to mark the occasion of that Society's centenary—to 5 per cent., which compares with 4 per cent. in 1934.

* * *

New business fell from £2,806,000 to £2,702,000, of which £1,502,000 was assured without profits, £649,000 in the reversionary bonus class, and £551,000 in the reduction of premium class. Sinking fund business showed a large reduction from £1,080,000 to £485,000, while consideration moneys for immediate annuities fell from £168,000 to £126,000. Due, no doubt, to an increase in staff pension business, deferred and reversionary annuity contracts were issued for £216,000

per annum against £145,000 per annum in 1935. The net rate of interest earned on the total funds was £3 17s. 8d., compared with £3 19s. in the previous year; the corresponding rates earned on the valuation liabilities were £4 3s. 11d. per cent. and £4 5s. 9d. per cent. The London Life does not pay commission and in consequence the expense rate is extremely low at £5 5s. 8d. per cent. of the premium income. Total assets increased from £28,062,000 to £29,279,000. Loans were £8,023,000 against £7,324,000, and British Government Securities £4,284,000 against £4,101,000, but Indian, Colonial and Foreign Government Securities fell sharply from £2,855,000 to £2,132,000. Debenture and Preference Stocks both showed moderate increases, while Ordinary stocks increased from £2,663,000 to £3,152,000. The investment reserve fund remains unaltered at £1,400,000, and other specific reserves account for a further £632,000. In addition, the aggregate difference between market and book values of assets is given as "well over £1,000,000." There is thus an excess over valuation requirements on December 31st last of well over £3,000,000, equivalent to about 13 per cent. of the actuarial reserves.

* * *

Scottish Amicable Life Assurance.—Last year was the first of a new valuation quinquennium. In spite of a reduction in the compound rate of bonus declared for the quinquennium ended December 31, 1935, from 42s. 6d. per cent. per annum to 40s. per cent. per annum, this company succeeded in obtaining record new business of £2,073,000, compared with £1,964,000 in 1935. On this occasion a change of practice has been made in combining the life assurance and annuity funds, while the balance sheet no longer shows separate assets for the annuity fund, although it continues to do so for the capital redemption fund. On the combined life and annuity fund the net rate of interest is £4 2s. 7d. per cent., an increase of 1s. 11d. per cent. over the corresponding 1935 rate. Death claims increased from £291,000 in 1935, which was, however, a year of exceptionally light mortality for the company, to £327,000. The actual claims were only 87 per cent. of the amount expected by the A1924/29 table, against 77 per cent. in 1935. As might be expected from the age of the Society—the present is the one hundred and eleventh Annual Report—the average age at death is high, at 68.7 compared with 66.9 in the previous year. Out of 256 deaths indicated in 1936, seven were over 90 and only 116 under age 70. Total assets increased from £12,464,000 to £12,738,000, and their aggregate market value is very substantially in excess of the corresponding book value. Among loans, the only noteworthy change is the introduction of a new sub-title, "Parochial and other Public Rates," against which appears the sum of £335,000. British Government Securities at £3,032,000 were £230,000 smaller, but Debentures increased from £2,529,000 to £2,734,000, while Preference and Ordinary Stock holdings were both larger. There is every reason to believe that the earnings last year were ample to meet the current cost of bonus at the rate last declared.

* * *

Provident Association of London.—New life assurances amounted last year to £2,210,000, compared with £2,299,000 in 1935, and the net rate of interest on the total funds fell from £3 19s. 1d. per cent. to £3 17s. 11d. per cent. The life assurance fund increased during the year from £9,132,000 to £10,044,000, but the bond investment and endowment certificate funds (these classes of business are very similar to sinking fund assurances but in some cases participate in profits) from which £50,000 was again transferred to profit and loss account, fell further from £1,161,000 to £823,000. The Provident Association has now stiffened its rates for annuity business, and probably this accounts for the decrease in the annuity consideration moneys from £706,000 to the still very large sum of £539,000; even now, however, the rates for annuities are exceedingly attractive. The distinctive feature of the company lies in the facilities offered in conjunction with life assurance

or sinking fund policies for house purchase. The total of such mortgages outstanding at the end of 1936 was £7,132,000, representing 53 per cent. of the total assets, and relating to 17,228 borrowers. These loans appear to be in a satisfactory condition; in 24 cases the properties mortgaged are in possession, while in 72 cases interest is more than six months in arrears, leaving 17,132 mortgages in which interest is paid to date or is in arrears for a period not exceeding six months. These statistics may be taken as exhibiting the full position, as we understand it is not the practice of the Association to substitute new mortgages to include interest arrears.

* * *

The annual actuarial valuation of liabilities has been made on the same stringent interest bases as before, namely, $2\frac{1}{2}$ per cent. for life policies, 3 per cent. for sinking fund policies and $3\frac{1}{2}$ per cent. for annuities. Bonuses are declared on the ordinary life assurance policies at the high rate of 50s. per cent., calculated on the sum assured, thus repeating the declarations for each of the previous eight years. In the case of a special and predominant type of policy, which includes the life assurance element, the bonuses are smaller but are relatively as attractive. The financial position of the Association is very satisfactory. Total assets amount to £13,398,000, of which the above described type of mortgage accounts for £7,132,000, and policy loans for £125,000. Stock Exchange securities amount to £5,971,000 and stand in the books at or under cost; this method of valuation is stated to give a substantial margin compared with market values. In addition, there is an investment reserve fund of £500,000 and other free reserves of nearly £1,000,000. Possibly because its functions are so closely identified with house purchase this office has, perhaps, not received as much attention as some of its compeers. Nevertheless, in addition to a high degree of security it offers advantages which fully entitle it to take honourable rank among the many first class life assurance companies in this country. If we might venture, however, to make a suggestion, it would be that the form of the accounts might with advantage be brought more into line as regards presentation with those with which the general insuring public is more familiar. At present there is much descriptive detail which, nevertheless, leaves the reader in a little doubt whether he has fully understood some of the points discussed.

* * *

Merchants' Marine Insurance.—Marine premium income, which has fallen steadily for many years—in 1927 it was £400,000—suffered a further reduction last year of £3,000 to £150,000. For a number of years before 1932 the underwriting experience resulted in a large profit and loss debit balance. The company also does a small fire business, and from this branch satisfactory profits are consistently obtained. The results of the last two years are shown below.

	1935	1936
Marine	4,587	—7,857
Fire	6,125	4,676
Investment profits.....	830	1,778
Other profits	1,048	1,026
	12,590	—377
Interest	—10,143	—4,528
	2,447	—4,905

The policies in the company are all guaranteed by the Employers' Liability Assurance Corporation, which owns the entire share capital. Total assets increased from £862,000 to £867,000, inclusive of the profit and loss debit balance of £399,000 against £394,000 in 1935. Among the liabilities is a loan of £150,000, while "Sundry Creditors and Short Loan" appear at £298,000. No doubt the Employers' Liability will sooner or later take steps to improve the balance sheet condition, which at present can hardly be helpful to the search for new business—though, of course, the above-mentioned guarantee, which attaches to every policy, is a more helpful factor.

THE STOCK EXCHANGE

Lead and Zinc Shares Examined

THE past six months will long be remembered in metal market annals. As we show in a leading article on page 687, copper has risen from its so-called "pivotal" price of £40 a ton to over £75 a ton. Lead and zinc can boast even greater achievements. Since last September lead has advanced from little over £18 a ton to its recent peak of £36 a ton. Spelter completed this price-doubling performance in about half the time. These unparalleled advances have naturally produced boom conditions in lead and zinc shares. During the last two weeks, however, a distinctly hesitant note has become apparent. The headlong rush has been halted, and prices are now recovering from the £30 level registered earlier this week. Is this merely a temporary check caused by speculative indigestion, or does it portend the end of the boom in metal prices? Investment policy in the immediate future must depend upon a reasoned answer to this query.

At bottom, the extraordinary boom in the metal markets may be described as accidental. A sudden expansion in industrial demand, stimulated by the geographical widening of the recovery area after the gold bloc devaluations last September, has coincided fortuitously with an exceptional demand—or, more accurately, the anticipation of an exceptional demand—arising from the accelerated armaments expenditure the world over. It is this conjunction which accounts for the anomalous features of the boom. Though speculation on an unprecedented scale has hastened the upward rush of prices, genuine consumers' demand has nevertheless provided a substantial basis for the advance. The statistical position of lead, already strong last summer, has been still further improved by the cessation of Spanish supplies. The die-casting and brass-making trades, the building industry, and even the galvanising trade, have demanded more zinc. In addition, industrial recovery in the United States has revealed a shortage of domestic supplies and imports of foreign zinc, despite the tariff, may be required. The market position was thus already tight before the announcement of the British rearmament plan, with its suggestion of large allocations for building up reserves of war material. Industrial consumers hurried frantically to secure their forward supplies, bidding, with little heed to the effect on prices, against the speculators, who have reaped a large harvest. In the short time available, the mines have, of course, been quite incapable of expanding output to satisfy the exceptional demand.

Despite this week's fluctuations, the position still bears the characteristic signs of a temporary "bull squeeze."

As soon as consumers have satisfied their requirements, disappointed speculators may be tempted to unload on a larger scale. Armaments demand, again, may pay little regard to price, but excessive prices must react adversely on civil consumption. Finally, there are few mines on which operations were suspended during the depression which could not be profitably worked at current prices. A considerable increase in effective capacity may thus be expected in the future. Larger supplies are already in sight from Canada and Mexico, from re-opened mines in Australia, from the French North African mines, and from Yugoslavia.

It would not be wise, however, to anticipate a major collapse in lead and zinc prices. There is no precedent for such a slump in these or other commodities while industrial activity is expanding. In general, however, the outlook appears to favour greater price stability at a higher level than hitherto. There is no guarantee against prices advancing still further if increased output should be long delayed. But it is at least conceivable that the major gains have already been seen.

For lead and zinc companies, the revolutionary changes in prices imply a large increase in gross revenues. In the table at the foot of this page we have attempted to analyse these increases. Ten leading producers have been selected, and on reasonable estimates of output for their current financial years, their responses to given changes in metal prices, expressed as ordinary share earnings, have been calculated. The realised metal prices in the companies' latest years are next compared with computed average prices for the current year, based on a mean price of £30 per ton for lead and zinc for the remainder of the period, and 20d. an ounce for silver. Little need be said about silver, for its price outlook is among the most certain of all commodities. So long as U.S. Treasury policy remains unchanged, silver should be virtually pegged around 45 cents or 20d. per fine ounce. Combining the calculations of increased earnings resulting from unit increases in prices with our assumed average quotations for the current year, some rough but conservative calculations of probable profits can be made for each company. In all cases, a substantial allowance has been made for increased costs. Finally, to provide some measure of the comparative response of the different shares to further changes in metal prices, we have estimated the alteration in the earnings' yield on current share quotations which would result from unit changes in price.

More noteworthy, perhaps, even than the expected increases in profits are the differences in potential earn-

Investment Notes

Treasury Control Defined.—The Treasury has now defined the scope of its control of capital exports, but hardly in a way which will please the City of London. On Tuesday, Lieut.-Colonel Colville, replying on behalf of the Chancellor of the Exchequer to Sir John Mellor, declared that four types of financial proposals should be submitted to the Foreign Transactions Advisory Committee, namely, (1) financing on behalf of foreign authorities, (2) capital offers to the public involving remittances, directly or indirectly, outside the British Empire, (3) similar offers not made to the public but the subject of application for permission to deal on the Stock Exchange, and (4) the acquisition from foreign holders of large blocks of securities (including securities dealt in on the London Stock Exchange) with a view to their sale in this country. It would seem, therefore, that both newly formed investment trusts, and existing trusts making increases of capital for which they will desire a Stock Exchange quotation, must seek the Committee's permission, and that permission will be forthcoming so long as the Committee is satisfied that the proposed investment of the new funds is in accordance with "the ordinary practice of investment trusts." What proportion of foreign investment, however, will be regarded as being within the bounds of "ordinary practice" is still a matter on which there is no official guidance. Here, it would seem, the Committee will be left to make its own interpretative precedent—a process which might be likened to the making of "case law" were it not for the fact that neither the Treasury nor the Committee has any statutory authority whatever for this form of control. Certain anomalies, quite obviously, may well arise. For example, the existing investment trusts could, apparently, switch the whole of their existing capital of over £300 millions into foreign investments without consulting the Committee, because this capital is already quoted on the London Stock Exchange. But if any of their number wished to raise an additional £100,000, and to invest part of it abroad, the Committee could veto the transaction if it considered the foreign proportion excessive. The City, which knows the value both of freedom and of discipline in a good cause, is inclined increasingly to ask: *cui bono?*

Stock Exchange Elections.—The Ballot last Monday for the election of the thirty members of the Stock Exchange Committee was uneventful. It appears that the poll was not more than two-thirds that of last year when some questions of policy were involved. Twenty-seven retiring members offered themselves for re-election and were all duly re-elected. For the remaining three places there were eight candidates, and Mr J. B. Braithwaite, Mr E. Mason and Mr C. F. Yeomans were elected by substantial majorities. Their election should strengthen an already strong and respected committee.

Wall Street Menagerie.—The Administration has been busy during the last week putting its wolf among the bears and bulls of Wall Street. And Wall Street has been suitably scared; prices have fallen almost without interruption since March 10th. This reaction from the strong upward movement was provoked by the statements made by many official speakers emphasising the concern of the administration to prevent inflation, by the growing evidence of aggravated labour troubles, by a technical market reaction, and perhaps in part by some selling on French account. The Administration has repeatedly warned the market against a return to 1929 conditions, has attempted to put on the brakes by increases in reserve requirements for the banking system, and is now talking of a possible increase in taxation on excess profits. It seems generally to be believed that this anxiety can only express itself in cries of "Wolf! Wolf!" The talk of restraint upon foreign investments, at any rate, has not been converted into specific action.

PROSPECTIVE EARNINGS OF 10 LEAD-ZINC PRODUCERS

Company (and Share Denomination)	£1 per ton on lead and zinc, and 1d. per oz. on silver = % on Ord. Cap.			Increased earnings yield at approx. current share prices from rise in metal prices			Realised metal prices in latest financial year			Assumed average prices in current year			Estimated Sterling Earnings Current Year	Latest Divs. (Sterling)	Current Price of Shares	Yields	
	Lead	Zinc	Silver	Lead £1	Zinc £1	Silver 1d.	Lead	Zinc	Silver	Lead	Zinc	Silver				On Latest Div.	On Estimated Earnings
Broken Hill S. (5s.).....	% 6.1	% 3.9	% 1.0	0.68	0.43	0.11	£ 16.2	£ 15.2	d. 26.4	£ 24.5	21	d. 20	% 88	50.0	21	% 5.6	% 9.8
Burma Corp. (Rs.9)	0.8	0.4	0.3	0.48	0.24	0.18	16.2	15.2	24.5	24.5	21	20	15t.	8.6t.	22/6	6.8	11.8
Fresnillo (no par)	9 cents	9 cents	13 cents	2.02	2.02	2.92	16.2	15.2	26.4	24.5	21	20	\$1 per sh.	50 cents	18/11	11.0	21.9
Mexican Corp. (10s.)	1.8(a)	1.8(a)	2.6(a)	1.93	1.93	2.77	16.2	15.2	26.4	24.5	21	20	20	10	9/-	11.1	22.2
Mount Isa (£1)	1.9	1.1	0.6	1.75	1.01	0.56	16.2	15.2	26.4	24.5	21	20	12	20	20/7 1/2	4.4	9.1
N. Broken Hill (5s.)	8.0	4.7	1.9	0.58	0.34	0.14	16.2	15.2	26.4	24.5	21	20	128	62	31	4.4	15.7
San Francisco (10s.)	3.0	1.1	1.2	1.22	0.45	0.49	16.6	14.9	20.3	27	25	20	40	11.2	25/3	4.4	22.0
Sulphide Corp. (£1 Pref., 15s. Ord.)	2.9	2.9	1.0	3.05	3.05	1.05	16.6	14.9	20.3	27	25	20	P.25	10	P.22/9	8.8	28.3
Trepca Mines (5s.)	4.7	3.0	0.75	0.58	0.37	0.09	16.6	14.9	21.9	27	25	20	0.26	3.9	0.13/9	4.2	10.1
Zinc Corp. (£1 Pref.)	P.5.9	3.3	0.6	0.62	0.35	0.08	17.6	14.9	20.1	30	30	20	84	28.2	41/6	5.2	12.0
Zinc Corp. (£1 Pref. 10s. Ord.)	O.11.8	6.6	1.2	0.94	0.53	0.10							P.110	47.5(b)	P.9.4	4.2	12.1
													O.180	55.0(b)	O.6 1/2		

(a) Equivalent of Fresnillo equity. (b) Estimated earnings.

ings yields at current share prices, for they range from under 9 per cent. to almost 30 per cent. The explanation is to be found in disparities between the investment quality of the shares in the group. Four main types may be distinguished among the ten companies shown.

First are the old-established mines with large ore reserves. Such are the "Barrier companies"—North Broken Hill, Broken Hill South, and Zinc Corporation. For all three, increased profits this year will be due almost entirely to higher prices, for output is showing little tendency to increase. Since October, 1935, moreover, the companies' wages bill has been based on a sliding scale, increasing when lead rises above £16 a ton (Australian). On this ground alone, therefore, costs may be expected to show a rapid advance. We have assumed, in fact, that working expenses per ton of ore increase by 50 per cent. in our profit calculations—an assumption which may err on the side of moderation. On the whole, the share yields of this group are roughly comparable, and do not appear unduly to discount prospects.

In a second group we may include old mines nearing the end of their working lives. This category includes two widely different companies—Burma Corporation and Sulphide Corporation. The large capitalisation of Burma Corporation damps down the company's percentage gains from higher prices, and an increase in earnings from 8.6 per cent. tax free to only about 15 per cent. tax free appears to be indicated for the current year. Since the mine's expected life is about ten years, a current yield on potential earnings of barely 12 per cent. is obviously not excessive. Sulphide Corporation is in a different position, for the mine has only three years to run, and a return of capital (for which the company is well provided) is certain in the near future. Mining operations this year should produce a considerable increase in profits, and while the company's future plans are uncertain, the shares are perhaps not unduly priced. The large equity yields in this concern are, however, almost meaningless, for earnings are likely to bear little relation to actual distributions.

Our third group includes new mines, such as Trepca, which is fully developed though still increasing its output, and Mount Isa, at a less mature stage but enjoying a prospective life measured in decades. The anticipated advance in profits for Trepca is among the largest of the group, though in view of the political risks attaching to the share—and its vulnerability to Paris selling—the earnings yield is not over-generous. Mount Isa is now busy with a technical reorganisation for producing zinc concentrates. The company is heavily burdened with accumulated deficits, but the current rate of earnings should soon wipe them out. The shares are essentially a long-term holding, and large dividends may be dependent upon the next trade boom, rather than this.

In a final group we may include the speculative counters—San Francisco Mines, Fresnillo and Mexican Corporation. Here, superimposed on political risk, there are uncertainties due to irregularity in the ore deposits and its metal content, and to the intractability of Mexican labour. On the whole, cost uncertainties appear smallest for San Francisco Mines, whose prospects depend to a far smaller extent on silver than Fresnillo. With its relatively high yield, San Francisco ranks among the more attractive of the speculative mining shares.

In general, the substantial prospective yields shown by all lead-zinc shares suggest that the market has been basing its valuations on moderate estimates of the future level of metal prices. Further capital appreciation is probably unlikely on any large scale, unless another substantial rise in metal prices occurs. An improvement has been crowded into the narrow compass of four or five months which might well have occupied several years in more normal circumstances. Nevertheless, earnings prospects in the current year appear good. Beyond that, lead and zinc prices are too intimately connected with the wider movements of the trade cycle, and, we may add, of the armaments cycle itself, for any confident prediction.

The focus of the recent collapse has been the setback in Treasury issues, despite large scale Treasury support. This has led to an increase in short-term money rates. But the pressure of rising commodity prices, of investment demand in America, and of a growing foreign demand for iron and steel for re-armament make it unreasonable to suppose that the present market depression will be long maintained. The relative strength of the railroad issues, the pension agreement with the railroad unions, and the conference of labour and capital at Detroit, are signposts which may not prove misleading.

* * *

Curbing the Share Pusher.—Mr Justice Findlay's remarks at the conclusion of a share-pushing case last week deserve the fullest publicity. He described the frauds committed as "gross, cruel and systematic," and wished that his words "could be heard in every house in the country." "Bucket shops" are only dangerous so long as investors—chiefly those with only small sums at their disposal—remain credulous. "If only members of the public who are fortunate enough to have money to invest, or who think that a change in their investments is desirable, would get advice from their bankers or go to a firm of stockbrokers—members of the Stock Exchange, bound by the rules and traditions of their profession—this sort of fraud would cease to exist, because it would cease to be profitable." In recent months the whole matter of share-pushing has received the limelight of publicity in Parliament, in the Courts, and in all sections of the Press. Yet the public seems but little better educated than before. Too little disposition is shown to question the sincerity of offers to amass quick fortunes, or to examine the sources from which ample profits are supposed to come. At a dinner last week the chairman of the Stock Exchange Committee emphasised that the chief safeguard against the fraudulent share pusher lay in continuous exposure and warning through the medium of the press. No specific advertising campaign, it would appear, is contemplated by the Committee.

* * *

Should a Balance Sheet Tell?—Insatiable thirsters for company information, like *The Economist* and the Shareholders' Protection Association, have frequently been accused of asking for more than was discreet or safe in a competitive world where secrecy is alleged to be the better part of efficiency. The critics who believe that an appeal, say, for a holding company consolidated earnings account has a temerity approached only by Master Twist's request to Mr Bumble, should read the well-argued and forceful address which an American commentator, Mr Leland Rex Robinson, delivered recently to an audience of accountants at Dallas on the subject "Are Present Forms of Financial Statements Satisfactory?"* Mr Robinson, who has done much in furthering the progress and deploring the excesses of the investment trust movement in America, is well qualified to speak both for the private and the institutional investor. No stockholder, he believes, can ascertain the true trend of earnings unless he is given figures of gross revenue and of all deductions, normal and abnormal, made therefrom before striking the net figure. To start with net income, Mr Robinson declares, is like opening the front door to find oneself in the backyard. By varying the amount of deductions from gross, a company manipulates its net figures out of all recognition. In any case, as we pointed out recently (February 13th, page 364), an investor has a right to know the true gearing of his net profits, which depends, among other things, on the dimensions of overhead charges. Objection to the publication of gross figures is sometimes based on the fear that, when profits are declining, a company will suffer in public estimation. But this, as Mr Robinson shrewdly observes, is the very reason why, in any sound policy, the figures should be disclosed.

* Printed in "The Journal of Accountancy," December, 1936. Issued by American Institute Publishing Co., Inc., Concord, N.H.

Company Notes

Vickers' Prospects.—Since the declaration of the 10 per cent. dividend three weeks ago, Vickers 10s. shares have been subdued. The report, so far as it discloses the profits of the group, shows satisfactory progress for 1936. Net trading profits and dividends received have advanced from £1,368,279 to £1,619,243, and the 10 per cent. dividend is covered by earnings of nearly 16 per cent, leaving £275,000 to be credited to reserve and carry forward. The following table analyses the results of the parent company for the past three years:—

	Years to December 31		
	1934	1935	1936
Net trading profit	970,352	1,368,279	1,619,243
Tax and interest charges	357,091	440,174	456,633
Preference dividends	418,190	418,190	418,190
Ordinary shares :—			
<i>Earned</i>	195,071	509,915	744,420
<i>Paid</i>	190,890	254,520	469,528
<i>Earned %</i>	6.1	16.0	15.9
<i>Paid %</i>	6	8*	10
To reserve	...	242,009†	250,000
Carried forward	228,222	241,608	266,500

* And 50 per cent. capital bonus. † Also direct transfers of £2,710,572.

This, however, is only a partial record. The Vickers-Armstrongs earnings are even more impressive. Trading profits have advanced from £1,085,755 to £1,465,746. After providing an undisclosed amount payable under a profits guarantee policy in 1935 and £250,000 for its cancellation in 1936, the "A" preference dividend of this concern has now been paid up to January, 1936. Assuming normal preference dividends and without charging the £250,000 paid under the guarantee policy, earnings on the ordinary shares, which are entirely held by Vickers with the rest of the share capital, would have been equivalent to 8.9 per cent. To these results, in turn, the English Steel deferred dividend made a significant contribution. All branches of the Vickers organisation in land, sea and air, face an active year. The direct armament interests of Vickers-Armstrongs will again be fully occupied; any immediate expansion in the general engineering and shipbuilding interests may be limited for this reason. But the Metropolitan-Cammell and Associated Electric interests are likely to make further progress. The prospects, indeed, look propitious, but the market "form" of Vickers is, perhaps, as certain over the next few years as any share in the Stock Exchange List. The investor may reasonably expect, first, the writing up of the shares from 10s. to the former parity of £1 and, secondly, the payment of a 10 per cent. dividend on the new shares. The prospects thus favour gradual appreciation in the shares from the present level of 33s. 1½d.

* * *

Baldwins' Progressive Report.—The market, which had viewed the Baldwins' dividend without enthusiasm, was well satisfied with the full report, and the shares were marked up. The heavy steel associated company, Guest Keen Baldwins, showed a spectacular increase in trading profits from £258,890 to £609,201—the result of the first year's operation of the new plant at Cardiff—and its net profit increased from £95,104 to £220,950, after a payment of £50,000 for special depreciation and £50,000 for contingencies. Baldwins Limited has therefore benefited from the heavy steel company's return to the dividend list with a payment of 2½ per cent. But the business of Baldwins itself has shown an appreciable expansion—largely, no doubt, because of the hardening of the price structure in the home and export markets in sheets and tinplates—and the £118,194 increase in profits

to £630,440 is due mainly to that cause. The following table shows the earnings in the last three years:—

	Years to December 31		
	1934	1935	1936
Gross profit	502,642	512,246	630,440
Fees, pensions, etc.	16,548	17,765	21,479
Depreciation	75,000	75,000	75,000
Tax	68,535	74,256	125,395
Interest	254,259	138,652	133,598
Preference dividend	50,766	50,640	29,439
Ordinary shares :—			
<i>Earned</i>	37,534	155,933	245,529
<i>Paid</i>	26,595	96,588	158,520
<i>Earned (%)</i>	3.5	12.1	15.5
<i>Paid (%)</i>	2½	7½	10
Reserve	...	50,000	50,000
Carry-forward	36,005	45,348	45,439*

* After paying £36,918 in respect of prepayments to converting debenture stockholders.

The company has now finished its extraordinary series of conversions of the prior charges, which have, in the space of three years, changed the capital structure from extreme unwieldiness and complexity to a well-balanced simplicity. The board has taken full advantage of the favourable fall of redemption duties, so that by the end of next year no debenture stock will remain. This places the ordinary shares on a much more stable basis than other steel companies' shares, and at 11s. 6d., with the potential earnings yield, if the 1936 profits are maintained, of just over 5 per cent., they look reasonably valued.

* * *

Thomas Firth and John Brown.—This concern produces special steels, and is thus of direct re-armament interest. Jointly with English Steel, it controls Firth-Vickers Stainless Steels. It is not surprising, therefore, to find that trading profits have increased by 13 per cent. to £656,018, although this rate of increase is perhaps more moderate than some investors had expected. The 15 per cent. tax-free dividend is comfortably covered by earnings of 26.5 per cent., and the directors have again placed £100,000 to general reserve after providing £92,000 (against £72,000) for depreciation. The results are tabulated below:—

	Years to December 31		
	1934	1935	1936
Trading profit	483,458	580,344	656,018
Directors' fees, income tax and debenture interest	66,419	154,566	173,485
Depreciation reserve	72,000	72,000	92,000
Earned for dividends	345,039	353,778	390,533
Preference dividends	194,000*	48,600	48,300
Ordinary shares (tax free) :—			
<i>Earned</i>	150,639	305,178	342,233
<i>Paid</i>	72,500	181,250†	232,500
<i>Earned (%)</i>	10.4‡	21.0	22.1
<i>Paid (%)</i>	5	12.5†	15.0
General reserve	50,000	100,000	100,000
Carried forward	46,021	69,200§	78,934

* Four years' dividend. † Paid on 1,450,000 shares. ‡ Earned rate after charging one year's dividend only on preference shares, 20.4 per cent. § After £749 issue expenses.

If 1936 brought a smaller increase in profits than would satisfy the optimists, it is evident from the balance sheet, which shows stock and work in progress at £1,092,336 against £787,000 a year earlier, that 1937 promises a record level of activity. During the past year some £357,127 was spent on additions to plant, and doubtless this will serve to relieve the pressure of orders on capacity during the current year. At 88s. the ordinary shares offer a gross yield of 4 12s. per cent. on dividends and 6 15s. 9d. per cent. on earnings. The company's armour-plate business will be fully occupied for some time to come, and while profits may not expand in direct proportion to output, the prospects of a stable and well-secured return are reasonably valued in the current price.

Royal Mail Lines and R.M. Realisation.—Since the position of R.M. Realisation was analysed in *The Economist* of December 19, 1936, an important clarification has occurred. One of the last uncertainties has virtually disappeared from the picture through the Nelson Company's disposal of a large proportion (believed to be rather over one million shares) of its holding of 1,760,000 shares in Royal Mail Lines. Permission to deal in these shares was obtained last week, and business commenced at around 26s. 3d. As the claims of the creditors of the assets of the Nelson Company represent fully 23s. per share, it is clear, as we have argued in these columns, that very little will accrue to the Realisation Company as a result of the liquidation of the Nelson assets. The present move obviously implies that completion of the winding up of the Nelson Company must be regarded as an early probability, and the balance of the holding of Royal Mail Lines shares will doubtless be sold as the absorptive powers of the market allow.

* * *

The contingent equity owned by the Realisation Company in the 1,200,000 Royal Mail Lines shares held by the Meat Transports Company may also be left out of consideration in assessing the R.M. Realisation position. Apart from the R.M. Realisation's interest in direct holdings, amounting to 1,040,000 shares in Royal Mail Lines, the improvement in the latter company's position will not benefit the Realisation shareholders to any greater extent than, say, £250,000. This represents no more than 5s. per share of the Realisation Company's capital, a figure which stresses the degree of irresponsibility in the fantastic estimates circulated in recent months. Taking Royal Mail Lines ordinary at 25s. and applying the formula given on page 309 of our issue of February 8, 1936, we would adjust our estimate of the value of R.M. Realisation to 27s. 5d. nominal of Union Castle ordinary plus 6s. cash. The present price of 57s. 7½d. for R.M. Realisation thus puts the very high valuation of 37s. 9d. on the Union Castle ordinary, if our conclusions are correct. E.D. Realisation ordinary, by the same lines of reasoning, represent 27s. 4d. nominal of Union Castle ordinary plus 10s. 2d. cash. The current price of E.D. ordinary of 48s. 9d. therefore puts a price of 28s. 3d. on Union Castle Ordinary which, although generous, appears less excessive than the result of the R.M. Realisation calculation.

* * *

Mersey Power.—The Mersey Power Company's business differs somewhat from most electricity undertakings. The company serves a small but densely industrialised area on the south bank of the Mersey, and presumably depends on these industries for the bulk of its



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load. Its expansion of revenue during 1936, therefore, has been impressive, as the following table shows:—

	1934	1935	1936
Revenue from current	236,299	235,947	269,929
Net profit	121,974	129,755	140,440
Depreciation	50,000	55,000	57,500
Debt interest	8,750	8,750	8,741
Preference dividend.....	33,000	33,000	33,000
Ordinary shares :—			
<i>Earned</i>	30,224	33,005	41,199
<i>Paid</i>	29,789	34,754	37,236
<i>Earned (%)</i>	6.0	6.7	8.2
<i>Paid (%)</i>	6.0	7.0	7.5
Carried forward	5,258	3,511	4,510

It is also appropriate that, since the undertaking may lack something of the characteristic earnings stability of the supply industry, it should lean rather to the habits of manufacturing industry in its financial policy, providing handsomely for depreciation when times are good. If provision for depreciation had been made on our standard scale, earnings for last year would have been equivalent to as much as 12 per cent. on the ordinary shares, which stand at 34s. 6d.

* * *

British Power and Light.—This company, the most recently formed large undertaking in the electric supply industry in which the investor is interested, was not favoured at its birth in 1929, immediately before the depression. In addition to this blow from the Fates, the company suffered tribulations of its own, for its principal subsidiary, the North Wales Power Company—with its hydro-electric generation—experienced shortages of rainfall in 1929-30, and again in 1933-4. The report states that for 1935 and 1936 the rainfall was still sub-normal. The figures set out below show that a cautious policy is still being followed, for the dividend is covered with a wider margin of earnings than is customary in the industry:—

	1934	1935	1936
No. of units sold (millions)	97.8	114.0	128.8
Revenue from sale of energy...	541,523	619,000	705,208
Net revenue	318,713	364,514	401,383
Depreciation	84,683	93,906	112,631
Interest, etc.	100,598	70,542	68,395
Income tax	30,125	38,531	49,740
Preference dividends	32,550	46,500	45,937
Ordinary shares :—			
<i>Earned</i>	70,757	115,035	124,680
<i>Paid</i>	49,133†	76,614	87,697
<i>Earned (%)</i>	5.3	9.0	8.5
<i>Paid (%)</i>	34.1†	6%	6%
Carried forward	40,954	41,195	62,015*

† Dividend for nine months period of holding company, earnings as reported by the company for the full calendar year 1934. * After crediting £5,384 dividends and writing £23,045 off investments.

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The report of the North Wales Power Company shows that, in the last three years, a contingency reserve of £60,000, to provide against variations of rainfall, has been provided out of earnings. In addition, the company provided an extra £10,000 last year for depreciation, although the previous rate had closely fitted our standard scale. Ignoring this extra provision, the earnings for the year would amount to 8.7 per cent. on the ordinary capital outstanding at the end of the year, and at the current price of 27s. 3d. the shares show the attractive earnings yield of almost 6½ per cent.

* * *

Scottish Power Report.—During the last two years this group's interests in subsidiaries (which may be assumed to approximate to the capital expenditure of the operating undertakings) have grown from £6½ millions to £7½ millions at the end of 1936. The table below shows that trading profit has achieved a more rapid increase, and the group appears to be approaching the point at which earnings, assessed conservatively, cover the dividends paid:—

	1934	1935	1936
Trading profit of undertakings*	498,932	552,706	628,218
Depreciation and other reserves	129,406	163,120	191,689
Income tax	45,607	56,983	72,823
Net expenses of holding co.† ...	23,074	29,764	28,893
Preference dividend (net)	102,300	102,300	100,650
Ordinary { <i>Earned</i>	199,545	200,539	234,163
<i>Paid</i> (8% each year)	198,400	200,259	231,800

* Including interest capitalised. † Including interest.

It is impossible to compare the company's provision for depreciation with our usual standard, since a great part of the capital expenditure doubtless represents civil works connected with hydro-electric generation, on which depreciation is small. It is probable, however, that last year's appropriation was equivalent to our standard. The company's provision for income tax, however, appears to be based only on the tax actually paid in the course of the year. If income tax is provided at the standard rate on the dividends paid, an additional allocation of some £30,000 would appear to be required, and this would have reduced the ordinary earnings to a little over 7 per cent. If the past year's expansion is repeated, earnings in 1937 should prove sufficient to cover the dividend paid on the most conservative calculation.

* * *

Clyde Valley Electrical.—The earnings for 1936 of the Clyde Valley undertaking are rather disappointing. Despite the substantial increase in revenue from the sale of energy, the earnings available for the ordinary stock, after the allocation to contingency fund (which is again approximately the same as depreciation on our standard scale) show practically no increase. Of the £220,000 added to gross revenue since 1934, the increase in the fuel bill has absorbed as much as £100,000. The earnings record since 1934 is analysed below:—

	1934	1935	1936
Revenue from sale of energy ...	801,550	903,564	1,023,627
Net profit	384,890	410,320	428,781
To contingency fund	155,000	180,000	200,000
Preference dividends	58,000	58,000	58,000
Ordinary { <i>Earned</i>	171,890	172,320	170,781
<i>Paid</i> (8% each year)	168,000	168,000	168,000

Partly, no doubt, the rather striking proportion of increased revenues absorbed by fuel costs is due to the increasing price of coal. But this can hardly tell the whole story, and the figures suggest either that the

average rate paid by domestic consumers has decreased substantially, or that the increasing industrial load (of which, no doubt, shipbuilding accounts for a substantial part) has been supplied at a very low price.

* * *

Bournemouth and Poole Electricity.—Commenting on this company's parent, County of London Electric, a fortnight ago, we stressed the success of the company's new commercial policy. Bournemouth and Poole now appears to be achieving even greater progress by similar methods. In 1934 the company reduced its charges, inaugurated assisted-wiring schemes and hire purchase of apparatus, and opened new showrooms. The results for 1935 did not show their fruit—indeed, the increase in units sold was meagre—but progress in 1936 was impressive:—

	1934	1935	1936
No. of units sold (millions)	33.7	36.5	47.1
Increase (%).	15.9	8.0	29.1
Revenue from sale of current	350,097	372,313	425,983
Net revenue, including interest, after tax	165,616	167,014	181,673
Depreciation	45,000	49,429	51,712
Debt interest	8,662	10,850	10,675
Preference dividends	11,408	11,462	11,277
Ordinary stock :—			
<i>Earned</i>	100,546	95,273	108,009
<i>Paid</i>	86,457	86,696	85,297
<i>Earned (%)</i>	17.4	16.3	19.1
<i>Paid (%)</i>	15.0	15.0	15.0
Amounts written off	13,814	3,000	21,235
General reserve	...	5,000	5,000
Carried forward	16,500	17,077	13,554

Comparison of the 1935 and 1936 results suggests that some special factor has tended to distort the results—presumably, the introduction of the two-part tariff, which, in its year of inception, reduces the apparent

rate of progress. The 1936 increase in units sold of 29 per cent. is even more remarkable than the increase of 16.8 per cent. reported by the County company. The shares stand at 31½, to yield £4 4s. per cent.

* * *

Canadian Pacific Report.—The Preliminary C.P.R. results, discussed in *The Economist* of March 13th, are now succeeded by the full report, which suggests that the undertaking is now being usefully strengthened. Gross earnings were some 7 per cent. higher last year, but working expenses rose in the same proportion. But of the \$7,970,271 increase in working expenses, over \$4 millions was for maintenance. The 1937 programme for capital expenditure, totalling \$27,306,000, against \$6,150,000, also illustrates the resumption of a forward policy in connection with new rolling stock, which will absorb no less than \$20,723,000 of the total. The financial outlook of the undertaking is slightly more hopeful. The "Soo" guarantee has represented a serious drain of cash in recent years, but \$64,999,000 of these guaranteed bonds mature in 1938. The cash saving resulting from co-operation with the C.N.R. is still disappointingly small, being estimated at \$1,662,000 between the two companies. British investors, who now hold no less than 97 per cent. of the preference stock and 52.4 per cent. of the common, will note that the wages demands are still unsettled for the current year. The preference stock stands at 53 and the ordinary at a fairly generous price of 14½.

* * *

African Theatres.—The African Theatres' report and the chairman's remarks at this week's meeting show that cinema business in the Union is a profitable pursuit. The company, through African Consolidated Theatres, owns most of the cinema theatres in the Union.

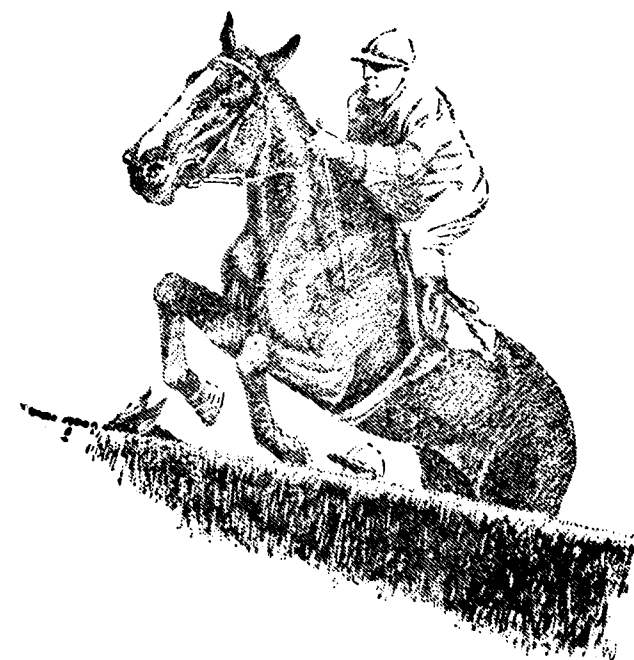
GOLDEN MOMENTS

The Grand National

Leading by a length at the last jump he romps home a splendid winner over the most gruelling course in the world—a Golden Moment for the jockey. But even he, great rider that he must be, can't smoke a better tobacco than "Cut Golden Bar" at a shilling an ounce. But it must be Wills's.



2 oz. vacuum tin



WILLS'S CUT GOLDEN BAR

READY RUBBED
in 2 oz. Pocket Vacuum Tins
and 1 oz. Airtight Tins
FLAKE FORM
in 2 oz. Airtight Tins
and 1 oz. Packets

1/-
AN OUNCE

C.B. 81 B

Prepared by the Imperial Tobacco Co. Ltd. Great Britain and Ireland, Ltd.

The growing prosperity of the entertainment industry in 1936 produced an increase in earnings of one-third, and the dividend was stepped up sharply from 15 per cent. to 27½ per cent. The bulk of the £229,415 profits was derived from the 78 per cent. owned subsidiary, whose connection with the parent concern was fully explained at the annual meeting by Mr I. W. Schlesinger. Dividends paid by the subsidiary company climbed from £20,000 in 1932 to no less than £174,000 last year, but the parent concern's £780 nominal interest in it appears in the balance sheet at par value only. The value of properties, apparently, is considerably understated at £1,361,593, for the actual value is estimated at £1,800,000, leaving a substantial surplus over the £750,327 total of debentures and secured creditors. It is proposed, however, to replace all such loans by an issue of preference shares. The detailed plans will be awaited with interest, for they involve the repayment of debentures carrying 7½ per cent. interest. The £1 ordinary shares stand at 66s. 3d.

* * *

Union Corporation Results.—In a preliminary announcement, the directors of Union Corporation report an increase of net profits for 1936 from £604,920 to £685,044. It is proposed to raise the final dividend from 5s. 6d. per share to 6s. per 12s. 6d. share (48 per cent.), which increases the total distribution for the past year from 8s. to 8s. 6d. (68 per cent.). The net profit for 1935, it will be recalled, was struck after the provision of £25,000 for staff pensions funds. For 1936, the dividends absorb £595,000, and the board also sets aside £40,000 to reserve account. A new item—"exploration reserve account"—receives £50,000, and the amount carried forward is slightly increased from £130,907 to £130,951. The 12s. 6d. shares remained unchanged on the profits figures at 10½, at which price they yield 4 7s. per cent.

* * *

Durban Roodeport Deep.—The striking expansion in last year's operations arose from the restarting of the reduction plant at Roodeport United, which this company now partly owns. The tonnage milled rose from 650,300 to 965,800, and working costs were reduced by 11d. per ton to 24s. 3d. But a sharp reduction in the grade of ore treated and the lower price received for the gold produced caused the working profit to come out only a few thousand pounds higher at £250,560. Taxation, however, required £48,120 in place of £52,600. The unaltered dividend of 12½ per cent. left a somewhat reduced balance of £223,520 to be carried forward. In 1935 capital expenditure to the extent of £199,440 was debited to appropriation account, but last year funds were provided by an issue of 160,000 shares at £2, of which only £118,190 remains unspent. A further expansion in ore treated is foreshadowed this year. Even so, the current quotation of about 67s. for the 10s. share discounts an improvement in the results, the yield on the basis of the past two years' dividends being barely 3½ per cent. Reference to the map accompanying the report indicates that something like three-quarters of the company's ground still remains to be exploited.

* * *

East Rand Proprietary.—This company's ore reserve position at the end of last year showed an improvement in average value as well as in tonnage. A slight increase in the grade of ore milled was offset by the lower average price received. The revenue of 31s. 4d. per ton was, in fact, exactly the same as for the previous year. With costs a few pence higher at 20s. 11d. per ton, the total working profit was only a trifle up at £1,178,300. Taxation charges proved lighter than in the preceding year, and after payment of dividends of 35 per cent., absorbing £630,000, as against £495,000 (27½ per cent.), the balance of £68,580 carried forward was only a trifle

below that brought in. For the current year, the consulting engineers foreshadow capital expenditure at approximately the same figure as for 1936, and a slight increase in the crushing capacity. Altogether it appears that no very substantial increase in the dividend can be looked for. On the basis of last year's payments the yield is around 4½ per cent.

* * *

Other Company Results.—Some important industries, such as Cammell-Laird, British Aluminium, and British Ropes, and also further reports from the Unilever group, are included in our usual analysis on page 739 of some 48 additional company profit-and-loss accounts. Certain of the results are discussed on page 718 under the heading of "Shorter Company Comments."

* * *

Company Meetings of the Week.—On later pages of this issue will be found the reports of the following company meetings:—Hongkong and Shanghai Banking Corporation, Mercantile Bank of India, Eastern Bank, Employers' Liability Assurance Corporation, Halifax Building Society, North-Eastern Electric Supply, Scottish Power, Law Land, African Theatres, Godfrey Phillips, Radiation, Clayton Dewandre, Pinchin Johnson, Apollinaris and Presta, Provincial Cinematograph Theatres, Maple and Company, London and Thames Haven Oil Wharves, and Sungei Siput Rubber Plantations. Mr T. C. J. Burgess discussed the London and Thames Haven Oil Wharves' interests in the new Irish refinery company. At the Scottish Power Company meeting, Mr George Balfour, M.P., described a record growth in the number of consumers served. The progress made by African Theatres, and the chairman's comments at the meeting, are discussed on page 713. Mr Edward Robson dealt with the rapid expansion of his company's sales and its bearing upon the continuance of acute competition in the paint industry at the Pinchin Johnson meeting. India's trade balance was described in detail at the Eastern Bank meeting by Mr J. S. Haskell, who alluded also to the loss of British trade in Iraq. At the Hongkong and Shanghai Banking Corporation meeting, the Hon. J. J. Paterson gave a cheerful account of the financial position in China. After commenting upon many items in the accounts of the Halifax Building Society, Sir Enoch Hill drew members' attention to the advantages of monthly investing subscription shares. At the Apollinaris and Presta meeting, the chairman reported that the Presta business had increased, despite the poor summer of 1936. Mr Mark Ostrer drew the attention of Provincial Cinematograph Theatres shareholders to the company's stability despite the growing competition from the building of redundant theatres. At the Mercantile Bank of India meeting, Lord Catto reviewed the economic position throughout the East, and the strong situation of the Bank. Mr M. E. F. Crealock discussed the nature of the demand for flats at the Law Land Company meeting. At the Sungei Siput Rubber Plantations meeting, Sir Ivor Philipps gave detailed estimates of future earnings. Sir Courtauld Thomson justified a cautious investment policy at the Employers' Liability Assurance meeting. Mr H. Yates discussed the course of costs and competition in 1936 at the Radiation Company meeting. At the Godfrey Phillips meeting, Mr Arthur I. Phillips described the financial arrangements between the company and its subsidiaries. It was stated by Mr C. C. Regnart at the Maple and Company meeting that current demand was for a distinctly better quality of goods than that demanded a few years ago. Addressing Clayton Dewandre shareholders, the chairman explained why further capital was required; funds tied up in stocks and work in progress were now running higher. Mr R. P. Sloan, at the North-Eastern Electric Supply meeting, emphasised that the results must be considered especially satisfactory in view of price reductions, and mentioned that a further reduction comes into force in the June quarter.

THE WEEK IN THE MARKETS

THE STOCK EXCHANGE

SETTLING DAYS

TICKET: APRIL 6 ACCOUNT: APRIL 8

The wavering condition of markets has continued until the eve of the holiday. Business, of course, has been limited, but further selling on French account and the aftermath of speculative excesses on the part of an international group of operators caused further falls at first in the commodity share markets. Oil and copper shares suffered most of all, and the rubber group made slighter progress than more favourable market circumstances would have warranted. Improvement, when it came, was too late to be significant.

In the gilt-edged market, a poor opening day was reported, but the cessation of selling and some moderate bear covering produced a distinct improvement on Tuesday. Conditions remained quiet in mid-week. In the foreign market a skirmish was caused by suggestions that the Brazilian debt scheme would merely be extended and not expanded, but a recovery set in later. Far Eastern issues ruled dull, and most European bonds reacted, despite an early improvement in Polish Sevens.

Home rails have enjoyed a consistently good week, without any very large business, but with continual small rises. The biggest improvements took place in prior charges. In the overseas rails market conditions were less favourable, Canadian and Argentine securities in particular suffering falls at the beginning of this week after a good showing on the preceding days.

Business in the industrial markets has been on a small scale, with prices moving irregularly. In the iron and steel section prices were lower with few exceptions. Indian Iron were erratic, and Firth Brown lower despite an increase in the dividend. Vickers held their own on the reported higher profits last year. Both motor and aircraft sections were dull. Lower prices were quoted in the electrical equipment group, and electric supply shares were fairly steady. As the week progressed support developed for brewery issues, with Guinness in the lead.

Investment support was evident in the tobacco group, where Imperial Tobacco registered good progress. Stores and provision issues moved irregularly. Early in the week good trading reports stimulated interest in the shipping section. In the miscellaneous industrials group British Aluminium were firm on publication of the report, while building materials were higher at first and lower later, Cable and Wireless junior stocks were lower on the traffic index, and Marconi Marine fell on the maintained dividend.

The oil market has encountered yet another rather gloomy week. Earlier on, French sales were large and insistent, depressing Royal Dutch and Shell in particular. But they affected Eagles almost as much with the Mexican situation still uncertain. By Tuesday Paris selling appeared to have come to an end, and after a weak start the market enjoyed a fairly universal improvement.

History has repeated itself in the rubber market. Prices have tended gradually upward, with a good demand from outside investors, but intermittent profit taking by professionals influenced by the uncertainty in the commodity market has prevented any spectacular rise in prices. After a series of very quiet weeks it would appear that a rise in tea shares is within sight at last. Prices have shown a tendency to rise, though no great activity has as yet developed.

As in the oil market, liquidation in Paris has depressed the mining market most of the week. Declines were widespread, but the sharpest falls were suffered by Rhodesians, especially Roan and Rhokana. The weakness was shared by Kaffirs despite a crop of encouraging reports. With the reversal of Continental sales on Tuesday, however, conditions improved somewhat all round.

"FINANCIAL NEWS" MARKET INDICATORS

	Mar. 17	Mar. 18	Mar. 19	Mar. 22	Mar. 23	Mar. 24
Approximate total of bargains recorded in S.E. List	11,180	11,165	11,080	12,045	9,965	9,785
Corres. day 1936.....	11,130	8,176	9,420	9,242	7,845	7,458
SECURITY MOVEMENTS						
Index of 30 Ordinary Shares (July 1, 1935=100).....	117.6	118.1	117.9	117.8	117.5	117.4
Index of 20 Fixed Interest Securities (1928=100).....	126.9	127.0	127.0	126.9	127.2	127.2

Highest 1936: Ordinary Shares 124.9 (Nov. 18); Fixed Interest 138.8 (Feb. 10).
Lowest 1936: Ordinary Shares 107.4 (Jan. 2); Fixed Interest 136.2 (Sept. 23).
Highest 1937: Ordinary Shares 124.8 (Jan. 4); Fixed Interest 136.6 (Jan. 4).
Lowest 1937: Ordinary Shares 116.8 (Mar. 16); Fixed Interest 126.5 (Feb. 28).

NEW YORK STOCK EXCHANGE

DEPRESSION was the order of the day at the beginning of the week as prices continued their downward trend, disregarding excellent business reports. Labour troubles spreading in Detroit and elsewhere were largely responsible for this condition. The Administration's warnings against inflation are becoming more intense, and the possibility of increasing taxation to cut off the top layer of inflationary profits has been raised, although without a great deal of conviction as yet. Later in the week there was a slight change for better in a fairly light volume of trading. Steels, railroads and copper issues were in the lead, and even Government bonds were able to record a slight gain on balance. One of the disturbing factors with which the market is trying to reckon is the budget outlook; taxation revenue is not coming in as fast as budget estimates, and although the President hopes that higher taxation will not be needed next year, not everybody agrees with his optimism. The labour front is the scene of heavy action. Although open warfare has been postponed for the time by the agreement of officials of Chrysler to meet John L. Lewis, both parties said they came to conference only under duress, and any truce is likely to be troubled. Ahead lies the hardest nut for labour to crack, the unionisation of the Ford plants. In the general weakness which has prevailed in the markets since March 10th, utilities have been about the most resistant group, partly of course because they have enjoyed but little gain in the past. The economic outlook for utility operating companies is bright.

CAPITAL ISSUES

PRE-HOLIDAY quietude has prevailed in the new issue market this week. The dual offer of *Steel and Company* of 6 per cent. £1 preference shares at par and 5s. ordinary shares at 7s. 9d. is the larger operation of the two offers made. This merger company has interests in the engineering, casting, builders' merchanting and air-conditioning trades, but the most impressive increase in profits has recently come from one of the three companies acquired. The mixed character of the business is evident, and the earnings yield of 12½ per cent. on the issue price of the ordinary shares is no higher than their investment quality appears to warrant. *Trafalgar Engineering*, an electrical plant manufacturing concern, has a capital of no more than £90,000, in 2s. shares, of which 725,000 shares are offered at 75 per cent. premium. The profits record of this company puts even recent issues in the shade. For the last three complete years profits have been £1,274; £3,209; and £5,991, and for the latest six months no less than £11,803. Taking the latter figure as the basis for a calculation of annual earnings, a rate of 23½ per cent. is shown on the issued capital—or 13½ per cent. at the price of issue of the shares. Contrasted with this estimated figure, the actual earnings ratio on the issue price over the past 3½ years is under 3 per cent. Statements for information only have been published by *The Plessey Company* and *Wales Dove Bitumastic*.

TOTALS OF CAPITAL ISSUES DURING WEEK

Net Sales of National Savings Certificates, Week ended March 20, 1937, Dr. £50,000.

	Nominal Capital	Conversions	New Money
To the Public	230,833	£	325,521
To Shareholders only	518,050	...	747,661
By Stock Exchange Introduction	2,163,455	...	3,720,996
By Permission to Deal	4,106,122	...	6,758,479
Total Capital Raised—			
Including Conversions	£	£	£
1937 (New Basis)...	146,181,512	114,844,970	Whole Year (New Basis)—
1937 (Old Basis)...	71,584,493	42,972,851	1936 ... 642,017,245
1936 (New Basis)...	138,808,588	94,738,085	1935 ... 698,313,125
1936 (Old Basis)...	106,050,296	61,879,793	Whole Year (Old Basis)—
January 1 to date (Old Basis)...	95,922,358	27,596,301	1936 ... 402,470,003
1935	63,375,661	20,116,353	1935 ... 548,351,393
1934	...	172,980,625	1934 ... 410,980,300
1928	...	...	1933 ... 457,921,500
			1928 ... 683,000,056

(Continued on page 718)



SECURITY FIRST

TOTAL FUNDS EXCEED
£47,000,000

CLAIMS PAID, OVER
£200,000,000

Head Offices:
LIVERPOOL LONDON
North John St. Lombard St.

CANADIAN PACIFIC RAILWAY COMPANY

FIFTY-SIXTH ANNUAL REPORT OF THE DIRECTORS

YEAR ENDED DECEMBER 31, 1936

To the Shareholders:

The accounts of the Company for the year ended December 31, 1936, show the following results:—

INCOME ACCOUNT

Gross Earnings	\$ 138,562,762.76
Working Expenses (including taxes)	115,251,651.83
Net Earnings	23,311,110.93
Other Income—Net	10,198,522.23
Provision for depreciation of Ocean and Coastal Steamships	8,567,151.00
	6,631,371.23
Fixed Charges	29,942,482.16
	23,913,298.24
Balance transferred to Profit and Loss Account	6,029,183.92

PROFIT AND LOSS ACCOUNT

Profit and Loss Balance December 31, 1935	\$ 139,504,688.15
Balance of Income Account for the year ended December 31, 1936	6,029,183.92
	145,533,872.07

Deduct:

Amount credited investment reserve being equivalent to advances made to Minneapolis, St. Paul & Sault Ste. Marie Railway Company to make up deficiency in amount available to meet interest obligations for year 1936 guaranteed by Canadian Pacific Railway Company	\$ 3,659,645.32
Loss on lines abandoned and on property retired and not replaced	3,857,399.34
Miscellaneous—Net Credit	15,875.98
	7,001,168.68

Profit and Loss Balance December 31, 1936, as per Balance Sheet

138,532,703.39

NOTE.—Subsequent to the end of the year, a dividend of 1 per cent. on the Preference Stock, amounting to \$1,372,569.21, was declared from the earnings of the year 1936, payable April 1, 1937.

The balance of Income Account resulting from the operations of the year 1936 available for transfer to Profit and Loss Account was \$3,197,100 greater than in 1935.

RAILWAY EARNINGS AND EXPENSES

The results of railway operations in 1936, compared with 1935, were as follows:—

	1936	1935	Increase
Gross Earnings	\$ 138,562,763	\$ 129,674,905	8,883,858
Working Expenses (including taxes)	115,251,652	107,261,381	7,970,271
Net Earnings	23,311,111	22,397,524	913,587

In 1936 working expenses, including taxes, amounted to 83.18 per cent. of gross earnings, as compared with 82.73 per cent. in 1935. Excluding taxes the ratio was 80.13 per cent. as against 79.56 per cent. in 1935.

Gross earnings showed an improvement each month over the corresponding month of the previous year, the total increase being \$8,883,858 or 6.9 per cent. The increase during the first three quarters of the year was 8.6 per cent., whereas in the last quarter it was only 2.6 per cent. The less favourable showing in the last quarter was due in large measure to the extraordinarily small grain crop which followed the severe drought in Western Canada.

Passenger earnings increased \$509,708 or 3.4 per cent. Effective June 1st, the passenger surcharges, included as part of sleeping and parlour car fares, were eliminated, and the basic fare for passengers in coaches was reduced from 3.45c. to 3c. per mile. All through fares between points competitive with United States railroads were also adjusted to meet the reductions ordered in Eastern United States by the Interstate Commerce Commission.

Freight earnings increased \$7,669,508, or 7.8 per cent., gains being recorded in practically all the principal commodities.

Working expenses increased \$7,970,271, or 7.4 per cent. More than one-half of the increase was in maintenance expenses, which were \$4,432,378, or 10.4 per cent., higher than in 1935. Almost the entire increase in maintenance of way expenses resulted from the inclusion of the whole of the Company's proportion of maintenance expenditures incurred by reason of the agreement with Dominion Government to provide work for approximately 5,000 unemployed men transferred from the relief camps which were being closed by the Government. The Government paid the wages of these men and certain incidental transportation and other expenses aggregating approximately \$1,323,000. The Company absorbed the cost of materials applied, of work train service, and of all supervisory and overhead expenses, the maintenance proportion of which amounted to approximately \$1,605,000. Snow removal expenses were somewhat heavier than in 1935. The greater part of the increased maintenance of equipment expenses was in passenger car repairs, which increased \$1,760,000. During the year 129 passenger cars were air-conditioned, involving heavy expenditures, partly chargeable to capital and partly to maintenance. Charges for retirement of rolling stock and depreciation of inland steamers were approximately \$1,024,000 greater than in 1935.

Transportation expenses increased \$2,394,237, or 5.0 per cent. The ratio of transportation expenses to gross earnings was reduced

from 36.6 per cent. in 1935 to 36.0 per cent. in 1936. The following averages indicate the continued improvement in freight train operations:—

	1931	1933	1935	1936
Gross tons per freight train mile	1,389	1,515	1,546	1,557
Gross tons per freight train hour	21,766	23,849	25,051	25,370
Pounds of fuel consumed per 1,000 gross ton miles freight	116	112	103	108

The scale of deductions from basic rates of pay of officers and employees made effective in 1935 was continued throughout 1936. During the year conferences were held between representatives of the Canadian railways and of their employees to discuss the request of the latter for the complete restoration of basic rates of pay. It was not considered that conditions warranted the granting of this request. This led to the application by the employees for the appointment of a Board of Conciliation under the terms of the Industrial Disputes Investigation Act. A Board was appointed and hearings took place in November and December. At the close of the year the Board had not made its report.*

OTHER INCOME

There was a substantial improvement in Other Income, the increase over 1935 amounting to \$2,053,027.

Dividends increased \$1,251,467. Cash dividends received from The Consolidated Mining and Smelting Company of Canada, Limited, included under this caption, amounted to \$3,365,000, an increase of \$1,177,750 over 1935.

Net income from interest, exchange, separately operated properties and miscellaneous increased \$493,993.

Net earnings from ocean and coastal steamships before depreciation increased \$317,266. There was a substantial increase in the gross and net earnings of the coastal services, reflecting the improvement in general conditions. Net earnings of ocean services were approximately the same as during the previous year. Net earnings of cruise services decreased substantially, due primarily to the change in the itinerary of the world cruise of the "Empress of Britain" made necessary by the disturbed conditions in the Mediterranean. Gross earnings of Atlantic services increased substantially but were offset by the cost of handling the additional traffic, increase in price of materials consumed, increased cost of repair work owing to higher wage rates, and an increase in seamen's wages in accordance with agreement with the National Maritime Board. Gross earnings of Pacific services increased slightly, and the expenses were considerably less than in 1935 owing principally to more favourable exchange rates. The increase in net earnings from these services was approximately equal to the reduction in net earnings from cruise services. During the year 1936 the Company's steamships made 136 regular voyages on the Atlantic, 25 on the Pacific and 35 cruises. Your fleet suffered no casualties during the year, and, apart from the disposal of one of the older coastal vessels and a transfer barge, no change was made in the fleet.

Net earnings from hotel, communication and miscellaneous properties decreased \$9,699. Your hotels enjoyed substantially increased patronage. The net earnings for the year amounted to \$672,796. While your hotels have been maintained in first class condition and the equipment modernised from time to time, the cost of renewals and replacements being charged to expenses, no provision has hitherto been made for obsolescence. After careful study of the situation, it has been decided to make an annual appropriation for this purpose. Accordingly, an amount of \$620,094 was transferred from the net earnings of hotels to hotel depreciation reserve.

STEAMSHIP DEPRECIATION

The full annual depreciation requirement for your ocean and coastal fleets, amounting to \$3,567,151, was appropriated from Income Account.

FIXED CHARGES

Fixed charges were \$246,639 less than in the previous year. This saving was due principally to the retirement of the remainder of the Five Year Notes held by the Canadian Chartered Banks out of the proceeds of new bond issues sold in Canada at lower rates of interest.

FINANCE

There were issued and sold during the year \$15,000,000 Collateral Trust Bonds dated February 15, 1936, secured by pledge of \$18,750,000 Perpetual 4 per cent. Consolidated Debenture Stock. This issue consisted of \$5,000,000 Serial 3 per cent. Bonds maturing in amounts of \$1,000,000 on February 15 in each of the years 1937 to 1941 inclusive, and \$10,000,000 Convertible Fifteen Year 3½ per cent. Bonds maturing February 15, 1951. The holders of

* Under date of January 30, 1937, the Board of Conciliation recommended: "That the existing deduction from basic rates of pay of 10 per cent. be reduced to 9 per cent. on February 1, 1937, as proposed in conciliation conferences by the railways, and that further fixed reductions during the year be put into effect unconditionally, namely, a reduction to 8 per cent. not later than August 1, 1937, and a reduction to 7 per cent. not later than November 1, 1937."

While the railways have expressed their willingness to accept the recommendation of the Board as the basis for an agreement, and have changed the percentage deduction from 10 per cent. to 9 per cent., effective February 1, 1937, the employees have indicated that they are not prepared to adopt the recommendations. The matter is still unsettled.

LONDON HOTEL SITE

In view of the necessary delay in the development of the hotel site in Berkeley Square, London, for the purpose for which it was purchased, your Directors decided to take advantage of proposals made by an outstanding firm for the immediate construction upon it of a modern building worthy of its importance. Negotiations contemplate a lease for a period of 200 years on terms satisfactory to your Company, with a limited option to purchase the freehold at a price in excess of the cost of the property to the Company.

CO-OPERATION WITH CANADIAN NATIONAL RAILWAYS

During the year two co-operative measures previously agreed upon were put into effect under the provisions of the Canadian National-Canadian Pacific Act of 1933.

1. Abandonment of the Canadian National Railway line between Itherville and Farnham and joint operation of the Canadian Pacific line.
2. Abandonment of the Canadian Pacific line between Cyr and Edmundston and joint operation of the Canadian National line.

The total annual economy from arrangements in effect at the end of the year is approximately \$1,135,000 and the Joint Executive Committee has approved and authorised the completion of formal agreements covering other projects estimated to yield savings of approximately \$527,000, a total annual saving of approximately \$1,662,000, one-half of which will accrue to each Company.

Meetings of the Joint Executive Committee were held during the early part of the year. Subsequently, under the legislation passed at the last session of Parliament, the Canadian National Trustees were replaced by a Board of Directors. Shortly after the Board assumed its duties in October, your Directors submitted to it proposals for co-operative action in a number of competitive matters, but, no doubt owing to pressure of other matters following their appointment, the Directors of the Canadian National Railway had not communicated their views to this Company at the close of the year.

STOCK HOLDINGS

The holdings of the Capital Stocks of the Company in December, 1936, were distributed as follows:—

	ORDINARY		PREFERENCE		Percentage of Ordinary and Preference Stocks combined
	No. of holders	Percentage of Stock	No. of holders	Percentage of Stock	
Canada	26,942	18.12	99	.31	11.44
United Kingdom and other	20,483	52.40	27,220	97.11	65.64
British	16,955	24.75	30	.58	17.59
United States	4,285	6.73	307	2.00	5.33
Other Countries					
	68,665		27,686		

In conclusion your Directors again acknowledge with sincere appreciation the continued loyalty and efficiency of the officers and employees.

For the Directors,
E. W. BEATTY, President.

MONTREAL, March 8, 1937.

GENERAL BALANCE SHEET, DECEMBER 31, 1936

ASSETS		LIABILITIES	
	\$		\$
PROPERTY INVESTMENT:		CAPITAL STOCK:	
Railway, Rolling Stock, Inland Steamships, Hotel, Communication and Miscellaneous Properties	774,271,263.86	Ordinary Stock	335,000,000.00
Improvements on Leased Railway Property	96,098,217.26	Preference Stock—4 per cent. Non-cumulative	137,256,921.12
Ocean and Coastal Steamships	104,614,834.58		472,256,921.12
Stocks, Bonds and Other Securities of Leased, Controlled and Jointly Controlled Railway Companies and Wholly Owned Companies—Cost	198,279,296.26	PERPETUAL 4 PER CENT. CONSOLIDATED DEBENTURE STOCK	480,261,548.74
	1,178,263,611.96	LESS: Pledged as collateral to bonds	188,850,000.00
OTHER INVESTMENTS:			291,411,548.74
Miscellaneous Investments—Cost	26,981,389.12	BONDS AND EQUIPMENT OBLIGATIONS	195,520,500.00
Advances to Controlled and Other Companies—Net	23,023,626.50	LESS: Securities deposited with Trustee of 5 per cent. Equipment Trust	9,290,145.33
Mortgages Collectible and Loans and Advances to Settlers	2,894,093.21		186,230,354.67
Insurance Fund Investments	8,248,294.47	TWENTY YEAR 4½ PER CENT. SINKING FUND SECURED NOTE CERTIFICATES (1944)	30,000,000.00
Deferred Payments on Lands and Townsites	38,688,677.83	LESS: Purchased by Trustee and cancelled	9,785,100.00
Unsold Lands and Other Properties	32,067,441.92		20,214,900.00
	131,903,523.05	CURRENT LIABILITIES:	
CURRENT ASSETS:		Audited Vouchers	5,382,846.60
Material and Supplies	16,941,308.54	Pay Rolls	2,697,066.83
Agents' and Conductors' Balances	5,721,427.15	Miscellaneous Accounts Payable	2,256,124.90
Net Traffic Balances	1,034,366.66	Accrued Fixed Charges	1,801,981.10
Miscellaneous Accounts Receivable	5,287,214.42		12,138,019.43
Cash	23,608,315.40	DEFERRED LIABILITIES:	
	52,592,632.17	Dominion Government Unemployment Relief	4,271,922.71
UNADJUSTED DEBITS:		Miscellaneous	253,290.60
Insurance Prepaid	157,592.99		4,525,213.31
Unamortised Discount on Bonds	3,271,477.51	RESERVES AND UNADJUSTED CREDITS:	
Other Unadjusted Debits	1,507,746.69	Rolling Stock Reserve	8,166,555.08
	4,936,817.19	Hotel Depreciation Reserve	2,939,433.96
		Steamship Depreciation Reserve	39,973,240.19
		Insurance Reserve	8,248,294.47
		Contingent Reserves	7,863,904.38
		Investment Reserve	19,659,645.32
		Unadjusted Credits	5,211,360.63
			92,062,434.03
		PREMIUM RECEIVED ON CAPITAL AND DEBENTURE STOCK (Less discount on bonds and notes written off at date of issue)	66,760,351.09
		LAND SURPLUS	78,564,138.59
		PROFIT AND LOSS BALANCE	138,532,703.39
			1,362,696,584.37

E. A. LESLIE,
Comptroller.

AUDITORS' CERTIFICATE: We have examined the Books and Records of the Canadian Pacific Railway Company for the year ending December 31, 1936, and having compared the above Balance Sheet therewith, we certify that in our opinion it is properly drawn up so as to show the true financial position of the Company at that date, and that the Income and Profit and Loss Accounts correctly set forth the result of the year's operations.

Montreal, March 5, 1937.

PRICE, WATERHOUSE & CO.
Chartered Accountants.

(Continued from page 715)

Destination of Capital (Excluding Conversions)

	United Kingdom	British Empire (excluding United Kingdom)	Foreign Countries	Total
January 1 to date—				
1937 (New Basis)	87,402,224	26,289,606	1,153,140	114,844,970
1937 (Old Basis)	37,999,317	4,973,534	Nil	42,972,851

Nature of Borrowing (Excluding Conversions)

	Debentures	Preference	Ordinary	Total
January 1 to date—				
1937 (New Basis)	30,006,531	12,481,974	72,356,465	114,844,970
1937 (Old Basis)	17,227,933	7,172,202	18,572,716	42,972,851
1936 (New Basis)	48,960,390	10,576,258	38,101,437	94,738,085
1936 (Old Basis)	45,355,686	4,376,701	12,147,426	61,879,793
Whole Year (Old Basis)—				
1928	212,917,900	45,062,600	111,177,600	369,158,100
1933	222,064,300	12,733,700	9,982,500	244,780,500
1934	102,769,300	21,461,000	44,878,400	169,108,700
1935	167,185,509	31,696,741	37,265,387	236,147,637
1936	160,521,116	24,423,647	70,626,230	255,570,993
Whole Year (New Basis)—				
1935	193,599,713	48,806,822	115,118,905	357,525,440
1936	184,255,833	41,580,731	268,303,201	494,139,765

BY OFFER FOR SALE

Trafalgar Engineering Company, Ltd.—Offer for sale of 725,000 2s. ordinary shares at 3s. 6d. Manufacturers of cable-making machinery. Profits, after depreciation, before directors' remuneration, to July 15: 1934, £1,274; 1935, £3,209; 1936, £5,991; six months to January, 1937, £11,803. Net assets, £64,230, purchased for £72,499, payable by 724,993 ordinary shares (excess of purchase price, £8,269). Sterling Securities Investment Company, Ltd., take issue at 3s. 1d., including expenses. List closed 9.5 a.m., March 24th.

Steel and Company, Ltd.—Offer for sale of 85,000 6 per cent. cumulative £1 preference shares at par, and 293,334 5s. ordinary shares at 7s. 9d. Engineers and air conditioning specialists; three businesses. Combined profits, after depreciation, before directors' remuneration, years ending in: 1934, £15,326; 1935, £20,908; 1936, £31,604. Net assets £154,444, purchased for £180,671, payable by £119,005 cash, 28,000 preference and 146,666 ordinary shares (goodwill, £26,227). Basildon Trust, Ltd., take preference shares at par and ordinary shares at 7s. 6d., including expenses.

BY STOCK EXCHANGE INTRODUCTION

The Plessey Company, Ltd.—Issued capital 1,000,000 5s. ordinary shares and 250,000 5½ per cent. cumulative £1 preference shares. Manufacturing engineers. Net assets £253,835. Profits, after depreciation, years to June 30: 1934, £13,813; 1935, £32,078; 1936, £51,109. Half year to December 31, 1936, £72,502. Messrs. Rowe, Swann and Company, take preference shares at 21s., with payment of 1s. per share and pay expenses. Managing directors receive 4 per cent. on net profits.

Wailles Dove Bitumastic, Ltd.—Issued capital, 700,000 5s. ordinary shares. Business founded 1854; manufactures Bitumastic anti-corrosive paints, cement, etc., for shipping, etc. Profits, after depreciation, years ended October 31: 1934, £16,265; 1935, £23,659; 1936, £27,026. Total assets, October 31, 1936, £272,537 (goodwill, patents, etc., £76,030). Cohen, Laming, Hoare and Peter Hicks and Company take 50,000 shares at 10s. 6d. net. Managing director receives 7½ per cent. of net profits.

PRIVATE PLACINGS

British Burmah Petroleum.—This company has placed privately 84,289 8s. shares.

Decca Record Company.—A block of 125,000 shares has been placed privately at 2s. 6d. Proceeds for acquisition of further interests.

ISSUES TO SHAREHOLDERS ONLY

Booth (James) and Company.—Issue of 100,000 £1 ordinary shares at par, in proportion of one new for three held on March 17th.

Bursledon Brick.—Issue of 31,250 10s. ordinary shares at 15s. 6d., in proportion of one new for four held on March 8th.

Clayton Dewandre.—Issue of 200,000 £1 ordinary shares at 27s., in proportion of 4 new for 35 ordinary shares held on March 11th; also 100,000 1s. deferred shares at 2s., in proportion of one new for twelve held on March 11th.

Head, Wrightson and Company.—Issue of 105,000 £1 ordinary shares at 28s., in proportion of one new for two held on March 8th.

Loloma (Fiji) Gold Mines.—Issue of 75,000 5s. shares, 1s. 6d. paid, at 16s., in proportion of one for ten held on March 11th.

Sanbra.—Issue of 500,000 1s. shares at 1s. 9d., in proportion of five new for eight held on March 10th.

Labis Bahru Rubber Estates, Ltd.—Offer for sale of 61,800 £1 shares at 30s. to shareholders of vendor companies, Java United Plantations, Besoeeki Plantations and Rubber Estates of Malaya. Area 4,112 acres: 3,193 planted, 2,986 mature. Purchase price £100,000, payable by 100,000 shares. Profits, after depreciation, years to September 30: 1934 (15 months), Dr. £854; 1935, £562; 1936, £3,590. 1937 assessment, 1,377,692 lbs. Vendors take a further 18,993 shares at 30s.

CONVERSIONS AND REPAYMENTS

General Mortgage Bank of Palestine, Ltd.—Issue of a new series of 5 per cent. debentures of £P. 300,000. The 6 per cent. debentures, series P, Q, R, are to be redeemed not later than 1938 and 1939 for £P. 81,540.

UNIT TRUST

Investment Trust Units.—(Cumulative). Managers: Trust of Insurance Shares, Ltd., Trustees: Lloyds Bank. Formed March 15th; 18–21 years' duration. Offer for sale of 9,250,000 units at 17s. 6d. Initial portfolio comprises holdings in 29 investment trusts. Securities of specified companies may be added. Service charge: initial 4 per cent., and semi-annual ¼ per cent. of market value. Trustees receive from managers ½ per cent. on sale price of units created. Fund created out of ½ per cent. from service charge for future management. £25,000 deposited with Trustees. Voting rights delegated by trustees.

SHORTER COMPANY COMMENTS

COMPANY RESULTS OF THE WEEK.—Included in the recent excellent—but not unexpected—results of the heavy industries, is CAMMELL LAIRD, with profits of £150,199, nearly three times the amount for 1935. An unusually rapid improvement is shown by the advance from £19,395 to £70,405 in the earnings of PROJECTILE AND ENGINEERING. VAUXHALL MOTORS, in reporting profits of £801,751, which are 18 per cent. higher, allude to a heavy demand such that for some months it has not been possible to fill orders, although extra facilities are now forthcoming. Shipping company results again show a notable recovery: no dividends are paid, but CAIRN LINE OF STEAMSHIPS have earned £16,771 against £3,507, and LAMPART AND HOLT LINE net profits of £43,614 are more than doubled. The increase from 9 per cent. to 12 per cent. in the JOHN LEWIS AND COMPANY dividend confirms the good impression made by recent store results generally. ERICSSON TELEPHONES, besides recording a rise of £28,000 in their profits of £140,602, point out that orders in hand show an increase. THE ASSOCIATED PORTLAND CEMENT report alludes to the maintenance of selling prices, but also to higher costs for coal and other commodities. Expansion of trade is exemplified by the increases in the balance sheet items of debtors by over £100,000 to £445,985, and of creditors by some £221,500 to £764,086, but trading profit of £1,149,494 was no more than £108,000 higher. BRITISH ALUMINIUM have earned £398,930 against £296,853, recovery being such that plant long idle is being gradually restarted, and capital is required to extend the capacity of LOCHABER POWER and of NORTH BRITISH ALUMINIUM. The depreciation and reserve accounts have again been strengthened, so that together they now stand at £2,550,000 against total assets of £10,620,482. The BRITISH ROPES dividend of 25 per cent. is double the 1935 payment, the profits of £211,575 being 34 per cent. higher; a disappointing export trade has been compensated for by better home trading conditions. The 1936 profits of VAN DEN BERGH AND JURGENS are £752,252, but the results of other companies in the Unilever group, JOSEPH CROSFIELD AND SONS, WILLIAM GOSSAGE AND SONS, and JOHN KNIGHT, LTD., show only moderate progress—and in the latter case actually a small decline in net profits. Expanding purchasing power is vividly illustrated by the rise from £192,359 to £245,273 in the net profits of ROWNTREE AND COMPANY. A record level of production attained by EDWARD LLOYD, LTD., resulted in earnings of £504,077 against £250,036. Profits of the E. LLOYD INVESTMENT COMPANY amounted to £113,445. An increase of 54 per cent. in the value of sales increased GENERAL REFRACTORIES profits of £64,388 by 17 per cent. Expanding operations in all departments of TARMAC, LTD., have resulted in a rise from 6 per cent. to 7½ per cent. in dividends. CURRYS, LTD., with profits of £73,983 against £103,889 have suffered a setback on account of keener competition in the wireless trade and the effect of last summer's weather on cycle sales. A reduction from £110,183 to £63,526 in RICHARD COSTAIN, LTD., earnings is due largely to concentration of the company's activities upon Dolphin Square.

INSURANCE

CALEDONIAN INSURANCE BONUS RESULTS.—The Caledonian Insurance Company have declared reversionary bonuses for the triennium ended December 31st last at the rate of 42s. per cent. on whole life and 40s. per cent. on endowment assurances entitled to participate at that date. Interim bonuses at the same rate will be paid on all participating policies becoming claims by death or survival during the year.

APPOINTMENTS AND PERSONAL

London Brick Company announce that Mr A. T. Worboys has been appointed deputy chairman. He has been a director since 1917 and managing director since 1927.

Mr Brian Frank Wood has been appointed secretary of the Gas Light and Coke Company.

Dr Charles Carpenter has resigned from the presidency of South Metropolitan Gas Company and the chairmanship of the South Suburban and Commercial Gas companies. He will retain his seat on each of the three boards. Mr Frank Jones succeeds him as president of the South Metropolitan Gas and in the chairmanship of the other two companies. Mr A. M. Paddon has been appointed vice-president and to a managing directorship of the South Metropolitan Gas Company.

Mr Robert McDougall is retiring on March 31st from the board of McDougalls, Ltd., but is retaining his seat on the board of McDougalls Trust. Mr T. H. Fairbrother has been appointed to the board of McDougalls, Ltd.

Mr T. L. Jacks, C.B.E., has been elected a director of Trinidad Petroleum Development Company, Ltd.

Sir Ernest Sanger, J.P., L.C.C., chairman of Sangers, Ltd., has resigned from the board for personal reasons.

MISCELLANEOUS

PROVINCIAL CINEMATOGRAPH THEATRES.—Profit to January 31, 1937, £503,925, against £494,367. Ordinary dividend maintained at 15 per cent. To tax reserve £39,250, against £38,700; depreciation £97,000, against £95,000; debenture sinking fund £13,732, against £13,078; reserve £75,000, against £70,000.

CERTIFIED ACCOUNTANTS.—The next examinations of the London Association of Certified Accountants will be held on June 1st, 2nd and 3rd, in Belfast, Birmingham, Bristol, Cardiff, Cork, Dublin, Edinburgh, Glasgow, Hull, Leeds, Liverpool, London, Manchester, Newcastle-on-Tyne, Nottingham, Plymouth and Sheffield. Women are eligible under the Association's regulations to qualify as Certified Accountants upon the same terms and conditions as are applicable to men. Particulars and forms are obtainable at the offices of the Association, 50 Bedford Square, London, W.C.1.

COMPANY MEETINGS**THE HONGKONG AND SHANGHAI BANKING CORPORATION**

[Incorporated in the Colony of Hongkong. The Liability of Members is limited to the extent and in manner prescribed by Ordinance No. 6 of 1929 of the Colony]

IMPROVED CONDITIONS IN CHINA**RELATIONS WITH JAPAN****PROGRESS IN SETTLEMENT OF ARREARS OF FOREIGN DEBTS****BRIGHTER OUTLOOK FOR CURRENT YEAR****THE HON. MR J. J. PATERSON'S REVIEW**

The ordinary yearly general meeting of the shareholders of the Hongkong and Shanghai Banking Corporation was held in Hongkong on February 27th last.

The Hon. Mr J. J. Paterson presided.

The Chief Manager read the notice convening the meeting.

The Chairman said:—Ladies and gentlemen,—The report and statement of accounts having been in your hands for some days, I will, with your permission, take them as read.

After making full provision for losses and contingencies, the net profits for the year amount to \$15,107,175.19, to which must be added \$3,327,060.03 brought forward from the previous year.

After deducting the interim dividend of £400,000 paid at 1s. 3½d. and directors' remuneration there remains available for distribution \$12,085,327.66, which it is proposed to deal with as follows:—

To pay a final dividend of £3 per share (subject to deduction of income tax)	\$7,744,537.82
Transfer to bank premises account	1,000,000.00
Carry forward to new account	3,340,789.84
	\$12,085,327.66

BALANCE-SHEET ITEMS

The figures of our balance sheet have been taken at 1s. 2½d., against 1s. 3½d. the previous year, so a comparison between the two is easier than it has been sometimes in the past.

Considering that part of the readjustment of 1935 had to take place during 1936, the difference in our figures is not so great as one might have expected and can roughly be stated as follows:—

—On the liabilities side notes and current accounts are up some \$8,500,000 and \$80,000,000 respectively, while fixed deposits are down \$20,000,000, and among our assets investments and loans show increases of \$39,000,000 and \$58,000,000 each, as against a decline in bills receivable of \$20,000,000.

It is generally agreed that the trade depression which developed in 1929 has now moved away from the greater part of the world. In fact, that almost ill-omened word "boom" is again being used in regard to conditions in some countries, particularly in England and the United States. Nevertheless, there is a wide realisation that the outlook is still obscure; that there is an artificiality about the boom, if it can be called such; that in most countries the word is applied with very little real basis; and that it is liable to disappear like a pricked balloon if steps are not quickly taken to put right certain basic economic factors which are known to be awry. But apart from economic factors there is also the political situation in Europe, which gives rise to hesitation if not alarm. Our home Government are facing a very difficult task in struggling to preserve Europe from getting embroiled in a general conflict, and the many political and economic problems which they are facing are appalling in their complexity.

CONDITIONS IN CHINA

It is a relief that my task to-day is not to review the situation as it has existed in Europe during the past year. What I am called upon to do is to direct your minds to the countries in which we operate, and particularly to China, where conditions have at any rate not been so depressingly tense as in Europe.

Let us start off with China. The year 1936 has in some ways been typical of recent years. It has again been one of changes, bright periods and periods of gloom, marchings and counter-marchings. Nevertheless, the bright moments have definitely had the best of it, and, although there will almost certainly be bad patches from time to time, yet we feel fairly confident that in due course, as the stability and authority of the Chinese Government become consolidated, the outlook will still further improve. It must not be forgotten how immense is the task of unifying and governing such a great country as China. It has often been pointed out that the proper comparison is between China and Europe rather than between China and a single country. This indicates that patience is needed and too much must not be expected yet.

RELATIONS WITH JAPAN

Relations with Japan have again dominated the political scene, and the outstanding feature of the year is that China has maintained the *status quo*. In spite of difficult periods she has shown that she is more than ever determined to stand her ground. In North China, at any rate outwardly, there is little change to be seen. The Hopei-Charhar Political Council remains under the control of General Sung Che-yuan, and the autonomous regime of Eastern Hopei still exists under Yin Ju-keng.

Negotiations, or at any rate conversations, between the Chinese Foreign Office and the Japanese Ambassador, with a view to a fundamental readjustment of the relations between the two countries, have been proceeding in an intermittent way. The Chinese attitude has, if anything, stiffened up during the year, but there were occasions when compromise seemed possible. However, both sides were responsible for set-backs; there were unfortunate incidents involving death or injury to Japanese on various occasions in different parts of China, and there were also set-backs caused by the attitude of the other side. Finally, the seizure of Chiang Kai-shek at Sian and the subsequent developments in Shensi so preoccupied the Government that discussions were held up and the negotiations between the two countries remain for the moment in suspense.

THE DOUBLE TWELFTH AFFAIR

The seizure of the Generalissimo at Sian on December 12th, which the Chinese now refer to as the Double Twelfth affair, came as a great shock to China, and although he was released within a fortnight a tragedy was at one time feared.

I believe that the Generalissimo has repudiated the title of dictator. All the same, his influence is felt everywhere in China, and either directly or indirectly his hand can be traced behind most of the progressive schemes of development which have been initiated during the last few years. He has done much for China, and his removal would be a serious blow to the progress recently made. Prior to the Sian incident the country seemed to be reasonably quiet and the Central Government firmly installed, but since then there has again been uncertainty, though the plenary session of the Central Executive Committee just concluded has, we trust, cleared the air.

I must before passing on mention the change which has taken place in the status of Kwangtung. Here in Hongkong we are particularly affected by the transfer of control, and it has been

a matter of considerable interest and importance to us. We were glad to see how firmly and yet adroitly the Generalissimo dealt with the situation prevailing last summer, and while we do not expect, and indeed do not want, very rapid changes—the situation is still too impermanent for that—we look forward to close collaboration between Hongkong and Canton in all inter-connected matters and trust that the good foundation laid by his Excellency Sir Andrew Caldecott, when he visited Canton last year, will be productive of benefit to both sides.

Your board of directors fully associate themselves with the many public expressions of regret at the transfer of Sir Andrew to Ceylon after so short a period as the Governor of this Colony. Our loss is their gain. We feel sure that he will win the confidence and esteem of Ceylon as quickly as he did of Hongkong.

CURRENCY QUESTIONS

I will now turn to currency questions. In Hongkong we started the year with exchange at 1s. 3½d., rising to 1s. 3¼d., where it remained until the middle of May. By the middle of September the rate declined to 1s. 2½d., but recovered to 1s. 2¾d. at the end of the year.

After a full year's trial we may say that our new currency has worked most satisfactorily, with a minimum of fluctuations, which has been a great help to merchants.

As you all know, China is no longer on a free silver currency standard. Her currency system may perhaps fairly be termed a managed foreign exchange standard, although her currency reserves are in fact partly in foreign exchange, partly in gold, and partly in silver. But the connection with silver is a precarious one in spite of the declaration of the Government on May 17th last that 25 per cent. of the reserve held against the note issue would be maintained in silver. It is true that silver dollars, of the old type, still circulate as a medium of payment in some of the more distant parts of China, and fair quantities are certainly hoarded, but it is probable that in time these will be melted down or come into the hands of the authorities. In due course the Government is expected to issue silver token coins, but none of these have as yet been minted.

USE OF SILVER

The arrangements with the United States made by the K.P. Chen Mission last summer, full particulars of which have not been revealed, provided, so far as is known, for the purchase by the United States of regular and substantial amounts of silver at the average monthly world prices, while China on her side agreed to enlarge the use of silver and maintain an independent currency system unlinked to any foreign monetary unit. Thus it will be seen that silver has not yet been entirely cast off, though its future influence in China seems likely to be small. The foreign banks, with the exception of the Japanese, handed over all their silver against legal tender notes early in the year, but no information is available as to the actual stocks now held by the Chinese Government. Considerable amounts have, of course, been disposed of. The legal tender note issue at the end of the year was about \$1,100,000,000—which excludes the issues of the commercial banks whose notes have not yet been entirely recalled, and of the Farmers' Bank, the position of which is somewhat obscure. According to the reports of the Currency Reserve Board, fully 60 per cent. cover against the notes of the Government banks is held in "cash," which term includes foreign currencies. These legal tender notes are now current in every province throughout China in varying degrees of popularity and they are steadily replacing other forms of currency.

SKILFUL MANAGEMENT BY CENTRAL BANK

Sir Frederick Leith-Ross has stated that the Chinese monetary reforms have been justified by their results. Everyone will agree that so far there has been no hitch, but rather there has been every sign of skilful management by the Central Bank. Occasional political scares have caused speculative manipulations, but the official rate has nevertheless been maintained without wavering, and the resources at the disposal of the Government banks have proved adequate. During the whole of 1936 the rates in Shanghai for the pound have remained between 1s. 2½d. and 1s. 2¾d., a difference of only ¼d., while the U.S. dollar rate has ranged from 29½ to 30½. These differences can be attributed in part to fluctuations in the London-New York cross rate.

I will deal with the trade figures later on, but it is obvious that the lowered rate of exchange has encouraged exports, and although imports have been adversely affected, nevertheless the steadiness of exchange has to some extent offset this disadvan-

tage. I cannot do better than quote Sir Frederick Leith-Ross's opinion of last June when he said:—

"All things considered there would appear to be every reason so far as economic factors are concerned for confidence in the present currency scheme, provided that the Chinese Government complete and carry through efficiently the programme of internal reforms including especially the reorganisation of the Central Bank and the reform of the budget."

MEASURES OF REFORM

There was much more in Sir Frederick's admirable statement which still applies with great force. He referred to the necessity of unification of the note issue, to the dependence of the currency on internal stability and to a settlement of the special situation in North China which has been, and still is, a potential danger to the Customs revenue. We understand that the Government is taking in hand the essential measures of reform which were in fact promised by Dr H. H. Kung on November 3, 1935, and while progress may seem to be slow, it is realised that Governments have many difficulties which are unknown to those outside the inner circle.

We trust, however, that it will not be long before some announcement will be made of the action taken. Managed currencies are liable to be a serious danger to merchants and bankers if the "management" is not founded on a firm and solid basis such as is implied when there is an independent Central Reserve Bank and a well-regulated budgetary system. Without such a basis "management," like monopolies, tends to become the plaything of politics instead of following natural values. Moreover, one kind of "management" leads to another. It becomes a kind of whirlpool drawing into its control industries, imports, exports, and so on until rigid State control reigns supreme.

We, of course, realise that there are few countries with a completely independent Central Bank system and that consequently politics often play a permanent part in currency matters. For this reason it will be obvious to you that very great importance attaches to the actual terms of the new Central Reserve Bank Act, which will be keenly scrutinised by all who are interested in China's currency and finance.

SIGNS OF RECOVERY

If conditions in China keep up the steady improvement which has been made recently, and if unification of the country is maintained and internal strife is avoided, perhaps China will be more willing to allow free play to the natural forces of supply and demand. The signs of recovery are clearly apparent and the excellent crops throughout the country have been a great boon, coming as they did at a time when exchange had just been fixed at a reasonably low level and when the demand for China produce was improving abroad. As a few instances we may mention the improvement in Chinese commodity prices, the rise in yarn, the demand for piece-goods, which has resulted in the reopening of closed cotton mills, and encouraging progress reported by utility companies.

Shanghai is, however, still faced with one serious handicap to entire recovery in the deadlock that exists in regard to its mortgage and real estate problem, with which is bound up the question of the right of landlord vis-à-vis tenant. There are anomalies in the laws governing these matters which require to be straightened out. Chinese property owners are just as much affected as foreigners, and we trust that the legislative authorities will deal with these points shortly, as we believe they are being urged to do.

INTERNAL DEBT CONSOLIDATION SCHEME

Early last year an internal debt consolidation scheme was presented to and accepted by bondholders, whereby the interest rate on domestic bonds was reduced to 6 per cent., and amortisation schedules were considerably extended. About the same time a recovery loan of \$340 millions was placed with the Government banks. Since then the Government have had no recourse to the domestic bond market, but have covered their requirements by other means. There have, however, been a number of provincial and railway bond issues, some of which have been secured on revenues of the Central Government.

Excellent progress has been made throughout the year in the settlement of foreign debts in arrears. Apart from the steps taken to clear off numerous commercial debts due by Government departments, the initiative taken by the Governor of the Bank of England in forming a Chinese Railway Bondholders' Committee in London has proved to be of great value and assistance. As a result of negotiations initiated by the Ministers of Finance and

Railways, terms of readjustment of the Tientsin-Pukow Railway Loans, the Honan Railway Loan, the Lung Hai Railway Loans, and the Canton-Kowloon Railway Loan have been recommended by the committee for the acceptance of British bondholders. These offers have in every case been well received in London as being the best obtainable in the circumstances.

HUKUANG RAILWAYS LOAN

A settlement of the Hukuang Railways Loan has been complicated by the international nature of the flotation, but an announcement may be expected in the near future. A settlement of the Vickers-Marconi debt has also been negotiated by another committee, and at the present moment it seems that all Chinese loans floated in London excepting the Hukuang have been readjusted as satisfactorily as can be expected. In the first few years the resultant charges on the Ministries of Finance and Railways are quite small, and this gives time for the Government to complete their plans for the rehabilitation of the finances of the country, which we see no reason to doubt can be done if political stability is assured.

Improved returns have been reported by the Salt and Internal Revenue Administrations, while the increase of \$9,000,000 in the Customs revenue for 1936 came as a considerable surprise in view of the smuggling in North China which was known to have seriously affected the collections in Tientsin and the northern ports. The Customs authorities have on the whole successfully prevented the transportation of smuggled goods southwards, but in the East Hopei district there has been practically no easing of the situation except as and when the saturation of supplies has caused a temporary slow-down in the smugglers' activities. Whatever measures the Customs take can only be palliatives, and no real solution will be possible until the political status of the East Hopei autonomous area is settled by diplomatic negotiations.

CUSTOMS ADMINISTRATION IN NORTH CHINA

It is recognised that the Customs Administration have throughout the year been confronted with unprecedented difficulties in North China, and the integrity of the service has from time to time been seriously threatened. But by the exercise of great resolution coupled with tact, Sir Frederick Maze has succeeded in maintaining the authority of the Customs inspectorate in the midst of much political confusion and unwarranted interference with its legitimate functions. The Customs service have a fine record, and again and again have they remained practically the only outward and visible sign of the prestige and sovereignty of the Central Government in regions where otherwise independent regimes existed. This record has considerable significance from a financial standpoint and has contributed very largely to the confidence placed abroad in loans secured on the Chinese Maritime Customs.

The last published financial report of the Chinese Government related to the fiscal year which ended on June 30, 1935. The deficit for that year was \$196 millions. As regards the year 1935-36, an official statement has declared that the deficit was larger than the previous year; nevertheless the Budget for the year 1936-37 only provided for \$125 millions as proceeds from loans. Without official figures it is impossible to say more, but the recent improvement in the purchasing power of the people should have a favourable effect on revenue receipts, both of the Internal Revenue Administration and the Customs, through an increased demand for internal consumption goods, as well as for imports.

DEVELOPMENT OF COMMUNICATIONS

References have in past years been made by my predecessors to the great progress in the development of communications in China. The cumulative effect of these developments is now making itself felt, and the country is being opened up in a remarkable way. It is now possible to cross China by railway, by motor, or by air. It is possible to telephone or radiophone direct from here to Shanghai and from Shanghai to Japan, Nanking, Hankow, or any one of nine adjacent provinces. Radio broadcasting stations are almost excessive in their number, but their influence is being widely felt, for instance, in the broadcasting of market prices to up-country farmers, who are thus less and less under the thumb of the middleman.

From the bank's point of view the progress in railway construction is of special interest. Since the present Minister of Railways took office in December, 1935, many very important and extensive projects have been put under way. His ambition is to complete 5,000 miles of new railways within five years, and thus practically to double the existing system within that period.

At the same time he has been bringing his business training to bear on the problems of the existing lines and he has the good fortune to point to record earnings on those two very important lines, the Peiping-Hankow and Tientsin-Pukow Railways.

Some of the agreements made by the Ministry during the year for railway construction have been on a comparatively short term and somewhat uneconomic basis, but we understand that the Chinese Government argue that it is essential to press forward on whatever terms they can best obtain credits. Their view is that many of their most serious problems will be automatically solved if means of communication can be developed rapidly. It stands to reason, of course, that the Government will gladly avail themselves of sounder and more economical finance as soon as it is available.

TRADE SITUATION

As regards the trade situation in China, the most significant change is that to be noted in the Customs figures of the export trade, which last year amounted to \$706 millions. This is 22 per cent. higher than the year before and, excluding Manchuria, the best results shown since 1931. Imports increased \$22 millions in value, but this improvement was entirely due to the higher rate of the Customs gold unit in terms of Chinese dollars, which averaged \$2.26 in 1936 as against \$1.86 in 1935. In terms of Customs gold units imports actually show a reduction of 85 millions of gold units.

The adverse trade balance was just under \$236 millions, which is the lowest figure since 1919, when China exchange was almost at its peak, and it compares surprisingly with the figure of \$1,087 millions in 1931, when exchange was at its lowest point. Any estimate of the international balance of payments must, in view of the continued lack of reliable statistics, remain highly uncertain, but the improved conditions in Malaya, the Philippine Islands, and the Netherlands East Indies, are likely to affect remittances from overseas Chinese favourably, and the balance may well prove to be in China's favour.

During the early part of the year trade conditions did not appear to warrant any optimism except as regards certain export commodities in which America was taking an interest, particularly wood-oil, but towards the autumn a definite change became apparent. The demand for Chinese produce remained steady, and, added to this, the effect of the good crops, to which I have already referred, began to make itself felt.

BUMPER CROPS

In many parts there were in fact bumper crops. In the Yangtze Valley the rice yields were exceptionally good, and have been estimated as 30 to 40 per cent. above the normal average. The wheat crop, said to be about 500,000,000 piculs, was fair, though not up to the best records. The cotton crop passed all records by a good margin. The production is estimated to have reached about 14,500,000 piculs of 133 lbs., which is over 3,000,000 piculs higher than ever recorded in the past. The acreage under production is further estimated to have increased at least 12 per cent. over the previous high mark. Much of the credit for the good cotton crop must be given to the National Economic Council, a tribute to whose work was paid by your chairman two years ago.

The improved demand for wood-oil has made that commodity the leading one in the list of Chinese exports, beating all records both in value and quantity. Other export commodities show improvements, especially tin, but one feature of the year is the trend towards monopolies and State control in the export trade, which is partly due to the conclusion of barter agreements with foreign countries. The economic wisdom of this policy is, of course, very doubtful, especially in China, where administrative experience is lacking and other internal difficulties abound.

IMPORT POSITION

The import figures which I have given might not seem to warrant much optimism, especially as an analysis shows that in many cases where progress can be traced it was due to purchases on account of the Chinese Government. Nevertheless, it is clear that far the larger part of the drop in imports was in those goods which China is well able to, and now is, producing herself in larger quantities—namely, rice and wheat, raw cotton and cheap cotton goods (imports of the latter are incidentally at their lowest point for a great many years). The effect of the improvement in the internal situation was only just beginning to be felt at the end of the year, but import merchants are generally agreed that the outlook is now more promising.

I have referred to the good crops in China during the past year and to the improved position of the export trade, but when

we turn to Manchuria, China's figures lose by comparison. Up there exports have increased no less than 42 per cent. compared with the previous year, and the total exports from Manchuria are within 20 per cent. of those of China. This improvement is mainly due to the better prices obtained for beans and bean products which actually provide not far short of half of the total exports. Imports improved by 14 per cent., and the foreign trade total of about Manchukuo Yuan 1,289,000,000 is an easy all-time record. The adverse trade balance was last year reduced considerably, but it is clear that Japan, which is responsible for about two-thirds of Manchukuo's trade, is still furnishing extensive credits to that country. Internal conditions have improved, but no noticeable benefit has yet accrued to European or American exporters, and a foreign exchange control law has increased traders' difficulties.

SITUATION IN JAPAN

The situation in Japan does not on the face of it make for optimism, and persons trained in economics are making the gloomiest of forecasts as to the outcome of the political, financial and trade situation as it exists at present. It is impossible to foretell how the political situation will develop, but we hope for the best. As regards the Budget, we must confess to misgivings. But as regards trade, the position hardly seems to warrant pessimistic conclusions. Last year's figures again showed considerable expansion and compare very favourably with those of many other countries. Exports have increased about 8 per cent. in spite of the handicap of tariffs and quotas, while the visible adverse balance of trade is believed to have been covered by invisible receipts. Shipping has been very prosperous and the tourist trade greater than ever.

The drastic exchange control measures instituted on January 8th of this year aimed at dealing with the nervousness in the exchange market caused by the unbalanced Budget and the prospects of heavy buying abroad to cover Army and Navy requirements. These measures should result in a better balance between imports and exports, but there are no indications of any serious check in the expansion of trade throughout the present year.

TRADE IN MALAYA

In Malaya, as in China, trade began to look up in the second half of 1936, mainly because of the better demand for the two chief products—tin and rubber. Prices have been at remunerative levels for producers, and the prospects for the present year are promising.

In the Philippine Islands political conditions have been normal, and the business community feel confident that they will be able to operate without legislative interference. The boom in gold mining has been coupled with higher prices for the main local commodities, such as sugar, copra and hemp, and as a result the export figures have increased considerably, while the financial position of the Government has also improved. Increased taxation on the production of mines and on corporate incomes may affect the importation of foreign capital, but the outlook is, generally speaking, good.

REASONABLY BRIGHT OUTLOOK

In conclusion, may I just remind you that in times of difficulty wide differences of opinion are to be expected in business circles, and more especially do bankers and their constituents find points of disagreement. It must be remembered that the last few years have been an exceptionally trying and uncertain period. The world is now emerging from its difficulties. Some countries have come through better than others, and the Far East has come through better than many parts. On the whole, the outlook is reasonably bright, but it is not safe to prophesy what the future holds in store. For ourselves, our desire and our duty is by collaboration with those of like mind, whether in China or in the other countries in which we operate, to work for a steady expansion of international trade, and more especially of British trade, while continually aiming at upholding the world-wide prestige of British banking.

With these remarks, ladies and gentlemen, I beg to propose the adoption of the report and accounts as presented, and after they have been seconded I shall be pleased to answer any question that may be asked to the best of my ability.

MR J. H. TAGGART'S REMARKS

In rising to second the report, Mr J. H. Taggart said:—Mr Chairman, ladies and gentlemen,—In rising to accord formal support to the motion covering the adoption of the report and

accounts, I have at the back of my mind advice made available to a shareholder—in a similar position of seconder—in connection with the flow of words deemed advisable to suitably amplify the bare expression of acquiescence, to the following effect: To think out carefully the opening sentence—to think out carefully the closing sentence—and to bring the two together as speedily as possible.

I trust that my endeavour to adhere to the principles of that golden rule will not—to-day—leave me open to charges of inadequacy, particularly in the light of the comprehensive survey which you, Mr Chairman, have so ably presented to us in relation to matters economical and political, the trend of which have such sharp reaction upon the conditions of trading encountered by the bank in its various spheres of operation. For your informative and heartening address I tender you our sincere thanks.

Turning to the financial results for the year under review I am confident I voice the unanimous desire of constituents in proffering the court of directors—and in particular to Mr Grayburn, our chief manager—and to those able colleagues who have worked in collaboration with him—our congratulations on the excellence of the results achieved as evidenced by the accounts with which we are again presented. I would add:—"Verily there are still giants in the land."

BANK'S SYMPATHETIC ATTITUDE TO TRADERS

Mr Chairman, you have stated to-day that it is the desire of the bank to work for a steady expansion of trade—and British trade in particular—in the countries within which the bank operates. In so far as this Colony is concerned—and speaking from personal experience—I would affirm that the sympathetic attitude of the bank to traders and corporations alike, covering the past years of severe depression—to which you make reference—has been indeed marked. Moreover, it has been sympathy of a degree not bounded by verbal expression alone, but endorsed by the co-operation, and active assistance, of the officials of the bank. In this relation—I may add—many concerns which have—with the aid of the bank—emerged through stormy times of a severity likely to have swamped them—bear gratitude.

It is observed that close co-operation between Canton and Hongkong is looked forward to, and I am confident that shareholders heartily endorse your hope that the foundation laid by his Excellency Sir Andrew Caldecott on the occasion of his visit to Canton will—under the present enlightened administration in that city—in due course support a structure of mutual understanding, reciprocity, and good will of a strength as will be difficult to demolish. His Excellency's rapid advancement in the Colonial Service bears testimony to the tact, ability, and administrative capacity which has been displayed to the full by his Excellency during his brief terms of office here. At the impending departure of Sir Andrew and Lady Caldecott the Colony universally holds regret.

We have also suffered the loss of a staunch supporter for the promotion of friendly relations between Canton and Hongkong in the person of the late British Consul-General, Mr Herbert Phillips. In this case also no course remains to us but to adjust our sense of regret to a consciousness of gratification at his well-deserved promotion to higher office and to express good wishes for his future well-being.

CONFIDENCE IN THE FUTURE

It is indeed gratifying to gather from your remarks that your diagnosis of the situation in the Far East embraces confidence that the better conditions which have prevailed during recent months will proceed to greater improvement. In the realisation of such an enhancement we are assured that the bank will continue in the forefront of trade expansion manoeuvres—worthily maintain the dignity and prestige of British banking, and, in its operations, further warrant its description: "The corner stone to the fabric of Far Eastern finance."

In conclusion, I desire to express to the staff—whose excellence of service and loyalty are traditional—our deep sense of gratitude at their efforts which have contributed so materially to the eminently satisfactory position displayed in the accounts which are submitted for adoption to-day.

With these few remarks, Mr Chairman, I have great pleasure in seconding your proposal that the report and accounts as presented be adopted.

The Chairman: There being no questions, as proposed by myself and seconded by Mr J. H. Taggart, the motion now before the meeting is the adoption of the report and statement of accounts as presented.

The report and accounts were unanimously adopted.

THE MERCANTILE BANK OF INDIA, LIMITED

BETTER EASTERN TRADING CONDITIONS

PROFIT INCREASED

STRIKING IMPROVEMENT IN INDIA

THE POSITION OF JUTE

LORD CATTO'S ADDRESS

The forty-fourth annual general meeting of the Mercantile Bank of India, Limited, was held, on the 23rd instant, at Winchester House, Old Broad Street, London, E.C.

The Right Hon. Lord Catto of Cairncatto, chairman of the bank, presided.

Mr J. B. Crichton (chief manager) having read the notice convening the meeting and the report of the auditors.

The Chairman said:—Ladies and gentlemen,—The report and accounts have been in your hands for some days, and I presume that, as usual, you will permit me to take these as read. (Agreed.)

As the accounts disclose, the year 1936 was a better year for Eastern banking than 1935, and the net profit available for allocation is £181,723, against £174,266 for the previous year. This has enabled us to allocate £20,000 to bank premises account, against £10,000 in the previous two years; the other allocations are the same as for 1935—namely, £12,000 to pension fund and £25,000 additional provision for contingencies. After providing for the same dividend as for 1935 the balance to be carried forward is £172,829, compared with £174,097 for the previous year.

You will recollect that when I addressed you at our last annual general meeting I was able to report that the enormous reduction in the volume and value of overseas trade of the countries in which we work had been arrested and that a slight improvement had set in. I am glad to say that in 1936 this improvement showed a notable advance, bringing a distinct increase in banking business, and the margin of banking profit is so fine that, in spite of the increased volume of business, it has been difficult to make any substantial addition to our total revenues.

INDIA

The improvement in the volume and value of India's trade in 1936 has been striking. In addressing you last year I told you that for 1935 India's balance of trade in merchandise was rather less than 25 crores of rupees. This rose to nearly 61 crores in 1936! This is specially interesting and encouraging, for it is the first year since 1930 that India has had a trade balance in merchandise which I may perhaps say is substantially in excess of her requirements for external obligations, without the export of gold. The inferences that may be drawn from this are that the tide has turned and that it may not be long before we see India again a substantial importer of the precious metals. The export of gold considerably lessened in 1936. The high point was reached in 1934, when the net export was 6,591,760 oz., valued at nearly 60 crores of rupees; in 1936 this had fallen to almost half—namely, 3,459,034 oz., valued at 32 crores.

It has been well said, and I have emphasised it in my addresses at these annual general meetings, that the prosperity of India depends mainly upon the condition of the cultivators who make up the bulk of her huge population. They cultivate small holdings and they reserve part of their crops for their own consumption. They sell the rest. Part of the money they receive is spent on fixed charges like rent, rates and interest on loans, for they are almost always in debt. The balance remaining over they spend on the purchase of cotton cloth and on other simple necessities of a simple life. At the best of times the amount available for personal expenditure is never much and in bad times the margin is apt to disappear: therefore the price of primary commodities, especially cotton, jute, seeds, grain and pulse, is of paramount importance for the cultivator and for India as a whole. I am happy to say that in 1936 the improvement in value of most of these primary commodities was noteworthy.

GOOD PROSPECTS

At such a meeting as this it would be tedious for me to quote figures: it is sufficient if I say that from my examination of con-

ditions it looks as if a period of improved trade and greater prosperity is in store for India. Of course, prosperity depends greatly on political conditions, their stability and the confidence that stable conditions naturally inspire. This will be a critical year for India. Provincial autonomy comes into being in April. All in this country, and especially those of us who keep our eyes ever on the East, will watch with sympathy and interest how these new and great responsibilities are discharged. In some parts the exaltation of self-government may prove too strong at first and bring unreasoned counsels, but we must not be too critical if there are setbacks.

SELF-GOVERNMENT EXPERIMENT

Such a vast change can hardly succeed except through much, and perhaps long, travail. But India is and always has been a land full of contradictions and her political resources in men and policies may again surprise us, just as her financial resources did by her gold exports in 1931-1936. In any case, history will have this paradox to record. At a time when Europe, always regarded as politically far in advance of the East, is passing through a period of almost unparalleled human unrest and political reaction, there is being tried in India a political ideal of self-government for teeming millions of people, which if it succeeds may prove in the long run to be more lasting and may add more to the sum of human progress than any of the spectacular political experiments at present being tried in so many European countries.

I think I have given you in as succinct a form as possible a general review of Indian conditions. It would take too long to review in detail the position of her industries, but one in particular, and that a most important one, is passing through such an extraordinary phase that you may wish me to refer to it.

JUTE

Once the pride of India's industrial development, the jute trade at present is something of a Cinderella. But the very measure of the depth to which it has fallen may prove its salvation, for in the general economic recovery jute and jute manufactures are more than ever essential. In his recent Budget speech Sir James Grigg, Finance Member of the Government of India, had to budget for a deficit, and has had to propose additional taxation. This is unfortunate, as India already is a heavily taxed country. I might remind the Finance Member that this deficit might even have been avoided had India been deriving proper benefit from her great and almost monopolistic jute industry. It is too often forgotten that Government is practically a partner in industry, for, at any rate in the jute trade, it takes in taxation, directly and indirectly, at least a quarter of the profits. The present condition of the jute industry is therefore not just a matter which concerns the trade alone; in its wider sense it affects the whole well-being of India in general and Bengal in particular, and as it is almost entirely an export business it is of special importance to India's economic and financial equilibrium. This is not the occasion to go into details of the difficulties within the jute industry. They are capable of solution. We can only hope that wise counsels will prevail before serious harm has been done to so important a part of India's industrial structure, for in spite of existing conditions it is still one of the soundest and best organised trades in the world, and one of the few that so rationalised itself that it weathered the world economic crisis with little of the catastrophic upheavals suffered by other industries in India and throughout the world. A return of prosperity to the jute trade would also facilitate the introduction of and the carrying out of legislation to improve the conditions of labour in mills and factories which has been a feature—and a good one—of recent industrial development in Europe and in America.

I fear I have taken up a great deal of your time on the subject of Indian conditions, but these all affect the position and prospects

of the bank, for India is our most important country, as the name of the bank implies. But I must not neglect to refer to conditions, although perhaps not in such detail, in other parts of the world where the bank has large and important branches of its business.

BURMA AND SIAM

Recovery in Burma has been somewhat slower than in India, but in 1936 trading conditions generally showed improvement. The teak market, so important to Burma, was decidedly firmer. There was an expansion of demand from India and other countries at better prices and increased activity in the building trade in Rangoon. Paddy prices, although slightly below the level of 1935, ruled considerably higher than in the three years ended 1934. The current crop, unfortunately, is not too good, and the exportable surplus will be less than the previous year. Almost within a few days Burma will be separated entirely from India, and many problems of great complexity will face the new Government of that country, and it is fortunate that its task begins in an atmosphere of returning prosperity.

Siam.—In Siam drought has seriously damaged the rice crop, and, as in Burma, the quantity available for export will be much less than last year. But again, as in Burma, there has been a marked improvement in the demand for teak and prices have substantially improved. Internally Siam continues to prosper, and political conditions in 1936 were normal.

CEYLON

Ceylon.—As in India, exports from Ceylon increased during the year, while imports into Ceylon decreased. Of the total exports from the island 57 per cent. was accounted for by exports of tea and nearly 19 per cent. by exports of rubber. These figures show how greatly the island is dependent upon the prosperity of the tea and rubber industries. In tea the island had rather a disappointing year. The exports were greater by 6,000,000 lbs., but the average price realised was only 70 cents a pound, 1 cent better than in the preceding year. There has been a considerable improvement, however, in the prices realised for Ceylon tea at the London auctions since the beginning of the current year, and if this improvement is maintained it should have a great effect on the prosperity of the island. Ceylon should also benefit greatly by the substantial advance in the price of rubber. The import trade was not very good during the year, especially if it be remembered that nearly 25 per cent. of it consists of rice, which the island must import in order to feed its population. There was, however, some improvement in the import of piece-goods, and since the total stock position at the end of December was healthy, there should be a further improvement in the year 1937.

Altogether I think that with the improvement in tea, rubber, and copra prices, prospects are brighter for Ceylon than for some years past, provided there is prudent and economical administration to bring about a balanced Budget.

OTHER COUNTRIES

Mauritius.—The prosperity of this island is bound up with its staple product—sugar. It has suffered badly in the crisis years, and even now the price of sugar has not shared proportionately in the general advance of most commodity prices, in spite of the fact that for two years world consumption has exceeded world production. There are, however, some encouraging features. For two years in succession Mauritius has had a bumper crop, and the problem of low prices has not been aggravated, as in 1934, by a short crop. The general feeling is more optimistic for the island than it has been for some years.

Malaya.—The position in this part of the world is showing distinct improvement after the catastrophic declines in the crisis period. For instance, the gross import and export trade of Malaya in 1927 was valued at 2,301 million dollars, and in 1932 it had dropped to 794 million dollars. But in 1936 the total trade had recovered to 1,131 million dollars, 503 million dollars representing imports and 628 million dollars exports. The improvement was mainly in the second half of the year and was due to the marked increase in the price of the country's three chief products, rubber, tin and copra.

China and Hongkong.—I think it may be said that the general outlook in China is distinctly more favourable than a year ago. In 1936 there was a marked improvement in China's export trade, resulting in a more reasonable balance between imports and exports. Trade between this country and China showed some improvement in 1936, but it may surprise you to know that this country takes only fourth place in China's import trade; and, indeed, in 1936 we lost ground to Germany. In Hongkong trade improved somewhat in 1936, and the total import and export

trade of the colony rose from 636 million dollars in 1935 to 813 million dollars in 1936.

TRIBUTE TO STAFF

The new arrangements at head office in London, to which I referred at considerable length in my speech last year, have worked well and efficiently. We owe our thanks to Mr Crichton, the chief manager, and his two managers at head office, Mr Paton and Mr Cruden, to the chief accountant, Mr Sheldrake, and to all the members of the staff. To the managers and staff of all our branches in the East we owe our sincere thanks for their loyal work. The continued success of the bank is due to their work, and I would like to convey to them your appreciation, as shareholders, for they often have to work, as I have said to you before, in difficult conditions as to climate and health. To them I would say, too, that the prosperity and the prestige of the bank depend upon their energy and their conduct in business and in private life. I hope and believe that service and courtesy are watchwords greatly honoured by all the managers and staff of the Mercantile Bank of India, Limited. (Applause.)

THE CHAIRMAN'S RETIREMENT

In conclusion, I would for a moment like to refer to a personal matter. The chairmanship of a bank has become almost a whole-time job, and in the years I have been a director, deputy-chairman and chairman I have given freely of my time, especially in the long-drawn-out period of the economic depression, now happily passing away. The bank weathered those lean times magnificently, and, as the accounts show, the bank is in a very prosperous and strong position. I feel, therefore, the time has come when I can retire from the chairmanship with entire confidence that I am handing over my charge in splendid order. As you know, I have important business and public interests, and I find it increasingly difficult to devote the time which proper supervision of this institution requires. I feel I have quite fully, over a number of years, given of my best from a real sense of duty to the bank and for the development of business in and with India. It is likely, therefore, that before the next general meeting takes place I shall have vacated the chairmanship. I know you will give to my successor all the courtesy and support you have always given to me, and I am sure he and his colleagues on the board will not fail you. I thank you. (Applause.)

Before I propose the usual resolution, if there are any questions I will do my best to reply to them. (A pause.) Evidently my speech was so long that no one wants to ask any questions, and therefore I have pleasure in proposing: "That the report of the directors, with the audited statement of accounts and balance sheet at December 31, 1936, presented to this meeting, be and the same are hereby received, approved, and adopted, and that a final dividend on the 'A,' 'B' and 'C' shares of this bank of 6 per cent. be paid, making 12 per cent. for the year, less income tax, as recommended in the report, and the same is hereby confirmed."

Sir Thomas Smith (deputy-chairman) seconded the resolution and it was carried unanimously.

RE-ELECTION OF DIRECTORS

The Chairman:—I now propose:—"That in accordance with Articles 116 and 117 of the Articles of Association Sir C. A. Innes and Mr P. R. Chalmers, the directors retiring from the board in rotation, be re-elected directors of this bank."

Mr J. M. Ryrie:—It is almost unnecessary for me to say that I have very great pleasure in seconding the proposal put forward by the chairman for the re-election of Sir Charles Innes and Mr Chalmers. To Sir Charles Innes I would wish to pay tribute for the constant and regular interest which he takes in the work of the bank, and I am sure that you will all wish to see him and Mr Chalmers re-elected. (Hear, hear.)

The resolution was carried unanimously.

Mr J. Beilby Crichton proposed:—"That Messrs Cooper Brothers and Company and Messrs W. A. Browne and Company be re-appointed auditors of this bank."

Mr A. P. V. Cogar seconded the resolution, and it was unanimously passed.

VOTE OF THANKS

Sir Alfred Watson:—Lord Catto, ladies and gentlemen, it remains for us as shareholders to express our appreciation of the services given to the Mercantile Bank by the directors, staff, and officers. I should like to express at this point the deep regret that we all feel at the announcement which Lord Catto has just made. (Hear, hear.) His services to the bank for many years have been

invaluable, and in his retirement we shall at least have the satisfaction of feeling that he has placed the bank on a foothold from which it will not be shaken. (Applause.) We are all extremely glad that out of the increased profits of the bank it has been possible to devote a considerable sum to the officers' pension fund; they deserve all they get in that way. (Hear, hear.)

We offer to the directors, officers, and staff our warm congratulations on the results they have achieved. There were two considerations in my mind when I was preparing my speech. One was that behind the Mercantile Bank was an experience and technique of banking in India which could not be rivalled and which had made the bank, if not the largest, certainly one of the strongest institutions of its kind in the East. The second one was my belief in that recovery of India with which Lord Catto has been dealing to-day.

I feel more strongly than ever that with the improvement which has taken place in the price of almost every commodity that India produces the country is ready for a great advance in wealth and in productive and industrial capacity. We of the Mercantile Bank, I am sure, stand ready to help in every way in that improvement. It is in the conviction that the good work which has been done in the past will continue in the future that I ask leave to move:—"That the warm thanks of the shareholders be given to the directors, officers, and staff for their zealous and successful work during the past year." (Applause.)

Mr S. Pope: I am very pleased to second that, and I should like to add our warm thanks to the chairman for his able conduct of this meeting. (Applause.)

The vote was unanimously accorded.

CHAIRMAN'S REPLY

The Chairman: Sir Alfred Watson and Mr Pope, I thank you most sincerely for the way you have proposed and seconded this resolution, and you, ladies and gentlemen, for the way in which you have received it. In particular, I will convey to the staff your remarks, Sir Alfred, because, as I said in my speech, it is the staff in the East and in London that makes the prosperity of this bank. (Applause.) I thank you all, ladies and gentlemen.

The proceedings then terminated.

LONDON AND THAMES HAVEN OIL WHARVES, LIMITED

EXTENDED SPHERE OF INFLUENCE

The thirty-ninth ordinary general meeting of the London and Thames Haven Oil Wharves, Limited, was held, on the 22nd instant, in London.

Mr Thomas C. J. Burgess (chairman and joint managing director), after announcing that Lord Inverforth had joined the board, said that the divisible profit of £223,177 was just over £3,000 more than in the previous year, an increase largely absorbed by the higher income tax on the two 5 per cent. dividends, paid free of tax. The Compagnie Industrielle Maritime had had a 5 per cent. increase over 1935 in the tonnage they had handled, and their share in the importations into the port of Havre of all goods was 57.11 per cent., while their docks and tankage accounted for 2,538,988 tons, or 34.7 per cent. of the total petroleum importations for the whole of France.

For their own, Thames Haven, company the year had marked what appeared to be the beginning of a new chapter in its history. On January 1st one of their important contracts was renewed, with notice simultaneously given that it would be terminated in 12 months' time. Their other main contracts had not been disturbed, and they had entered into some new ones. During the latter part of the year certain interests with which he was personally connected received a licence for the petroleum-refining industry in the Irish Free State. To make up the loss of business the board had accepted responsibility for the finance of the Irish National Refinery Company, for whom they were to act in an advisory capacity, and it was for that reason that it was proposed to increase the capital.

The report was adopted.

Orders for the publication in these columns of the reports of Company Meetings should be addressed to the Reporting Manager of THE ECONOMIST, 8 Bouverie Street, Fleet Street, London, E.C.4.

EASTERN BANK, LIMITED

INCREASED DIVIDEND

The twenty-seventh annual general meeting of the Eastern Bank, Limited, was held, on the 19th instant, in London.

Mr J. S. Haskell (the chairman), in the course of his speech, said:—India has had a prosperous year. The stock markets have been buoyant and most sections made remarkable headway, particularly iron and steel. Exports of merchandise show a substantial advance on the previous year, aggregating £138,750,000, an increase of £18,750,000, whilst imports of merchandise, hedged by high protective duties and the rapid rise in Indian industries, declined £8,000,000 as compared with the previous year. The excess of exports over imports of merchandise amounted to £45,750,000, an amount in itself far more than sufficient to enable India to meet her obligations in sterling. As regards Britain's share of India's trade, our exports have fallen by £3,750,000, whilst our imports have increased by £8,250,000. Nearly £2,000,000 of the fall in exports was accounted for by Lancashire goods. Japan continues to be a formidable competitor in regard to the latter. Neither the trade agreement with that country nor the reduction of the Indian duty by 5 per cent. in favour of the United Kingdom has proved helpful.

With the continued increase in local manufactures the market for imported piece goods must become more and more restricted, and unless India sees fit to modify her tariff policy towards this country Lancashire exports will not even obtain their legitimate share in what market there may remain.

Our imports of cotton from India last year were more than 50 per cent. over those of 1935, whilst we took wheat to the value of £895,000 out of a total value of £1,300,000 exported. Surely it would be to the advantage of India to make some adequate concession to this country if only to encourage the export of such commodities as those mentioned, which are readily obtainable elsewhere.

INDIA'S FAVOURABLE TRADE BALANCE

As regards specie, the net movement for the year was an export of £14,250,000, against £35,500,000 in the previous year. The favourable balance in trade in merchandise and specie amounted to £60,000,000, and has enabled the Indian Government to sell council bills to an extent much in excess of their requirements. For the current financial year they have remitted £52,000,000, thereby building up a large reserve. No new loans have been foreshadowed and Indian Government securities appear to form attractive investments at current prices.

Exchange remained steady all the year round at the high rate of 1s. 6½d., and money continues very easy and difficult to employ profitably, whilst competition is very keen among the various exchange banks and the many local banks established in the provinces. The prospects in India continue favourable. During January the exports were £7,000,000 higher than the imports.

The event of the year in Iraq has been the sudden overthrow of the Yashin Government, culminating in the untoward tragic death of Jafar Pasha, who was Minister of Defence at the time. His loss is greatly to be deplored. A new Ministry was immediately formed under his Excellency Seyyid Hikmat Sulaiman. The new Premier, who inspires great confidence, may be depended upon to carry on the Government justly and advance the welfare of his country.

Trade has been very active during the year, and there has been a general improvement in the prices of commodities. For the first eleven months of the year exports of cereals aggregated £876,000, of which the United Kingdom took £662,000. In imports of iron and steel the United Kingdom had a good share, supplying £406,000 out of £744,000.

In cotton piece goods, however, Japan has practically displaced Lancashire. Out of imports valued at £811,000 the share of the United Kingdom was but £50,000. As to rayon, Japanese supplies amounted to a value of £300,000 out of a total of £385,000, the balance being divided between the United Kingdom and other countries. A much larger share of the trade of Iraq, which before the war was nearly all British, is now falling into the hands of other countries.

The net result of the past year is a profit of £131,865. An interim dividend of 3s. has been paid, and we now recommend a final dividend of 4s. per share, less income tax at the rate of 4s. 6.82d., after allowing for relief in respect of Dominion taxation, making 7 per cent. for the year, an increase of 1 per cent., transfer £10,000 to bank premises, £40,000 to contingencies, and carrying forward £74,018, an increase of £11,865 over the amount brought in, which I hope you will consider satisfactory.

The report and accounts were unanimously adopted.

AFRICAN THEATRES, LIMITED

SUCCESSFUL YEAR REVIEWED BY MR I. W. SCHLESINGER

TOTAL DIVIDENDS OF 27½ PER CENT. FOR THE YEAR

SPEECH AT SIXTEENTH ANNUAL GENERAL MEETING

The sixteenth annual general meeting of the shareholders of African Theatres, Limited, was held in the Board Room, Realty Trust Buildings, Simmonds Street, Johannesburg, on Thursday, March 11th, when there were present, among others, Messrs I. W. Schlesinger (in the chair), W. Otis Bullock, W. Thompson, Dr J. McLaws, Edward Nathan, Estate of the late Hoffman (represented by Mr Edward Nathan), Edward Nathan and Friedland (represented by Mr Edward Nathan), D. M. Burton, W. F. White, F. A. Cooper, D. H. Barnett, J. A. MacRae, A. E. Harmel, M. L. Maughan, A. Boyd, R. W. Davenport, F. Green. African Consolidated Investments Corporation, Limited, and Anglo-International Securities Corporation, Limited, were represented by proxies.

The Secretary having read the notice convening the meeting and the minutes of the previous meeting, which were confirmed and signed, also the report of the auditors upon their examination of the books and accounts for the year ended December 31, 1936, Mr I. W. Schlesinger then moved the adoption of the directors' report, balance sheet and accounts as printed and circulated, and said:—

Gentlemen.—The balance sheet and accounts before you are drawn up in the customary form, and as the auditors' certificate states, provide a true reflection of the condition of the company as at the end of its sixteenth financial year, which terminated on December 31, 1936. These accounts, together with the directors' report, have been in your hands for the usual time, and I can therefore assume that you will have acquainted yourselves with all essential particulars. Consequently, this morning I will deal more with features of our business which are not brought out in the accounts than with any close analysis of the actual figures.

DOMINANT POSITION IN ENTERTAINMENT BUSINESS

I need hardly remind you, but I do so in order that you may have a clear conception of our affairs, that the fortunes of African Theatres, Limited, are bound very closely to those of our operating company—African Consolidated Theatres, Limited. In fact, I could be even more explicit and say that the boundaries of our respective interests are virtually indistinguishable. For while the annual income of African Theatres, Limited, and the profits flowing therefrom reflect the trading results of African Consolidated Theatres, Limited, the policy of the latter, its *modus operandi*, and in fact all that it is or hopes to be are matters which fall within the control exercised by this parent or holding company.

Now, as you know, African Consolidated Theatres, Limited, is so organised as to place it in a dominant position *vis-a-vis* the entertainment business in Southern Africa—of which it does by far the lion's share. Due to the settled prosperity which this country has experienced over the past five years—and which it continues to enjoy without sign of any recession—the trading returns of our operating company have been extremely good. This is best exemplified by the distribution of profits which it has been able to make over the period to which I refer. The following table sets out the position:—

AFRICAN CONSOLIDATED THEATRES, LIMITED

DIVIDEND PAYMENTS

	£
Year ended December 31, 1932	20,000
Year ended December 31, 1933	70,000
Year ended December 31, 1934	83,000
Year ended December 31, 1935	111,000
Year ended December 31, 1936	174,000

The interest of African Theatres, Limited, in the above dividend declarations will be apparent when I remind you that our holding in the share capital of the operating company is no less than 78 per cent. of the whole. In other words, the share capital of African Consolidated Theatres, Limited, is the nominal one of a thousand pounds divided into one thousand shares of the face value of £1 each fully paid—of these shares African Theatres,

Limited, owns seven hundred and eighty, which, needless to say, gives it full and absolute control.

SOURCES OF REVENUE

But in addition to the dividends which accrue to us from our shareholding in African Consolidated Theatres we also have to take into account the properties we lease to that company. In my opinion these comprise some of the finest theatres and super cinemas extant, in saying which I do not exclude those I have seen in the most up-to-date cities of Europe and America. Situated in selected towns throughout South Africa and adjoining territories, these properties, with some odd exceptions, house the entire business activities of our operating company, and obviously have a high rental value.

Having pointed to the source whence the major portion of our income is derived, i.e. the earnings and surpluses of African Consolidated Theatres, Limited, it follows that in sympathy with the expansion of business recorded by the latter—and leaving aside all subsidiary sources—our revenue too must have been moving steadily upwards.

This is so, for in the present accounts revenue figures at £229,415, which, compared with the previous year, represents an improvement of over 45 per cent. In figures, this means £52,644, the effect of which you will notice in the board's recommendations dealing with the distribution of profits.

Being what is generally termed a holding company, the pure management costs of African Theatres, Limited, are negligible.

DEBENTURE AND MORTGAGE BONDS

The next feature to which I would draw your attention is represented by the balance-sheet items:—

	£
Debentures	329,000
and	
Secured creditors	446,327

the exact position of which, as at this date, will not be apparent unless I offer a word in amplification. These are charges, by debenture and mortgage respectively, on our real estate assets to which I have previously referred, namely:—

Properties:

Land and theatre buildings, etc., at cost, £1,361,593, which I would here remark have a realisable value greatly in excess of the book value, the latter you will observe being shown at cost. The former of these charges, i.e. that applicable to debentures, is redeemable at the rate of £25,000 per annum.

In these accounts the balance of debentures outstanding is £329,000, but since the turn of the year a further payment of £25,000 has been made in reduction of that amount. It will be obvious, therefore, that at date the actual amount remaining to be liquidated under this heading is £304,000, and not the larger sum stated in the balance sheet. As affecting the other charge, i.e. secured creditors, reductions are made in accordance with the terms of the relative mortgage bonds, which stipulate for capital repayments at varying periods throughout the year. The actual amount outstanding under this head to-day is likewise less than shown.

REAL ESTATE UNDERVALUED

Before summarising the position of our fixed indebtedness, and placing it before you in a true light, there is a further point to be observed. This concerns our annual practice of allocating from current revenue the sum of £25,000, being the equivalent of debenture bonds redeemed, and placing that sum to the credit of the general reserve account. Since the present balance sheet was drawn another of these payments has occurred, with a result that the general reserve has now been built up to £323,875.

Although not specifically earmarked for their benefit, debenture holders, no less than secured and other creditors, share in the common protection and added security which that fund offers, and in the statement which follows I would ask you to bear that

factor in mind because I have purposely excluded it from my calculations. I have already mentioned that the realisable value of our properties—land, theatre and other buildings—is very much understated in the balance sheet. According to the latest information we have, that understatement is approximately as much as one-third. Consequently I would like to lay before you what my colleagues and I regard as a conservative estimate of the true value of that asset, so that you may have a clearer understanding of the real security upon which our fixed indebtedness rests. It is as follows:—

Assessed value of properties based upon the recent appraisements of sworn Government valuers	£1,800,000
Balance of debenture bonds outstanding at this date	£304,000
Balance of secured creditors outstanding at December 31, 1936 (since reduced) ...	£446,327
	£750,327

Producing a surplus value of security £1,049,673

and leading you to agree, I hope, that the obligations to which I now refer are amply provided for. Other liabilities call for no special comment—except perhaps to observe that the balance of purchase moneys of properties acquired during the year are all long-dated payments which will be taken care of in the ordinary course of business as and when falling due.

VALUE OF INVESTMENTS

The total assets declared in the balance sheet amount to over one and three-quarter million pounds, and record a gain over last year of nearly £80,000. I have dealt with the real estate item—contrasting its present-day value with the value placed upon it in the balance sheet. I would now add that the intrinsic worth of our share and debenture investments, given at £381,266, is undervalued to an even greater degree. To give point to this statement I have only to remind you that included in the figure just mentioned is our holding in African Consolidated Theatres, Limited, which is taken into our books at its precise face value—namely, £780.

It would be difficult to place a reasonable market valuation on this holding, but it must be patent to all that the true value is immeasurably greater than the purely nominal one for which we have taken credit. The same may be said of other of our investments—also taken in at par value, all paying regular dividends and producing very satisfactory yields per cent. With two exceptions they relate entirely to subsidiary real estate companies, either owned outright by us or in which we have a controlling interest. Each of these concerns is identified with the entertainment business, and in the main derives its revenue from buildings leased for that purpose to our operating company—African Consolidated Theatres, Limited.

ADDITIONAL RESERVE

Similar to ourselves, the assets in their respective balance sheets are also greatly undervalued—a feature which, in view of present-day conditions in the Union, is likely to become accentuated. The two exceptions in our investments to which I have referred concern African Films, Limited, and African Caterers, Limited. Both are allied to us and intimately associated with the business of our operating company. Here again—and this applies with special force to our holding in African Films, Limited—we have ignored true capital value, the book and par value being identical. Although frequently urged to do so, we have always resisted any suggestion of writing up our assets to a figure bearing some resemblance to what we consider might be their break-up value. We think it wiser that things should remain as they are. The surplus provided by the two factors is looked upon as an additional reserve in the business, which by reason of its magnitude renders our general financial condition quite impregnable.

Other assets of a fixed nature have been depreciated on a generous scale and may safely be accepted at face value.

SUGGESTED NEW ISSUE OF PREFERENCE SHARES

I have dealt at some length upon the more obscure features of our affairs for the reason that I wanted you to appreciate the strength of the position in which we find ourselves at the end of this our sixteenth year of incorporation. What I have said is preparatory to telling you that the board's consideration at the moment is concentrated in the direction of a funding operation which would replace all debenture, secured and other capital loans by a preference issue. As you know, this is an age of cheap money

—interest rates being a secondary factor to that of first-class security. In the board's view, the charges it is called upon to meet in respect of the company's borrowings at times very different from these, are, in the circumstances, unnecessarily high.

As your trustees, it feels that the situation should be tackled, and I am entirely at one with my colleagues in favouring a preference issue, which would effect a very considerable economy and at the same time afford a lucrative investment for surplus funds, which are now so plentiful. When our plans are complete for the suggested issue—which will be effected on the local Johannesburg market—due notice with full particulars will be furnished you. I refer to the matter now, however, in order that you may know that this important conversion is receiving our practical consideration.

PROFITS AND DIVIDENDS

Coming now to the profits appropriation account, you will observe from the directors' report that the amount with which we have to deal this morning is £143,827 7s. 6d., arrived at as follows:—

Net profit for the year	£167,840	13	2
Amount brought forward after providing for the charges noted at the fifteenth annual general meeting ...	25,986	14	4
	£193,827	7	6

Less:

Interim dividend No. 25 at the rate of 10 per cent. paid in August, 1936 ...	50,000	0	0
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£143,827 7 6

This is over £17,000 in excess of the amount we were called upon to deal with last year and enables the directors to recommend a final dividend at the rate of 17½ per cent., which, with the interim dividend of 10 per cent. paid last August, makes a total distribution of 27½ per cent. for the year. If you will agree to this proposal and, from the remaining surplus, confirm an allocation of £25,000 to general reserve, we shall then bring forward to the current year a balance of £31,327 7s. 6d., which I think you will agree reflects a very satisfactory state of affairs.

PRESENT YEAR

Before formally putting the resolutions giving effect to these proposals I would like you to know that the present year has opened very well. The returns of our operating and subsidiary companies all record improvements over the corresponding months of last year and show every promise of enabling us to lay a position before you at our next meeting in every respect as gratifying as the one we have now considered. With the flourishing conditions which now characterise the entertainment business in South Africa and which, so far as I can see, are likely to undergo no change—except perhaps in a desired direction—African Theatres, Limited, can look forward to a sequence of highly satisfactory years; and I think it quite safe to predict that good as our shares now are as an industrial investment, as time progresses they should be even better.

RESOLUTION CARRIED

Mr I. W. Schlesinger then moved the adoption of the directors' report, balance sheet and accounts as printed and stated that in accordance with the board's recommendation it was intended that the final dividend of 17½ per cent. be paid on April 30th to all shareholders registered as at March 31, 1937. The resolution was duly seconded and adopted unanimously.

The retiring directors, Messrs W. Otis Bullock, John Alexander Macrae and Edward Nathan, were re-elected for the usual term of office.

The retiring auditors, Messrs Deloitte, Plender, Griffiths, Annan and Company, were also re-elected, their remuneration for the past audit being left in the hands of the board.

The meeting terminated with a vote of thanks to the chairman.



THE EMPLOYERS' LIABILITY ASSURANCE CORPORATION, LIMITED

INCREASED UNDERWRITING PROFIT POSITION FURTHER STRENGTHENED

The fifty-sixth ordinary general meeting of the Employers' Liability Assurance Corporation, Limited, was held, on the 24th instant, at the Incorporated Accountants' Hall, W.C.

Sir Courtauld Thomson, K.B.E., C.B. (the chairman), said that the total premium income of £6,905,000 showed a slight increase, in spite of further elimination of unprofitable business and a continued highly selective underwriting policy. The fire premiums had again increased, and produced the satisfactory profit ratio of 7.6 per cent. Their accident and general business had resulted in an increased profit of £194,000, larger even than in 1935. The total underwriting profit again showed an increase at the satisfactory figure of £222,000. Their cash and investments in stocks and shares, taken at market prices, stood at £7,770,000, an increase of £800,000, and their investments showed an appreciation of £138,000 over book values. Their Associated Life Company, the Clerical Medical and General, had once more produced excellent results. Reserves of all descriptions had been further increased and strengthened, and, as a result of the year's trading, £144,000 had been added to the carry-forward. He was sure it would be agreed that the report submitted was again satisfactory.

CONDITIONS IN U.S.A.

Business activity in the United States continued to increase throughout 1936, and at the end of the year the index figure stood higher than at any time since the boom year of 1929. There had been, however, a slight setback this year, due partly to the serious strikes in the motor industry and labour troubles generally. It seemed probable that employers must be prepared to face increased costs caused by shorter hours and higher wages. Recovery had come from almost every type of business, but it was interesting to note that in the United States there had as yet been no building boom such as contributed so greatly to our own recovery.

There were fears in responsible quarters of the United States that with an unbalanced Budget, due to a continuance of heavy Government expenditure combined with the striking rise which had taken place in commodity prices, there was a danger of currency inflation, always difficult of control.

The Corporation's motor premiums, amounting to £2,360,000, showed a slight increase on 1935, and the results were much more satisfactory. In spite of the fact that over 24,000,000 passenger cars were registered in the United States at the end of 1936, compared with 22,500,000 at the end of 1935, their motor premiums were slightly less, as they had still further pruned their business in certain parts of that country. This policy, however, had fully justified itself by the improved profits. The premium income on their home motor business had once more increased, but with a larger number of cars on the road, the continued tragic accident roll, and the ever-increasing level of damages awarded in the courts, the experience was not so good as in the previous year.

THE INVESTMENT PROBLEM

Dealing with the investment problem, the Chairman said they felt that their main object in investing funds must be to secure repayment of the principal at maturity date, to think less of investment profits than of stability, and to obtain the best yield possible subject to those conditions. They realised that they had to expect from time to time a depreciation in the highest class of investments, but the board were constantly reviewing the investments in the light of altered conditions and prospects, and where it seemed advisable they would consider varying the proportions in the different classes. At such times as these they thought it advisable to have a considerable part of their invested funds maturing year by year in the near future in order that depreciation might be limited, and through re-investment they might be in a position to take advantage of rising interest rates if and when they came.

The directors were determined to maintain the policy of further strengthening the reserves of the Corporation in every way. World conditions remained unsettled, and the problems of insurance business did not grow less. In strengthening the carry-forward the board felt that they were making the wisest use of the successful results of the year's trading. He was confident, therefore, that the shareholders would wish the policy of the Corporation to continue to be based on those prudent principles.

The report was unanimously adopted.

SCOTTISH POWER COMPANY, LIMITED

FURTHER PROGRESS

FRESH ISSUE OF CAPITAL APPROVED

The twenty-seventh annual ordinary general meeting of the Scottish Power Company, Limited, was held, on the 19th instant, at the Caledonian Hotel, Edinburgh, Mr George Balfour, M.P. (the chairman), presiding.

The Chairman, in the course of his speech, said that the report and accounts presented showed that all of their subsidiary companies continued to make steady progress. Unremitting efforts had been made to improve the efficiency and value of the company's services and their efforts were reflected in the increased number of their consumers and their consumption of electricity. They had acquired the Berwick-upon-Tweed electricity undertaking from the Edmundson Group early last year, and had been responsible for the administration of that undertaking during the last six months of 1936. During the year they had obtained a Special Order authorising supply to be given by the Scottish Southern Company in north Northumberland, embracing 166 square miles, adjoining the Berwick-upon-Tweed area, enabling them to give supplies to one or two industrial users beyond the Borough of Berwick-upon-Tweed. They had also acquired the small undertaking of the Tain Corporation, which completed the consolidation of supplies in the area of their Ross-shire Company.

CHEAP AND EFFICIENT SERVICE OVER LARGE AREA

Supplies were now afforded by their subsidiary companies from the North of England and Berwick in the south to Sutherland-shire in the north, a distance from north to south of 210 miles, with only an intervening gap of about 20 miles between Peebles in Peebles-shire and Whitburn in West Lothian. He thought that the company could really claim to have rendered a great public service in providing supplies over such a large and sparsely populated territory, more than 12,000 square miles in extent, with an average density of population over the whole area of only 119 per square mile. In no portion of their area had they a greater density in any 25 square miles than 1,700. When they compared the density of population in their areas with, say, cities such as Glasgow and Edinburgh, with something over 20,000 and 9,000 per square mile, he thought the shareholders might truly marvel at the cheap and efficient services they rendered.

They had added to their high tension and low tension electric supply mains 463 miles, making the total mileage of the mains of the subsidiary companies at the end of last year 2,901, of which 1,845 miles were high tension and 1,056 miles low tension, 1,895 miles being overhead and 1,006 underground.

RECORD NUMBER OF NEW CONSUMERS

They had connected 10,429 new consumers during the year, which was a record in the history of the company, being an increase of 36 per cent. on the number connected during 1935. The total number of consumers connected at December 31, 1936, was 60,790, which was double the number connected four years ago.

They had connected an additional 12 burghs and 35 villages to their supply during the year, increasing the total number of centres of population supplied from their mains to 91 burghs and 217 villages. In addition, they had connected many individual supplies on the routes of their transmission lines. Public lighting supplies were inaugurated during the year in eight burghs and 13 county districts, increasing their total street lighting supplies to 164 lighting areas in 60 burghs and 104 county districts.

An additional load of 27,560 kilowatts was connected during the year, the total connected load at December 31, 1936, being 202,760 kilowatts. The maximum demand in all their areas was 54,500 kilowatts, and in addition they had sold to the Central Electricity Board under their contract a maximum of 34,500 kilowatts, making a total maximum demand during the year of 89,000 kilowatts.

The gross trading profits of all the subsidiary companies amounted to £628,218, compared with £552,706 for the previous year, and the directors proposed to pay a final dividend of 5½ per cent. on the ordinary stock, making 8 per cent., less tax, for the year. In order to meet capital expenditure it would be necessary to make a further issue of capital during the current year.

The report was adopted and a resolution was passed authorising the creation of £2,000,000 additional capital.

NORTH-EASTERN ELECTRIC SUPPLY COMPANY, LIMITED

ACTIVITIES FURTHER EXTENDED

MR R. P. SLOAN'S REVIEW

The forty-ninth annual general meeting of the North-Eastern Electric Supply Company, Limited, was held, on the 23rd instant, in Newcastle.

Mr R. P. Sloan, C.B.E. (the chairman), in the course of his speech, said:—I am glad once more to be able to report satisfactory progress of the company's business. So far as new connections to the system are concerned, we have exceeded our previous year's record. You may remember that, in 1935, the new connections amounted to 66,694 horse-power (h.p.), which was far in excess of anything we had previously attained, but the connections made last year exceeded that figure by 55,381 h.p., having amounted to 122,075 h.p.

I must point out that this figure includes a connection of a special nature made during the course of the year, as a result of our having arranged with one of the largest colliery companies within our area to close down their power station and take the whole of their electricity requirements directly from our mains. Previously, this power station had, by an agreement with the owners, been operated by us, and though it was electrically connected to our system, no supply was actually taken from our mains for driving the electrical apparatus of the colliery company. Under the new arrangement this apparatus has now become a part of our connected load, and represents 48,600 h.p. of the additional connections I have mentioned. Although we have lost the income we obtained for operating the power station, we will now reap the benefit of the sale of electricity to the colliery company.

NEW CONSUMERS

The development of our domestic business in both the urban and rural areas continued satisfactorily. The number of new consumers of this class obtained during the course of last year was 19,990, while the number of new consumers of all classes was 21,377—which is an average of 58 per day—making the total number of consumers of all classes supplied directly from the company's system, at the end of the year, amount to 220,874. This figure excludes some 90,000 consumers supplied by other electricity supply authorities who redistribute electrical energy taken in bulk from the company.

As you will see from the report and accounts, the total profit is £1,244,589, and shows an increase of £148,084 over the corresponding figure for the previous year. After deducting the sums required to cover sinking fund and the transfers to reserves, and after providing for the usual preference dividends, the directors recommend a dividend of 7 per cent. (less income tax) for the year on the ordinary stock.

PRICE CONCESSIONS

I feel that members will agree that these results are highly satisfactory, particularly in view of the various price reductions that have been made. I may say that, during the last two years, the reductions in our charges to domestic and small power consumers have exceeded £110,000 per annum, which concessions I am sure have been much appreciated. As your directors always have in mind the interests of consumers, the company has recently announced a further substantial concession to domestic users which will come into force as from the commencement of the June quarter—that is, within a few days from now.

It is gratifying that, in spite of the many years of trade depression which affected the North-East Coast area so greatly, the progress made by the company has enabled its position to be considerably strengthened, and at the same time permit of reductions in prices being given.

CO-ORDINATION OF DISTRIBUTION

I referred on the occasion of the last annual meeting to the Special Committee appointed by the Government to consider the question of co-ordinating electricity distribution throughout the country. Among other things, the committee recommend the absorption of the smaller undertakings by larger undertakings, and the report anticipates that in many cases power companies, such as ourselves, will take over the appropriate smaller undertakings or adjacent to their areas.

The recommendations, therefore, are entirely opposed to the splitting-up of large and efficient undertakings, and in order to

prevent this it is suggested that the existing purchase rights of local authorities throughout the country should be suspended. I may say that the report in general conforms closely to the views held by your directors as to what should be done to improve the present state of affairs throughout the country.

I think I can say that all political parties are agreed that a reorganisation of the distribution of electricity throughout the country is a pressing need, and that development along parochial lines has been a very great mistake. This has caused not only unnecessary capital expenditure, and duplication of administration and other costs, but has given rise to the wide variation in voltages of supply, multiplicity of tariffs, etc., which have been the cause of so much dissatisfaction and criticism in many parts of the country.

It would appear, therefore, that the legislation which the Government propose will generally be welcomed, and that such opposition and criticism as may arise will be concerned chiefly with the methods by which it is proposed to bring about the results aimed at.

PROGRESS OF INDUSTRIAL SALES

So far as the company's present activities are concerned, I am glad to say that good progress has been made in the sales of electricity to practically all the industries we serve. Improvement in the shipbuilding and engineering trades has been most marked, which is evidenced by the fact that the number of ships under construction in the North-East Coast area at the end of the past year represented a total of 331,068 tons, as compared with 205,845 tons at the end of 1935.

Considerable progress has also been made in connection with our supplies to the coal mines, which appear to be in a much more flourishing condition than was the case a short time ago. One by one, the remaining collieries in our area who utilise steam for power purposes are converting their plant to electric drive, and in practically all these cases power is being taken from the mains of the company.

As to the future, we can, I think, look forward with a considerable degree of confidence. While on this subject, I feel that I must utter one word of caution by reminding you that some of the improvement in trade in the company's area, and in fact all over the country, is due, and will for a time continue to be due, to the Government's Defence Programme, and while recent statements made by the Government forecast some years of activity, the business accruing from this source must, of course, be looked upon as transitory.

INCREASE IN DOMESTIC SUPPLY BUSINESS

On the other hand, we are deriving the benefit of the improvement in general trade that has set in, which is exemplified by the increased activity in merchant shipbuilding and in other industries not affected by the Defence Programme. Further, the growth of our domestic supply business—perhaps the most stable of all—is still most encouraging, and we look forward to a continuation of progress in this section for some time to come.

New applications in the use of electricity are constantly being made not only for industrial and commercial purposes but also for convenience and comfort in the household. Its utility finds a variety of outlets on both a large and small scale, ranging, in the case of power, from the driving of heavy machinery to the operation of an electric clock. It is also being used more extensively to produce heat for furnaces, ovens, and radiators, and, conversely, it is equally efficient for refrigeration. Its success in the lighting of public highways has resulted in its popularity as a means of affording maximum safety, at night time, to motorists and pedestrians alike, while to the surgical and medical professions it has proved to be of inestimable value. There is no doubt that the use of electricity is becoming more and more important to meet the daily necessities of the community at large, the effect of which is that the consumption of electricity per head of population is an ever-increasing figure.

I think, in view of what I have said, we are fully justified in looking forward to the future with optimism.

The report and accounts were adopted.

HALIFAX BUILDING SOCIETY

CONTINUED PROGRESS AND DEVELOPMENT

SIR ENOCH HILL'S SPEECH

The eighty-fourth annual general meeting of the Halifax Building Society was held, on the 22nd instant, at Halifax, presided over by Sir Enoch Hill, J.P., F.C.I.S., President of the Society.

The President, proposing the adoption of the annual report and statement of accounts said:—The total receipts for the year, exclusive of investments realised, were £37,885,893. Of this amount, the sum of £20,488,752 was advanced upon new mortgages granted mainly for the purpose of buying or building houses for the personal occupation of the borrowers. The number of new borrowers was 31,794, and the average amount of each advance was £644. This average loan has been substantially increased by the mortgages upon groups of houses. Although the amount advanced on mortgage is slightly less than in the preceding year, yet I am sure you will agree that it is a remarkable achievement for the Society to have lent more than £20,000,000 per annum for three successive years. I can assure you that each one of these 31,794 new advances has been carefully scrutinised by the directors and they have all been considered suitable securities.

The total sum due upon mortgages has increased during the year by £6,253,660, and now stands at £92,195,988, the average amount per mortgage account being approximately £407.

The directors are pleased to report that there are no properties in the possession of the Society at the end of the year to be reported in the statutory schedule, and no properties in the possession of receivers on behalf of the Society as mortgagees. The cost of realising all properties which have been re-possessed has been met out of the profits of the year, without recourse to the Special Reserve Fund No. 2, which has been provided for such contingencies and which now amounts to £750,000.

SATISFACTORY REPAYMENTS

The directors have been gratified to observe during the conduct of the business in the past year the admirable manner in which the Society's mortgagor-members have shouldered their responsibilities and promptly maintained their monthly repayments of principal and interest. The increased prosperity of the country has no doubt contributed to this very desirable state of affairs, which has certainly been reflected in the very excellent position with regard to the number of borrowers' accounts in arrear. In fact, the condition is so satisfactory that it is hardly possible of improvement.

A perusal of the accounts will show that out of the 226,059 borrowers, 177,587 are in respect of balances not exceeding £500 each. This gives ample evidence that the Society's resources are used mainly to encourage men and women, of comparatively small means, to acquire their own homes.

THE LIQUID ASSETS

The Society has maintained through the year its strong position with regard to liquid assets, which consist of short-dated trustee securities and cash in banks and in hand. These liquid funds now amount to £21,397,721, equal to 19.58 per cent. of the total amount of the investment funds. The maintenance of this large sum, realisable on demand or short notice, if required, provides an exceptional degree of safety and protection to the Society's members and depositors.

During the year considerable restrictions have been in force upon the receipt of additional investments from members and depositors, but in spite of these restrictions the directors were able to accept and employ, including the interest added, an increase in these funds of £5,931,541. The total funds of investing shareholders and depositors now stand at £109,306,258. The excess investments constantly offered to the Society are a sign of the great confidence it inspires by its convenient facilities and the strong position disclosed by its balance sheet.

FUNDS INCREASED BY OVER £6,000,000

During the year the total assets of the Society have increased by £6,240,109, and now amount to £114,327,576.

The new accounts opened during the year numbered 86,751, and the total number of shareholders' and depositors' accounts open at the end of the year was 682,615, being an increase of 23,106 accounts.

The balance of profit for the year, after payment of expenses and provision for income tax and all interest due to depositors up to the date of the accounts, and for depreciation of office properties, amounted to £2,904,665, to which had to be added

the balance brought forward of £56,293, making together a total sum of £2,960,958. After crediting to shareholders interest amounting to £2,322,570, the directors have appropriated £50,000 to the staff superannuation fund, £58,145 to reserve fund No. 2 (making this reserve fund up to £750,000), and £353,273 to the general reserve fund (making this up to £3,850,000).

THE BONUS DISTRIBUTION

The balance of profit remaining after these appropriations is £176,969, from which the directors have allocated, subject to your confirmation at this meeting, a bonus of 10s. per cent. to the paid-up shareholders, Class 1, which is confined to shares completed by monthly subscriptions, and a bonus of £1 per cent. to the monthly subscription investing shareholders. These bonuses absorb £109,627 and leave a balance to be carried forward to next year's account of £67,342. This distribution is at the same rate as in the preceding year, and will make a total yield for the past year to the paid-up shareholders, Class 1, of £3 15s. per cent. and to the subscription shareholders of £4 5s. per cent., the income tax on both interest and bonus being borne by the Society. The question of income tax has received the directors' careful consideration, and the sum of £50,000 has been added to the provision made for future liabilities.

It should be noted that the reserve funds and undivided profit, amounting to £4,667,342, are entirely free from all liability, as all the appropriations and allocations hitherto taken from the unappropriated profit at the end of the year have been effected prior to the accounts being completed.

It is advisable to recall from time to time that the chief method originally employed by building societies to raise funds was by means of monthly investing subscription shares. This department of the Halifax Society has always been popular, but it is not used to the extent which I feel sure its facilities and advantages deserve, and I would urge upon all the Society's members and officials that they endeavour to extend this form of regular and systematic saving, in order that the Society may be instrumental in helping as large a number as possible—men, women and children—by the inculcation of the habit of thrift through monthly investing subscription shares. During the year the proportion of the total investments on deposit has increased by 9.40 per cent., compared with 14.73 per cent. in the preceding year, and the proportion in share investments has increased by 4.14 per cent., compared with 0.78 per cent. These, I am sure, are steps in the right direction.

THE OUTLOOK

You will expect me to say a word or two with regard to future prospects. I think building society circles generally are now prepared to experience a somewhat lessened demand for mortgage facilities. This is only to be expected after the great boom of recent years, but I see no reason to abandon the expressions of optimism which I have made from this platform for many years.

The attainment of saturation point in certain classes of housing in some districts may prove a factor tending to diminish in the near future the volume of new estate business in many areas, but there will be compensations in the greater development in other districts, and the normal transfer of property must, in the coming years, inevitably be upon an increasing scale and must call for mortgage financing upon a similar scale.

Among the problems of the immediate future is the certainty of the increased cost of building, but if this should prove not very severe it will not greatly check home-ownership, as proved by experience in the past.

The future of building societies must rest, along with the future of industry and commerce of our country, on the continuance of peace and prosperity, and an absence of fear in the future, which we all so much desire.

I am sure that the results of the last year's business must be gratifying to all concerned and the Society has not only made great progress, but its financial strength is greater than at any time in its successful history.

The Halifax Society, with its branch organisation second to none in the building society or mortgage world, and with its pre-eminent reputation for the quality of its service, cannot fail to attract to itself in the years which are ahead, a continued and considerable demand for those facilities which have established the Society in the proud position it occupies to-day.

The report and accounts were approved.

LAW LAND COMPANY, LIMITED

INCREASED INCOME FROM RENTS

MR M. E. F. CREALOCK'S SPEECH

The fifty-fourth annual general meeting of the Law Land Company, Limited, was held, on the 24th instant, at Brettenham House, London, W.C., Mr M. E. F. Crealock (chairman of the company) presiding.

The Managing Director and Secretary (Mr H. H. Sparks), having read the notice convening the meeting and the report of the auditors,

The Chairman said:—The most striking figure is the large increase in income from rents, due almost entirely to lettings in the two new properties—Brettenham House and Carrington House. This figure is still on the rise and the revenue from these two properties will be reflected to an even greater extent in the year 1937. In addition, our older properties—both offices and flats—show considerable improvement in income and at the present time there is very little in the office properties which is vacant. The flat properties are also improving and every effort is made to keep them bright and attractive to meet the competition to which seems ever on the increase. I want, however, to say in this connection that I look forward with confidence to a return to popularity of the large and lofty rooms which are a feature of our flats as compared with the diminutive and box-like accommodation offered by so many of the new blocks of flats recently erected in London and even in the suburbs. Whilst it is true that this criticism may perhaps be applied to Carrington House, I must point out that in the particular area in which that building is situated there is a need for accommodation of this type. I have no doubt that this design of flat will continue to be sought for in a neighbourhood which is unique for its accessibility to the theatres, clubs and parks, and is yet just sufficiently distant from Piccadilly as to be away from the noise of traffic.

At this point I should tell you that a few weeks ago a transaction was completed by which we sold our interest in Central House, Kingsway, to the adjoining owners, the General Electric Company. That company needed the building for the purpose of extending their office space. Having been approached many times during the last few years with a view to our disposing of the property (not always with a knowledge of the intending purchaser) we at length received an offer which we felt we should accept. As the matter has only so recently been concluded I feel that, without the approval of the purchasers, I should not make any further reference to the price realised.

IMPROVEMENTS TO PROPERTIES

Now to turn to the expenditure side of the profit and loss account. The "omnibus item," as it is sometimes called—Rates, Taxes, Repairs, etc., etc.—shows an increase which calls for mention. But I need only refer to that part of the item which is in respect of the expenditure on repairs. It will be understood that light, service and similar matters must of necessity cost more in view of the increased lettings. However, this does not explain the greater expenditure on repairs during the past year. As time passes the original properties call for more and more money in replacing lifts, sanitary fittings and lighting and heating installations, apart from ordinary decorative work and external repairs. It has been found necessary to undertake extensive reconditioning, and I fear that I can hold out no hope that this outlay will decrease during the next few years.

MODERN FACILITIES

Your directors continue to keep to their policy of being first in the field with new devices. Carrington House is a steel-framed building, and, in the latter, radio reception is always difficult. In order to overcome this and provide the most modern facilities for your tenants we have installed an aerial on the roof 30 ft. above the steel structure, with a protected main leading down to every flat. This enables each tenant to plug his radio set into this main and get good reception, and at the same time each tenant can tune in to whatever station he desires, and irrespective of the station to which other tenants are listening. In addition to this, there is an aerial above the roof for the reception of television, and the same facilities are provided to each tenant for television as for radio. Carrington House was the first block of flats in this country, and, we are credibly informed, in the world, to be so fitted for television reception. The work was carried out by E.M.I. Services, Limited, who, on its completion, gave a demonstration at which a large number of your tenants attended.

I would like to say that the rumours which were current a short time ago to the effect that your company was interested in the development of the Adelphi site are entirely without foundation. In any case, I should not advise my board to enter into any building venture at a time like the present, when all materials and price of labour are on a rapidly advancing market.

LOW PERCENTAGE OF EMPTIES

Mr P. H. Stevens, in seconding the resolution, said that there were two or three figures which the chairman had not mentioned in connection with re-lettings and the percentage of empties. Leaving out their two latest buildings, Brettenham House and Carrington House, and dealing with offices, during the past year 73 tenancies had fallen in for renewal, and of those tenancies they had retained the tenants either for the old and for larger accommodation for 84 per cent. The net result was that when new lettings were taken into account the percentage of empty properties in their old office blocks was less than 1½ per cent. If they took the whole of their properties, offices and flats, leaving out their two latest buildings, the percentage of empties was only 3½ per cent., which he thought was ample testimony of the policy which the company was pursuing of constantly spending money to keep their properties up to date. (Hear, hear.)

In reply to a question by Colonel Sir Stuart Sankey as to the progress of the rebuilding of Waterloo Bridge, the chairman said that that would take three years to complete, but when Waterloo Bridge was completed and the main through road from South to North was in full use, it would double the value of Brettenham House. He was afraid that it would not be in his time that that building would come to its absolute peak, but undoubtedly his successor would see that time arrive. He would like to take the opportunity of expressing on behalf of the board and himself their appreciation of the way they had always been met by the officials of the London County Council, who had always done all they could to help the company. Shareholders would realise that there must be from time to time considerable noise due to pile driving and so on, but under such circumstances it was always possible for people to help each other, and the London County Council had always done all they could to assist the company.

The report was unanimously adopted, and the proceedings terminated with a vote of thanks to the chairman and directors on the motion of Colonel Sir H. Stuart Sankey, K.B.E., C.V.O.

PROVINCIAL CINEMATOGRAF THEATRES

15 PER CENT. FOR TEN CONSECUTIVE YEARS

The twenty-seventh annual ordinary general meeting of Provincial Cinematograph Theatres, Ltd., was held, on the 23rd instant, in London.

Mr Mark Ostrer (chairman and managing director) said that the net profit for the year, including income from investments and transfer fees, amounted to £503,925, an increase of £9,557 as compared with the previous year. With the amount brought forward from last year of £122,923 there was a total available of £626,849. Deducting from this figure the amounts appropriated to reserve for income tax, depreciation reserve, debenture stock sinking fund and general reserve, and the dividends on the preference and preferred ordinary shares, there remained £199,366, out of which the directors recommended a dividend on the ordinary shares at the usual rate of 15 per cent., leaving £124,366 to be carried forward, an increase of £1,443 over the amount brought in.

He felt justified in reminding shareholders that the company had paid a dividend of 15 per cent. on the ordinary shares for ten consecutive years, which surely was conclusive evidence of the company's stability. No additional permanent capital had been raised since the issue of the debenture stock in 1929. Subsequent to that date very substantial sums had been placed to general and depreciation reserves, out of which a large number of modern theatres had been erected or acquired.

The building of redundant theatres unfortunately still continued, but the conservative policy they had pursued for many years should enable them to meet this increased competition. Their theatres had always been maintained in a first-class condition, and they were in a better state of repair than the majority of theatres in this country. The company was one of the oldest in the business. Their long experience had enabled them to create an efficient organisation for the management of their theatres, and they were in a position to book the best films on advantageous terms. With the continued prosperity of the country he was looking forward with confidence to the results for the current year being as satisfactory as those now submitted.

The report was unanimously adopted.

RADIATION, LIMITED

TURNOVER AND NET PROFIT INCREASED
RECORD SALES OF "NEW WORLD" COOKERS

The annual general meeting of Radiation, Limited, was held, on the 24th instant, in London.

Mr H. James Yates, the Chairman, presided, and in moving the adoption of the report and accounts said: Two points stand out in reviewing the trading conditions experienced in 1936. One of these is the severe competition and the other is the higher manufacturing costs occasioned by advances in wages and increases in prices for raw materials. Because of these difficulties we have not been able to maintain the same rate of profit on our sales as in previous years, but our turnover has constituted a new high record, so that, despite the lower rate of profit on sales, we are able to report an increase in the amount of net profit for the year. Considerable extensions were made to buildings and plant during the past year, which enabled the company to meet the additional demand for its products.

There is little doubt that the trading conditions which prevailed last year will continue during the present year, but we have ample resources available and we shall use them in order to keep the company in a position to meet whatever conditions arise.

It is now realised that a gas fire provides means of quickly and healthily warming a room, and this has only been attained by our inventions and developments applied to gas fires. In 1908 we were the first to introduce the vertical columnar radiant; this has gradually been developed until we introduced a few years ago our High Beam Gas Fire with both columnar and scrubber radiants, which give an increased radiant efficiency and enable us to make the whole of the fire opening aglow with warmth. The sales of our High Beam Fires again reached a record figure during the past year, and our introduction, several years ago, of the self-lighting tap, which does away with the need to use matches, has been the means of greatly extending the use of gas fires.

DEMAND FOR COOKERS

Turning to another aspect of your business, namely matters connected with cooking, I may remark that the subject of dietetics is not sufficiently studied. Both good food and good cooking are essential to maintain us in good health. The success resulting from the work done in our Research and Demonstration Kitchen at Radiation House has led us to rebuild and equip a much larger Kitchen in Birmingham, enabling us to extend our School of Cookery where we train many women who, so soon as they are expert in their work, go all over the country lecturing and giving practical demonstrations which have been appreciated by many thousands of housewives.

The demand for our "New World" Cookers during the past year again constituted a further record. We have millions of satisfied users, and it is indeed pleasing to us to continue to receive numerous letters of appreciation testifying that the "New World" Cooker is ahead of all others.

The name "Regulo" has been so widely advertised all over the world that it has become a household word and is thought by many to refer to any thermostat used with a gas oven. The word "Regulo" is our registered trade mark and refers to the specially designed thermostat supplied only with Radiation cookers. It is important that the public should realise there is only one "Regulo," and that is obtainable only with Radiation Gas Cookers, and is marked with our trade mark "Regulo."

TRIBUTE TO CHAIRMAN

In seconding the adoption of the report and accounts, Mr C. Herbert Smith said that despite difficulties the year 1936 had been a record one for the company. He paid a hearty tribute to the valuable services rendered to the company by Mr H. James Yates, founder of Radiation, Limited, and chairman since its inception. Previously Mr. Yates was the chairman and managing director of John Wright and Eagle Range, Limited, and its subsidiaries.

Mr. Yates had devoted the whole of his time to the control and guidance of the company, nursing its growth year by year, and there were now upwards of 100 acres of works and 10,000 workpeople. From his youth Mr Yates had been keenly interested in research work, and had a laboratory at his own home. Nearly forty years ago he established a research laboratory in his works. It was due to this early personal research work that we had the modern gas cooker, gas fire and other gas appliances. As a mark of their esteem the directors considered this was a suitable occasion to invite Mr Yates to have his portrait painted for the board room, with a replica for himself.

The report and accounts were unanimously adopted.

CLAYTON DEWANDRE COMPANY, LIMITED

INCREASED PROFIT AND DIVIDEND
ADDITIONAL CAPITAL ON BONUS TERMS

The eighth ordinary general meeting of this company was held, on the 24th instant, in London.

Mr C. H. Dade (the chairman) said:—

I am sure the shareholders will feel that the accounts of the year are satisfactory. Our turnover throughout was well maintained, and for the fourth year in succession our trading profit shows an increase over its predecessor of approximately 50 per cent.

Our order book can again be described as promising, though I must add that manufacturing costs are on the increase. Raw material prices are constantly moving upwards, and this factor, together with advanced rates of wages, reacts upon works costs. Any increase in these, which is not overtaken without "lag" by our sale prices prejudicially affect profit margins.

Our properties were well maintained during the year. At the inception of the company we acquired adequate buildings in which to conduct our manufactures, and we are fortunate in saving any considerable expansion expenditure on them. We have still sufficient room for accommodating the installation of the additional plant we have in contemplation to meet immediate and further manufacturing requirements.

Under development account we expended during the year the sum of £2,341, but the balance at the close of the year has been again substantially reduced out of profits.

RESERVE ESTABLISHED

The item preliminary expenses now disappears. On the other hand, we have created a new and interesting item, namely the undivided profits account, to which has been allocated the sum of £10,000. This account is intended as a stand-by against less propitious times, and it is gratifying to the directors that in addition to increasing dividend distributions, this start is made in establishing prudent provision for the rainy day.

INCREASED DIVIDENDS

We are proposing to supplement the interim dividend of 3 per cent., less tax, disbursed in October last upon the ordinary shares, by a final dividend of 5 per cent., less tax, so making the total distribution on these shares 8 per cent., less tax, for the year. We propose further to distribute a dividend of 8 per cent., less tax, on the deferred capital. After payment of these dividends our carry-forward is only a fraction different from the amount brought in.

PRODUCTS AND THEIR IMPROVEMENT

Our manufactures have maintained fully their standing and popularity. Their quality is something of which we are proud, and the continuous research we engage in enables us to introduce improvements which add to the reputation of the products themselves. In the present year we expect to initiate the manufacture of two or three additional products, and these will conform to the high quality standards of our specialties.

ADDITIONAL CAPITAL

Shareholders already know that the directors lately decided that the business could employ usefully more capital, and that having in hand a certain amount of unissued capital, this should be offered to present holders on bonus terms. The prices at which these shares are offered, compared with the prices on the open market, show advantages both to the shareholders and to the company. One effect of the increase in materials and wages is that our funds lying in stocks and work in progress must now be rated at higher levels, and there is the further factor that in the purchase of raw materials we have now to take longer views to get safe deliveries to keep our production going. We need to buy much farther ahead and in greater quantities, and this requires more finance.

To fixed equipment we shall devote also a considerable portion of the new capital. We hope to install quite a number of new machines to cope with the new manufactures we have in view.

The response of the shareholders to the issue of the additional capital is already substantial, and permission to deal in the new shares has been granted by the Stock Exchange Committee.

At a later stage we shall suggest to you the desirability of converting the shares of both classes into stock units. It will be necessary to convene special meetings of the shareholders. No shareholder need apprehend being placed at the slightest disadvantage by the conversion suggested, which is a process now becoming common as facilitating transfer work and procedure.

The report and accounts were unanimously adopted.

GODFREY PHILLIPS, LIMITED

SATISFACTORY YEAR'S RESULTS

INCREASED PROFIT

The twenty-eighth annual general meeting of Godfrey Phillips, Limited, was held, on the 23rd instant, at the registered office of the company, 112 Commercial Street, London.

Mr Arthur I. Phillips (chairman and managing director) presided, and in the course of his speech, commenting on the accounts, said:—The "reserve" still stands at the round figure of £1,000,000, and this, together with the premium reserve, now £150,000, your directors consider ample to meet any likely eventuality. The credit balance of £13,000 on "reserve for development account" shows that the expenditure during the year was approximately £37,000.

During this coming year your directors intend, amongst other things, to make a special effort, mostly by way of additional, but probably not immediately remunerative, publicity, to promote the sales of a profitable side of the trade, which, at the moment, is not proportionate to the company's sales in all other directions. Any unrecovered cost at the end of the financial year can well be provided from this fund built up for such purposes.

"Investments in subsidiary companies" is a little more, the additional sum being the purchase price of some of a few outstanding ordinary shares of one of the subsidiaries previously acquired.

It would not be out of place here to express a word or two on the position of the subsidiaries and associated companies, which are comprised in this item of "investments."

They are all in a sound financial position, and so far from its being necessary for the parent company to assist them in any way with finance, they are at present able to loan us considerable sums, as you will see from the balance sheet, under the item "loans from subsidiary companies." We pay them varying rates of interest, but invariably at rates comparable with those ruling in the open market. This system works to the common advantage.

By the association the subsidiaries are in a far better position to trade than if they stood alone; on the other hand, their output and fluid position helps the profit and loss account to quite a satisfactory degree.

ADVANTAGEOUS PURCHASE OF LEAF

Stock is some £50,000 lower. This item is to an almost full extent leaf tobacco in bond, comprising various growths and crops, held to mature for varying periods. The 1936 crop was poor and dear. Your board were happy in anticipating that the drought in the United States might produce a short yield, and possibly a quality below that of the previous crop, and were fortunately able to secure from holders a considerable quantity of the 1935 crop at a price that ultimately proved advantageous.

It is also satisfactory to know that as a result we, at any rate, shall be able to maintain without any difficulty the high quality that is associated with our products.

Turning to the profit and loss account, the net profit for the year, including dividends declared by associated undertakings, after adjusting income tax and charging advertising and all expenses except interest and directors' fees, amounts to £254,900. The result of last year's trading shows an appreciation in the profits of £7,700, which, I think, we may be justified in considering satisfactory.

Competition was no less acute—in fact, only once before, and that some while ago, has the amount expended by the trade as a whole in advertising in 1936 been exceeded.

Fortunately there was an increased consumption on the part of the smoking public which has enabled us to maintain and even slightly to increase our total profits, despite the factors of dearer leaf, greater advertising and more severe competition.

THE OUTLOOK

It is much to be hoped that there will not be any increase in the enormously high British duties, for the Chancellor will realise that any change resulting in higher retail prices must inevitably invoke the operation of the law of diminishing returns.

But our trading is not confined to the United Kingdom, and I would not care to assume that we will not have some difficulties to meet abroad, where we are not, in every instance, subject to such practical and successful financial administration as we get from Mr Chamberlain. If, as we all fervently hope, there are no drastic changes, I believe we may look forward to a trading result this year no less satisfactory than I feel we may consider the one we have just reviewed.

The report and accounts were unanimously adopted.

PINCHIN, JOHNSON AND COMPANY, LIMITED

STRONG FINANCIAL POSITION

SALES EXPANSION AT HOME AND ABROAD

MR EDWARD ROBSON'S SPEECH

The annual general meeting of Pinchin, Johnson and Company, Limited, was held, on the 22nd instant, at the Hotel Victoria, London.

Mr Edward Robson (the Chairman), in moving the adoption of the directors' report and balance sheet for the year 1936, said:—

In submitting the report and accounts for 1936, I find my task an extremely agreeable and easy one, as the figures shown represent an outstanding landmark in the history of this successful company.

The total assets amount to no less a sum than £4,041,320.

The levels at which these assets now stand may be truthfully termed "gilt-edged," inasmuch as they represent figures more than readily obtainable from a saleable point of view.

Against the total assets shown, the liabilities only amount to £337,470, and I venture to say that such a set of figures presents a picture which should please the most cautious of our shareholders.

RECORD SALES

From your directors' report you will have observed that our net profit for the year totals £379,262, after providing fully for all charges, expenses and depreciation.

The present results have been obtained in face of the keenest competition, and with selling prices ruling at the lowest ebb in the history of this industry for the past twenty years.

Our sales for the past year represent another record established in the life of this company, and I would emphasise the fact that your board consider this a particularly satisfactory feature, especially when one bears in mind the relation of record sales to any betterment of selling prices in the future.

In connection with this matter you will note that advances in selling prices of our products have completely lagged behind the increases in cost of raw material and labour. It is only now that these conditions are making themselves felt sufficiently to bring about some little co-operation in the paint industry.

A HANDSOME BONUS

Following on my remarks of last year, I am pleased to say that your board has decided to distribute a share bonus to shareholders of one new share, fully paid, for each ten shares at present held. In receiving this distribution I think all shareholders will be pleased to know that we do not anticipate any difficulty in maintaining at least the same dividend on the enlarged capital.

You will see from our profit figures and carry-forward to 1937 that we commence this year well equipped in this connection.

PROSPEROUS FUTURE

Our company's trade is now very widely spread and covers most of the regular industrial fields of activity. We are in no way dependent on the so-called Armaments Programmes of the world, and, in view of this fact, I think it can be truthfully asserted that, with industrial conditions in a fairly active state, this company cannot fail to reap yet more prosperity and benefits.

The re-election of the directors and auditors followed, and the meeting terminated after a hearty vote of thanks to the Chairman, proposed by Mr W. C. Howard.

Our Information Service

The Intelligence Branch of *The Economist* has been enlarged to meet the growing demand for economic and statistical information. The Department has been able to secure the services of a number of experts, and is prepared to supply information and reports on any branch of industry and finance as well as on international relations at a fee proportionate to the work involved.

A special feature of the Department is the preparation of regular or occasional reports, on request, for business men and industrialists anxious to keep abreast of all developments which may affect their branch of activity.

Enquiries should be addressed to the
Intelligence Branch, THE ECONOMIST
8 Bouverie Street, London, E.C.4

SUNGEI SIPUT RUBBER PLANTATIONS, LIMITED

A FAVOURABLE YEAR

The twenty-seventh ordinary general meeting of Sungei Siput Rubber Plantations, Limited, was held at Winchester House, London, E.C., on the 23rd inst.

Sir Ivor Philipps, K.C.B., D.S.O. (the chairman), said:—The profit for the year was £10,730, as compared with £2,931. Shareholders have already received an interim dividend of 5 per cent., less tax, and we now propose a final dividend of 10 per cent., less tax at 4s. 9d. in the £.

There is an increase shown in the subscribed capital which at December 31st had risen to £85,835, and the capital now stands at £120,170. Our cash resources of over £30,000 remain at a very satisfactory level and are ample for our needs, especially as they are being added to every day.

As to our recent acquisitions, including Plus Estate, this amalgamation gives the company a combined planted area of 4,162 acres, which are capitalised at £29 per acre against the share capital and £15 10s. in respect of the debenture stock. The debenture stock possesses rights of conversion into shares at 4s. per share, and on complete conversion the capitalisation of the company will stand at the low figure of £36 12s. per planted acre.

Our 1936 profit and loss account can be summarised shortly as follows: Rubber sales at 8d. net, plus ½d. for sundry receipts, less cost of production at 4½d., leaves a profit of 4d. per lb. The estimates of production costs for 1937 so far received show a further welcome reduction, and we anticipate, in view of a total export allowance of say 1,631,000 lbs., or two and a half times that of 1936, a consequent drop in overhead charges per pound, and we may hope that costs for 1937 will be under 4d.

With rubber at 10½d. and a cost of 4d. a profit of 6½d. would accrue, which on an output of 1,631,000 lbs. amounts to £44,000 sterling, say four times the profit shown in the 1936 accounts, and equivalent to 3½ per cent. on the present issued share capital after providing £3,863 for interest on the debenture stock. On the output mentioned every penny profit provides £6,750 in the year, equivalent to 5½ per cent. on the share capital.

The report and accounts were unanimously adopted.

MAPLE & COMPANY, LIMITED

INCREASED PROFITS AND DIVIDEND

The annual general meeting of Maple and Company, Limited, was held, on the 24th instant, on the company's premises, Tottenham Court Road, London, W.

Mr C. C. Regnart (the president), who presided, said that he was in the happy position of being able to report the continued progress of the company. A substantial increase in the net profits of the company had been realised, and they had been able to recommend an increased ordinary dividend for the second year in succession, and, at the same time, more than replace the sum by which the carry-forward was reduced last year. It was with considerable satisfaction that he was able to inform them that that increase was not due to any one cause, but to an all-round improvement in the various sources from which the company derived its income. The general retail sales had continued to be good, and the pleasing feature (indeed, a very satisfactory feature from the company's point of view) was that the quality of goods asked for at the present time was distinctly superior to that of a few years ago. There was a clear indication that not only had the spending power of the public improved, but what was more important the public would not be content with the cheaper articles when they were able to afford furniture and furnishings of the higher grades.

The upward costs of all materials used in the furniture trade would, no doubt, be more apparent this year and larger profits should accrue from forward buying from which their large cash resources enabled them to avail themselves.

The subsidiary companies had made a substantial contribution to the profits of the company. These companies had a lot of leeway to make up, as the times through which they had passed had been times of exceptional severity. There were signs that more prosperous days were ahead, and the board were looking forward to the future with confidence and hope.

Having studied the prospects very carefully, the directors decided to establish a branch of the business in Birmingham, the second largest city in the country. A few months ago a lease of ideal premises became available, and was at once secured.

The report and accounts and the payment of a final dividend of 6 per cent., making 8½ per cent. for the year, was approved.

APOLLINARIS AND PRESTA, LIMITED

CONTINUED PROGRESS OF PRESTA

The fortieth annual general meeting of Apollinaris and Presta, Limited, was held yesterday at the Holborn Restaurant. Mr John Douglas Broad (the chairman) presided.

In presenting the directors' report and accounts for the year ended December 31, 1936, the Chairman referred to the years of energetic service of Mr Alfred R. Holland, who had been a director of the company since 1897, and its chairman since 1920. Mr Holland, who had retired in September last, had been succeeded by Lord Lurgan, who, to the deepest regret of the board, died very suddenly last month. Seats on the board had been accepted by himself and Mr James Henry Stephens.

Economic and political difficulties continued to affect the company adversely—in particular the high German exchange and the German Transfer Moratorium.

A scheme of arrangement with the debenture holders and the debenture deferred interest certificate holders had been sanctioned by the High Court on May 20th last, and there would have to be in the near future some rearrangement of the capital structure. He emphasised that the business as such was sound, and the liquid funds sufficient for an increased turnover.

WET SUMMER OF 1936

In seconding the adoption of the report and accounts the vice-chairman and managing director, Mr Francis J. Schilling, said that in spite of the poor summer of 1936 their Presta business had increased and, given a good summer this year, they were surely entitled to look for very much better results. Apollinaris advertising was to be resumed in America, and although their general export trade was still a source of anxiety, it was hoped that an improvement in world trade conditions would be reflected in a bigger turnover, thus reducing the effect of such adverse happenings as the devaluation of the Dutch currency.

He wished to welcome the new chairman, Mr Broad, and the new director, Mr Stephen, who had already assisted the company for some time with their help, advice and influence.

The report and accounts were adopted unanimously, and the proceedings terminated with a vote of thanks to the chairman and staff.

GOVERNMENT RETURNS, &c.

NATIONAL ACCOUNTS

The total ordinary revenue for the week ended March 20, 1937, amounted to £21,575,000, against ordinary expenditure of £15,113,000. After allowing for a decrease in Exchequer Balances of £211,148, the operations for the week, as shown below, decreased the gross National Debt by £6,673,000, to approximately £7,916 millions.†

(000's omitted)	
(No increases)	
Treasury Bills	£ 6,338
Public Department Advances	220
National Savings Certificates	50
Other debt (War Loan Acts)	65
Nil	6,673

† Including £375 millions on Account of Exchange Equalisation Fund and Borrowing for Statutory Sinking Fund.

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A complete analysis of the approximate position of the National Debt at December 31, 1936, appeared in *The Economist* for January 2, 1937.

REVENUE	Estimate for the year 1936-37	Total Receipts into the Exchequer			
		April 1, 1935, to March 21, 1936	April 1, 1936, to March 20, 1937	Week ended March 21, 1936	Week ended March 20, 1937
ORDINARY REVENUE	£	£	£	£	£
Inland Revenue—					
Income Tax	259,000,000	230,201,000	247,499,000	4,778,000	5,348,000
Sur-tax	56,500,000	47,830,000	49,750,000	3,060,000	3,720,000
Estate, etc., Duties	89,000,000	85,480,000	84,200,000	2,180,000	1,870,000
Stamps	27,000,000	23,650,000	27,610,000	2,180,000	2,430,000
Excise Profits Duty and Corporation Profits Tax	750,000	1,000,000	1,000,000	500,000	500,000
Land Tax and Mineral Rights Duty	750,000	720,000	670,000	40,000	50,000
Total Inland Revenue	433,000,000	388,881,000	410,729,000	12,718,000	13,918,000
Customs and Excise—					
Customs	207,525,000	192,028,000	206,017,000	3,736,000	4,216,000
Excise	110,000,000	105,900,000	108,700,000	4,100,000	4,800,000
Total Customs and Excise	317,525,000	297,928,000	314,717,000	7,836,000	9,016,000
Motor Vehicle Duties (Exchequer Share)	5,000,000	4,977,000	5,150,000	Dr 278,000	Dr 180,000
Post Office (Net Receipt)	11,258,000	12,700,000	12,850,000	Dr 190,000	Dr 180,000
Crown Lands	1,350,000	1,320,000	1,320,000	...	...
Receipts from Sundry Loans	5,000,000	4,933,936	4,549,641	18,532	40
Miscellaneous Receipts	25,250,000	17,531,347	17,656,207	157,375	440,729
Total Ordinary Revenue	798,381,000	728,271,283	766,971,848	18,551,907	21,574,769
SELF-BALANCING REVENUE					
Post Office	71,944,000	63,700,000	68,300,000	2,850,000	3,000,000
Motor Vehicle Duties apportioned to Road Fund	26,500,000	25,599,000	27,189,000	278,000	...
Total Self-balancing Revenue	98,444,000	89,299,000	95,489,000	3,128,000	3,000,000
Total	...	817,570,283	862,460,848	21,679,907	24,574,769

EXPENDITURE	Estimate for the year 1936-37	Total Issues out of the Exchequer to meet Payments			
		April 1, 1935, to March 21, 1936	April 1, 1936, to March 20, 1937	Week ended March 21, 1936	Week ended March 20, 1937
ORDINARY EXPENDITURE	£	£	£	£	£
Interest and Management of National Debt	224,000,000	209,820,064	209,247,507	363,579	365,676
Payments to Northern Ireland Exchequer	7,500,000	5,684,574	6,656,139	...	...
Other Consolidated Fund Services	3,200,000	3,035,804	2,925,758	53,913	53,750
Post Office Fund	600,000	1,126,817	420,529	...	...
Total	235,300,000	219,667,259	219,249,933	417,492	419,426
Total Supply Services (excluding Post Office)	578,088,000	504,450,144	551,816,122	13,636,619	14,693,491
Total Ordinary Expenditure†	813,388,000	724,117,403	771,066,055	14,054,111	15,112,917
New Sinking Fund (1928) (Finance Acts, 1928 and 1936)	...	11,950,393	11,572,020	715,001	...
Total (excluding Self-Balancing Expenditure)	813,388,000	736,067,796	782,638,075	14,769,112	15,112,917
SELF-BALANCING EXPENDITURE					
Post Office	71,944,000	63,700,000	68,300,000	2,850,000	3,000,000
Road Fund	26,500,000	25,599,000	27,189,000	278,000	...
Total Self-Balancing Expenditure	98,444,000	89,299,000	95,489,000	3,128,000	3,000,000
Total	...	825,366,796	878,127,075	17,897,112	18,112,917

† Estimated Expenditure as per Financial Statement (H.C. 77)...	797,897,000
Add:—	
Supplementary Estimates	41,058,000
Less:—Provision made in the Budget	25,600,000
	813,355,000
Excess Votes for 1935	33,000
	813,388,000

† Met from within the fixed debt charge of £224,000,000.
The aggregate revenue from April 1, 1936, to March 20, 1937, is shown below:—

(000's omitted)	
Expenditure	771,066
Revenue	766,972
Decrease in balances	160
Gross borrowing	£15,506
Less:—	
New Sinking Fund*	11,572
Net borrowing	3,934
	771,066

* Authority will be sought in the Finance Bill to meet the Statutory Sinking Funds by borrowing.

POSITION OF THE FLOATING DEBT

Ways and Means Advances Outstanding:	Mar. 21, '36		Mar. 21, '37		Movement Week ended Mar. 20, '37
	£	£	£	£	
Advances by Bank of England	33,375,000	19,055,000	39,415,000	—	220,000
Advances by Public Department	761,570,000	763,115,000	671,630,000	—	6,340,000
Treasury Bills outstanding	...	...	...	...	...
Total Floating Debt	794,945,000	782,170,000	711,045,000	—	6,560,000

* Includes £1,000 the proceeds of which were not carried to the Exchequer within the period of the account.

TREASURY BILLS BY PUBLIC TENDER

Tenders for £45,000,000 Treasury bills were opened on March 19, 1937. The amount applied for was £91,205,000. Tenders were accepted for Treasury bills at three months dated Monday to Thursday at £99 17s. 5½, about 39 per cent. and above in full; Saturday at £99 17s. 6d. and above in full. The average rate per cent. was 10s. 0.93½. The amount allotted was £45,000,000.

Date	Amount Offered	Total Applications	Amount Allotted	Average Rate %
January 4, 1935	30,000,000	49,560,000	27,500,000	0 6 1.64
July 5, 1935	40,000,000	60,905,000	40,000,000	0 12 4.82
January 3, 1936	40,000,000	68,075,000	35,000,000	0 10 10.72
July 3, 1936	50,000,000	72,750,000	50,000,000	0 12 1.27
January 1, 1937	40,000,000	75,450,000	40,000,000	0 12 5.83
March 12, 1937	45,000,000	88,450,000	45,000,000	0 10 4.95
March 19, 1937	45,000,000	91,205,000	45,000,000	0 10 0.93

NATIONAL SAVINGS CERTIFICATES

Total Sales of Savings Certificates	No. of Certificates	Value
Week ended February 27, 1937	704,562	£ 528,421
Week ended March 6, 1937	708,702	£ 531,526
February, 1936, to March 6, 1937	1,287,423,810	1,012,005,685

At the end of January 1937, the amount remaining to the credit of investors in Savings Certificates, excluding interest, was £390,340,230.

THE BANKERS' GAZETTE

PROVINCIAL (000's omitted)

	Week ended March 20		Month of February		Aggregate Totals January 1 to March 20	
	1936	1937	1936	1937	1936	1937
No. of working days:	25	24	25	24	25	24
BIRMINGHAM	1,900	2,281	11,677	12,212	+ 4.5	32,249
BRADFORD	677	804	4,417	4,560	+ 3.2	11,938
BRISTOL	1,182	1,304	5,729	5,517	— 3.7	15,354
DUBLIN	4,658	5,406	...	...	...	68,469
HULL	778	898	3,459	4,089	+ 18.2	9,735
LEEDS	810	1,155	4,162	4,396	+ 5.6	11,633
LEICESTER	592	664	3,075	3,284	+ 6.9	8,978
LIVERPOOL	5,897	8,651	26,048	30,420	+ 16.7	74,417
MANCHESTER	8,985	10,257	43,798	47,425	+ 8.2	121,492
NEWCASTLE	1,301	1,319	5,747	6,159	+ 7.1	15,365
NOTTINGHAM	411	429	2,463	2,255	— 8.4	6,450
SHEFFIELD	906	967	4,379	4,910	+ 12.1	12,123
	28,097	34,135	114,954	125,231	+ 8.9	388,209
						423,847

OVERSEAS BANK RETURNS

NOTE.—The latest return of the Bank of Spain appeared in *The Economist* for August 15. Portugal, in February 6. Argentina, Egypt, in March 6. Denmark, International Settlements, in March 13. Estonia, France, 1936, Lithuania, Netherlands, Reichsbank, Roumania, South Africa, Sweden, Switzerland, U.S. and New York Federal Reserve Banks in March 20.

FEDERAL RESERVE REPORTING MEMBER BANKS. In \$'s (000,000's omitted)

	Mar. 11, 1936	Feb. 10, 1937	Feb. 17, 1937	Feb. 24, 1937	Mar. 4, 1937	Mar. 11, 1937
Loans	8,272	8,864	8,908	9,054	9,121	9,260
Investments	13,054	13,591	13,621	13,621	13,597	13,541
Reserve with Federal Reserve Bank	4,632	5,351	5,333	5,291	5,171	5,242
Due from banks	2,419	2,231	2,321	2,206	2,055	2,017
Demand deposits	14,041	15,552	15,604	15,638	15,501	15,649
Time deposits	4,931	5,095	5,093	5,111	5,167	5,147
Government deposits	500	434	383	342	340	379
Due to banks	6,209	6,360	6,452	6,389	6,239	6,162

AUSTRALIAN COMMONWEALTH BANK. In £'s (000's omitted)

In £'s (000's omitted)						
	Mar. 16, 1936	Feb. 15, 1937	Feb. 22, 1937	Mar. 1, 1937	Mar. 8, 1937	Mar. 15, 1937
ASSETS						
Gold and English sterling	15,994	16,011	16,011	16,011	16,011	16,011
Other coin, bullion and cash	5,799	6,173	6,125	5,734	5,899	5,613
Money at short call—London	14,557	21,969	22,680	23,021	23,353	23,849
Short-term loans	6,089	8,222	8,685	7,892	7,236	7,205
Securities	70,828	76,811	76,811	76,811	76,811	76,811
Discounts and advances	7,645	8,766	8,908	9,154	8,992	9,152
LIABILITIES						
Notes issued	47,004	47,038	47,038	47,038	47,038	47,038
Reserve premium on gold	4,125	7,753	7,753	7,753	7,753	7,753
Deposits	70,825	76,132	76,509	76,225	75,540	75,900

RESERVE BANK OF NEW ZEALAND.—In £'s (000's omitted)

ASSETS	Mar. 16, 1936	Feb. 22, 1937	Mar. 1, 1937	Mar. 8, 1937	Mar. 15, 1937
Gold	2,801	2,801	2,801	2,801	2,801
Sterling exchange	24,836	18,804	17,458	17,674	18,289
Advances to State	1,791	2,453	2,453	2,453	2,453
Investments	9,907	12,752	12,719	13,025	13,045
LIABILITIES					
Bank notes	8,756	6,352	6,791	9,206	9,238
Demand liabilities—					
Government	9,375	11,974	10,342	7,487	7,867
Other					
Ratio of reserves to sight liabilities	98.7%	69.5%	67.9%	68.9%	69.9%

BANK OF CANADA.—In \$'s (000's omitted)

ASSETS	Mar. 18, 1936	Mar. 3, 1937	Mar. 10, 1937	Mar. 17, 1937
Reserve, of which—				
Gold coin and bullion	191,289	196,941	199,271	203,107
Dominion Government securities	80,002	179,408	179,392	182,974
LIABILITIES				
Note circulation	85,520	120,501	120,837	122,096
Deposits: Dominion Government	21,522	26,145	24,270	26,356
Chartered banks	188,818	195,437	197,713	197,160
Ratio of reserves to notes and deposit liabilities	64.3%	57.3%	57.8%	58.5%

RESERVE BANK OF INDIA.—In Rupees (000's omitted)

ASSETS	Mar. 13, 1936	Feb. 26, 1937	Mar. 5, 1937	Mar. 12, 1937
Gold coin and bullion	44,42,17	44,42,17	44,42,17	44,42,17
Rupee coin	58,55,77	62,24,32	61,92,23	61,88,58
Balances abroad	21,39,95	25,12,35	26,22,54	27,16,99
Sterling securities*	67,31,87	77,30,98	77,30,98	77,30,98
Indian Govt. rupee securities*	24,42,31	24,37,32	24,37,32	24,37,32
Investments	5,06,20	7,37,52	7,37,52	7,63,21
LIABILITIES				
Note circulation	1,70,92,92	1,93,83,12	1,95,00,35	1,95,38,61
Deposits: Government	6,47,23	16,60,07	13,53,00	17,38,87
Banks	36,63,17	19,64,80	22,64,44	22,26,35
Ratio of gold and sterling to liabilities	57.4%	58.4%	58.5%	58.5%

* Held against notes.

NATIONAL BANK OF BELGIUM.—In belgas (000's omitted)

ASSETS	Mar. 19, 1936	Feb. 28, 1937	Mar. 5, 1937	Mar. 12, 1937
Gold	3,215,290	3,687,282	3,690,275	3,692,477
Silver and other coin	65,442	57,046	56,951	53,465
Securities	1,168,369	1,352,555	1,363,495	1,359,870
Advances	93,628	33,140	33,697	41,164
LIABILITIES				
Notes in circulation	4,164,895	4,460,804	4,477,399	4,481,517
Deposits: Govt.	10,237	29,450	91,133	118,215
Other	659,894	826,281	828,214	890,748

BANK OF NORWAY.—In kroner (000's omitted)

ASSETS	Mar. 16, 1936	Feb. 22, 1937	Mar. 1, 1937	Mar. 8, 1937	Mar. 15, 1937
Coin and bullion (gold reserve)	118,840	118,851	118,851	118,850	118,849
Balance abroad and foreign bills	43,172	80,769	78,896	75,591	81,459
Funds provisionally placed in gold, not included in the gold reserve	66,287	96,211	96,211	96,211	96,211
Norwegian and foreign governments securities	42,098	73,533	74,395	73,893	68,465
Discounts and loans	201,849	170,668	168,801	170,468	176,148
LIABILITIES					
Notes in circulation	342,950	390,556	398,980	395,159	396,474
Deposits at sight	88,692	102,843	91,698	95,406	100,070

AUSTRIAN NATIONAL BANK.—In schillings (000's omitted)†

ASSETS	Mar. 15, 1936	Feb. 23, 1937	Mar. 1, 1937	Mar. 8, 1937	Mar. 15, 1937
Cash reserve—					
Gold coin and bullion	242,539	242,519	242,922	242,828	242,831
Foreign exchange	80,792	96,294	95,905	99,469	97,746
Bills discounted	218,878	200,944	200,891	193,193	199,232
Federal debt	624,444	620,152	620,152	620,152	620,152
LIABILITIES					
Notes in circulation	877,601	793,347	892,522	847,806	840,826
Deposits	283,702	342,848	241,359	290,783	293,700

† 5,976.26 schillings = 1 kg. fine gold, Dec. 31, 1936, and after.

NATIONAL BANK OF HUNGARY.—In Hungarian Pengő (000's omitted)

ASSETS	Mar. 15, 1936	Feb. 23, 1937	Mar. 1, 1937	Mar. 8, 1937	Mar. 15, 1937
Metal reserve—					
Gold coin and bullion	78,936	84,056	84,056	84,056	84,055
Foreign exchange	32,760	46,228	46,576	47,474	47,785
Token money	13,346	11,386	10,190	9,788	10,394
Inland bills, warrants and securities	482,634	428,695	461,757	448,882	429,139
Advances to Treasury	80,496	101,382	101,382	102,338	102,338
LIABILITIES					
Notes in circulation	348,122	356,662	418,256	394,224	375,634
Current accounts, deposits, etc.	140,743	229,062	202,380	216,631	219,615
Cash certificates	104,238	92,901	92,901	92,901	92,901
Other liabilities	164,820	146,218	147,117	149,591	149,392

NATIONAL BANK OF CZECHOSLOVAKIA.—In Cz. K.* (000's omitted)

ASSETS	Mar. 15, 1936	Feb. 23, 1937	Mar. 1, 1937	Mar. 8, 1937	Mar. 15, 1937
Gold	2,689,491	2,585,202	2,586,898	2,585,000	2,583,470
Balances abroad and foreign currency	56,162	290,015	277,136	294,637	192,752
Discounts and advances	1,401,485	1,404,980	1,884,506	2,027,812	2,027,812
State notes debt balance	2,040,470	2,019,331	2,019,131	2,018,805	2,018,383
LIABILITIES					
Bank notes in circulation	5,314,683	5,129,941	5,787,045	5,703,764	5,490,207
Deposits	882,108	770,896	415,089	628,586	775,955

* First return showing effects of devaluation, October 15, 1936.

NATIONAL BANK OF YUGOSLAVIA

In dinar (000's omitted)

ASSETS	Mar. 15, 1936	Feb. 28, 1937	Mar. 8, 1937	Mar. 15, 1937
Cash reserve:—				
Gold at home and abroad	1,487,305	1,642,171	1,648,724	1,648,589
Other foreign exchange	294,918	693,381	656,675	634,080
Bills and advances against security	1,650,904	1,695,553	1,697,073	1,691,586
Government advances	1,671,861	1,648,846	1,648,854	1,648,901
LIABILITIES				
Notes in circulation	4,871,787	5,346,539	5,359,413	5,292,609
Sight deposits	1,529,602	1,909,293	1,944,077	1,989,266
Time deposits	84,200	50,000	50,000	50,000

NATIONAL BANK OF BULGARIA.—In leva (000's omitted)

ASSETS	Mar. 15, 1936	Feb. 7, 1937	Feb. 15, 1937	Feb. 28, 1937	Mar. 7, 1937
Gold holdings	1,590,555	1,704,820	1,754,500	1,754,500	1,754,500
Balances abroad and foreign currencies	413,679	841,345	738,011	621,925	617,280
Discounts and advances	1,215,882	708,798	748,920	765,381	862,397
Advances to the Treasury	2,671,279	3,551,463	3,551,463	3,551,463	3,551,463
LIABILITIES					
Reserves	1,249,406	1,240,062	1,240,575	1,240,608	1,239,751
Bank notes in circulation	2,101,658	2,316,387	2,279,781	2,316,688	2,338,672
Sight liabilities	2,105,418	2,966,517	2,991,612	2,985,210	3,036,926
Deposits	125,596	116,494	115,833	115,752	115,631

BANK OF GREECE.—In drachmae (000's omitted)

ASSETS	Mar. 7, 1936	Feb. 15, 1937	Feb. 28, 1937	Mar. 7, 1937
Gold and gold exchange	3,352,915	3,356,515	3,376,556	3,388,891
State Gold Bonds	567,202	556,969	552,238	552,238
Bills discounted	283,975	476,141	482,122	499,138
Advances	4,648,051	2,397,758	2,460,923	2,560,922
State Debt	2,714,111	3,605,111	3,605,111	3,605,111
LIABILITIES				
Notes in circulation	5,549,122	5,967,773	6,027,381	6,061,268
Deposit and current accts.	5,510,592	3,991,539	4,085,838	4,141,674
Foreign exchange liabilities	236,399	148,913	161,393	159,793

CENTRAL BANK OF TURKEY.—In ₺T (000's omitted)

ASSETS	Mar. 14, 1936	Feb. 20, 1937	Feb. 28, 1937	Mar. 13, 1937
Gold	29,997	36,704	36,704	36,707
Foreign Exchange*	16,782	41,991	42,790	40,365
Treasury Bonds	147,416	146,344	145,975	145,974
Bills	13,460	24,242	18,242	18,528
Securities	38,725	41,003	41,003	41,008
Advances	4,438	8,213	7,940	8,471
LIABILITIES				
Note Circulation:—				
Ordinary	147,416	146,344	145,975	145,974
Supplementary	18,000	39,000	35,000	35,000
Deposits	15,747	12,939	13,389	13,524
Foreign Exchange Liabilities*	20,617	26,133	26,525	28,181
Miscellaneous	56,230	84,757	84,695	88,528

* Includes outstanding clearing balances.

BANK OF POLAND.—In zloty (000's omitted)

ASSETS	Mar. 10, 1936	Feb. 10, 1937	Feb. 20, 1937	Feb. 28, 1937	Mar. 10, 1937
Gold	445,200	398,633	399,224	400,296	403,638
Foreign exch. and balances	12,064	33,568	34,269	36,090	34,132
Bills discounted	607,845	593,221	587,041	609,325	590,736
Loans against securities	89,371	60,658	61,872	63,601	64,978
Treasury bonds discounted	39,010	40,962	11,560	17,547	6,160
Securities	91,345	134,914	134,944	134,979	134,917
LIABILITIES					
Notes in circulation	951,004	980,578	951,382	1,000,179	981,336
Sight liabilities	193,634	254,378	265,767	254,487	281,168

BANK OF FINLAND.—In F. Marks (000's omitted)

ASSETS	Mar. 14, 1936	Feb. 23, 1937	Feb. 28, 1937	Mar. 8, 1937	Mar. 15, 1937
Gold reserve	493,458	603,150	603,147	603,138	603,134
Gold abroad not included in the gold reserve		211,432	211,432	213,193	213,193
Foreign correspondents	1,286,382	1,732,677	1,746,682	1,761,935	1,782,971
Foreign bills, bank notes, and coupons	82,592	92,746	89,853	94,569	95,557
Inland bills and other home loans	942,353	1,061,902	1,051,069	1,042,460	1,051,947
Finnish and foreign bonds	394,689	396,447	397,755	413,416	413,651
LIABILITIES					
Notes in circulation	1,464,665	1,628,850	1,756,602	1,783,401	1,814,970
Government deposits at sight	168,335	572,646	530,878	513,848	494,218
Other deposits at sight	424,236	649,551	612,604	563,871	596,521
Ratio of ordinary cover to liabilities at sight	82.07	76.61	77.13	78.90	75.69

BANK OF LATVIA.—In lat\$ (000's omitted)

ASSETS	Mar. 16, 1936	Feb. 15, 1937	Feb. 22, 1937	Mar. 1, 1937	Mar. 8, 1937	Mar. 15, 1937
Gold coin and bullion	46,390	76,880	76,881	76,881	76,882	77,432
Silver coin	15,196	16,034	16,008	15,849	15,754	15,675
Balance abroad	6,284	33,751	33,313	35,964	35,849	37,663
Treas. notes and small change	8,682	9,770	9,225	7,716	7,999	7,718
Short-term bills	49,482	48,686	49,057	50,337	49,360	49,213
Loans against securities	57,461	66,746	67,857	68,985	68,258	68,617
LIABILITIES						
Notes in circulation	37,698	41,985	43,150	45,423	44,929	45,726
Deposits	21,365	20,268	20,259	20,698	20,958	20,934
Current accounts	80,024	119,990	120,445	117,280	115,949	117,016
Government accounts	38,008	62,676	62,334	64,237	65,149	64,676

† Gold francs up to and including September 28, 1936, only.

BANK OF DANZIG.—In Danzig gulder (000's omitted)

	Mar. 14, 1936	Dec. 31, 1936	Jan. 15, 1937	Jan. 30, 1937	Feb. 15, 1937	Feb. 27, 1937	Mar. 15, 1937
Assets							
Gold coin and bullion	20,765	29,661	29,002	29,091	29,221	29,342	29,533
Dating subaid, coin	4,809	3,805	4,542	4,196	4,620	4,220	4,560
Balances abroad and foreign bills	7,488	1,694	2,949	2,957	3,205	4,230	3,551
Discounts	15,426	17,894	17,409	14,110	14,045	13,292	12,889
Notes in circulation	26,016	32,045	29,296	31,764	28,929	31,373	28,855
Deposits on demand	5,659	8,292	11,748				15,883

BRITISH INDUSTRIES FIXED TRUSTS—FIRST PORTFOLIO.—Income distribution of 5½d. per sub-unit, free of income tax. This, with 8½d. paid for the fifth half-year, makes a total of 13½d., tax free, for third complete year, compared with 10½d., tax free, for second year.

UNION CORPORATION.—Net profit for 1936 £685,044, compared with £604,921. To reserve £40,000, against £40,189; exploration reserve £50,000, against nil. Final dividend 6s. per 12s. 6d. share, against 5s. 6d., making 8s. 6d. (or 68 per cent.), against 8s. (or 64 per cent.) for 1935.

ALBION MOTORS.—Ordinary dividend 15 per cent. for 1936, compared with 10 per cent.

ASSOCIATED ELECTRICAL INDUSTRIES.—Ordinary dividend 10 per cent. for 1936, compared with 8 per cent. £100,000 to general reserve and £75,000 to writing off patents and goodwill.

HOPKINSONS, LTD.—Final ordinary dividend 7½ per cent., against 6 per cent., making 10 per cent., against 8½ per cent.

INGERSOLL, LTD.—Final ordinary dividend 10 per cent., making 15 per cent. for year. First ordinary dividend.

GUEST, KEEN, BALDWIN IRON AND STEEL.—Ordinary dividends resumed with a 2½ per cent. payment.

MANGANESE BRONZE AND BRASS COMPANY, LTD.—10 per cent. final dividend, on reconstructed ordinary capital, following 100 per cent. on the smaller capital.

JOHN LEWIS AND COMPANY.—Final dividend 7 per cent., making 12 per cent., against 5 per cent.

THOMAS FIRTH AND JOHN BROWN.—Final dividend 10 per cent., tax free, making 15 per cent., tax free, for year, against 12½ per cent., tax free.

HARRISON (BIRMINGHAM).—Ordinary dividend of 4s. a share, tax free, or 20 per cent., same as 1935, but payable in addition on the 50 per cent. capital bonus last year, i.e. on £165,000 of ordinary capital ranking in 1936, against £110,000 in 1935.

VALOR COMPANY.—An ordinary dividend of 10 per cent. is to be paid.

WEEKLY TRAFFIC RETURNS RAILWAYS OF GREAT BRITAIN AND IRELAND

(b) Week ended Mar. 19, 1937. (c) Week ended Mar. 20, 1937.	Miles Open	Gross Receipts, week ended Mar. 21, 1937 (£'000)					Aggregate Gross Receipts, compared with 1936 (11 weeks) (£'000)				
		Passen- ger, etc.	Merchan- dise, etc.	Coal and Coke	Total	Receipts	Passen- ger, etc.	Merchan- dise, etc.	Coal and Coke	Total	Receipts
Great Western	1937	3,738	170	206	122	328	1,746	2,120	1,298	3,418	5,164
1936	3,746	162	201	105	306	468	1,713	2,059	1,247	3,306	5,019
(c) L. & N.	1937	6,330	277	350	264	614	891	2,798	3,618	2,905	6,523
1936	6,330	277	350	249	599	858	2,719	3,549	2,916	6,465	9,184
L. M. & S.	1937	6,877	427	522	306	828	1,255	4,193	5,312	3,212	8,524
1936	6,899	395	506	260	766	1,161	4,063	5,159	3,138	8,297	12,362
Scottish	1937	2,153	260	62	35	97	357	2,739	626	380	1,006
1936	2,154	251	66	33	99	350	2,640	655	414	1,069	3,709
Southern	1937	19,098	1,134	1,140	727	1,867	3,001	11,476	16,764	7,795	19,471
1936	19,132	1,067	1,123	647	1,770	2,837	11,137	14,422	7,715	19,137	30,274
Total	1937	19,098	1,134	1,140	727	1,867	3,001	11,476	16,764	7,795	19,471
1936	19,132	1,067	1,123	647	1,770	2,837	11,137	14,422	7,715	19,137	30,274
(b) Belfast & Co. Down	1937	80	1-7	...	0-5	2-2	18-3	...	...	...	23-9
1936	80	1-9	...	0-5	2-5	20-0	...	...	...	...	26-2
(b) Great Northern	1937	543	8-8	...	8-8	17-6	84-3	...	...	...	184-3
1936	543	8-9	...	10-4	19-7	87-4	...	...	...	...	110-1
(b) Great Southern	1937	2,078	28-9	...	37-7	66-6	289-1	...	...	...	455-0
1936	2,124	30-5	...	40-5	71-0	296-9	...	...	...	...	756-5

COMPARISONS WITH CORRESPONDING PERIODS, 1935 and 1936 (000's omitted)

	Great Western	L.M.S.	L.N.E.R.	Southern
First half-year 1936, compared with first half-year, 1935	£	£	£	£
Gross increase or decrease	+ 263	+ 937	+ 534	+ 85
Second half-year 1936, compared with second half-year, 1935	£	£	£	£
Gross increase or decrease	+ 491	+ 1,575	+ 751	+ 378
First half-year 1937, compared with first half-year, 1936	£	£	£	£
11 weeks to March 20, 1937 ...	+ 145	+ 355	+ 137	+ 36
Weekly average first half 1937	+ 13½	+ 32½	+ 12½	+ 3½
Latest week 1937 compared with 1936	+ 30	+ 94	+ 33	+ 7

LONDON TRANSPORT

	Week ending March 20, 1937	Aggregate 38 weeks to March 20, 1937
Takings (before pooling)	£559,600	£13,300
Aggregate 38 weeks to March 20, 1937	£21,227,200	£616,300

* For an explanation of the manner in which the figures are made up, see *The Economist*, March 17, 1934, page 610.

OVERSEAS RAILWAY RECEIPTS

Name	Weeks	Ending	Present Month	Gross Receipts for Week	Gross Aggregate Receipts
				1937	+ or -
				1937	+ or -
INDIAN					
Assam Bengal	49	Feb. 28	1,330	Rs. 4,15,100	Rs. 43,750
Barsi L. Ry.	28	292	108,863	13,100	14,02,100
Bengal & N. Western	24	2,107	108,863	62,895	1,61,09,377
Bengal-Nagpur	50	Mar. 10	3,268	28,06,000	3,06,602
Bombay, Bar. & C.I.	50	10	3,072	40,79,000	4,45,000
Bombay, Bar. & C.I.	49	Feb. 28	3,229	15,94,000	2,29,438
Madras & S. Mah.	24	28	3,572	2,09,444	25,700
Rohilk'd & Kumaon	24	28	2,532	14,29,032	75,082
South Indian	47	10 days	...	...	...

CANADIAN

	Weeks	Ending	Present Month	Gross Receipts for Week	Gross Aggregate Receipts
				1937	+ or -
				1937	+ or -
Canadian National	10	Mar. 14	23,566	\$ 3,639,703	\$ 269,312
Canadian Pacific	10	17,223	2,523,000	118,000	25,074,000

SOUTH AMERICAN

Antofagasta (Chili and Bolivia)	12	Mar. 21	834	£17,210	+ 3,540	191,500	+ 25,549
Argentine N.E.	38	20	753	£27,885	+ 347	5,530,200	+ 491,300
B.A. and Pacific	37	13	2,860	£2,020,000	+ 229,000	54,595,300	+ 3,471,300
B.A. Central	36	6	...	£125,310	+ 20,081	3,285,713	+ 282,440
B.A. Gt. Southern	37	13	5,084	£144,900	+ 50,800	5,224,900	+ 1,115,400
B.A. Western	37	13	1,930	£13,320,000	+ 671,000	89,685,000	+ 7,686,200
Central Argentine	38	20	3,700	£205,955	+ 50,315	5,413,169	+ 596,200
Central Uruguay	37	13	273	£895,000	+ 18,000	29,476,000	+ 1,397,000
C. Urg. (East Ext.)	37	13	311	£167,140	+ 59,502	5,766,646	+ 1,179,291
C. Urg. (N. Ext.)	37	13	185	£11,496	+ 1,664	459,636	+ 59,723
C. Urg. (W. Ext.)	37	13	211	£2,554	+ 161	85,558	+ 10,790
Cordoba Central	38	20	1,218	£1,674	+ 15	59,586	+ 7,553
G. West. of Brazil	38	20	810	£952	+ 65	38,481	+ 5,000
Leopoldina	11	13	1,918	£435,000	+ 46,000	20,104,000	+ 1,688,000
Leopoldina Termal.	11	13	...	£26,990	+ 4,130	1,203,840	+ 121,980
Nitrate	11	13	...	£179,800	+ 29,700	8,248,100	+ 1,148,400
Paraguay Central	37	13	100	£11,154	+ 2,335	494,743	+ 77,677
Salvador	37	13	100	£8,100	+ 1,600	101,800	+ 16,400
San Paulo	11	14	1,534	£202,000	+ 457,000	18,807,000	+ 2,005,000
United of Havana	38	20	1,353	£25,325	+ 7,478	234,271	+ 41,210

* Converted at average official rate during week ended Mar. 20, 1937, 16:12 pesos to the £.
† Free market rate. ‡ Receipts in Argentine pesos. † Fortnight.
§ Converted at official rate. ¶ Converted at "controlled free" rate.
f Converted at the "free" rate as a result of a decision of the High Court.

OTHER OVERSEAS

Egyptian Delta Light	49	Mar. 10	621	£7,269	+ £1,071	241,288	+ £3,193
Egyptian Markets	10	11	...	1,956	+ 555	20,243	+ 285
Gr. Southn. of Spain	34	Aug. 29	104	Ps. 14,208	+ 62,843	840,732	+ 724,889
Mexican Railway	11	Mar. 14	483	£288,500	+ 36,700	3,184,600	+ 519,200

SUEZ CANAL RECEIPTS

Suez Canal	11	Mar. 10	...	£358,700	+ £63,400	2,325,400	+ £63,800
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TRAMWAYS WEEKLY GROSS RECEIPTS

Anglo-Argentine	11	Mar. 18	325	£626,435	+ 18,367	6,866,154	+ 27,670
B. Aires Lacroze	36	7	...	£73,544	+ 2,210	2,487,056	+ 100,245
Burnley, Colne and Nelson Jt. Trspt.	11	20	76	£5,032	+ 115	55,197	+ 1,331
Calcutta Tramways	11	20	...	Rs. 1,20,089	+ 6,193	8,27,601	+ 37,149
Isle of Thetford Elec.	9	17	...	£2,805	+ 193	27,589	+ 1,165
Liverpool Corp.	5	3	...	£29,727	+ 1,500	1,481,834	+ 23,873
Madras Electric	11	15	...	£82,505	+ 338	2,56,105	+ 2,722

MONTHLY TRAFFICS

Company	Months	Ending	De- scrip- tion	Receipts for Month		Receipts to Date	
				1937	+ or -	1937	+ or -
Bilbao River	2	Feb. 28	Gross	£1,646	- 506	2,682	- 788
Brazilian Traction ...	2	28	Gross	\$2,791,447	+ 354,626	5,711,429	+ 819,250
			Net	\$1,486,211	+ 178,399	3,059,257	+ 440,994
Burma Electric	1	Feb. 28	Gross	Rs. 46,694	- 2,961	125,108	+ 32,829
Costa Rica	1	Jan. 31	Gross	£14,174	+ 2,616	31,100	+ 5,500
Dorada	2	Feb. 28	Gross	£15,800	+ 3,500	9,700	+ 2,700
Dorada (Ropeway) ...	2	28	Gross	£5,100	+ 2,100	...	...
Santa Fe	1	28	Gross	£115,238	+ 1,784	...	...
Manchester Ship Canal	2	28	Gross	£94,466	+ 3,721	188,899	+ 8,977

SHORTER COMPANY COMMENTS

(Continued from page 718)

APOLLINARIS AND PRESTA.—Profits for 1936 £17,806, against £21,483. 2½ per cent. interest on 5 per cent. debenture stock, £15,616 (rest charged, not paid), balance £4,896, after (£29,558 brought in).

PROJECTILE AND ENGINEERING.—Total profits expanded from £65,570 to £94,223 in 1936. Obsolescence reserve receives £29,823 against £9,112. Maintenance reserve receives £828 against £3,844. Pension reserve, £1,000 (same). Ordinary dividend 20 per cent., against 12½ per cent. Carry-forward is £31,518, against £30,265.

CAMMELL LAIRD AND COMPANY.—Trading profit 1936, £103,412 against £82,636 for 1935. Income from investments £108,845 against £67,868. To reserve £58,116; debenture sinking fund, £3,750. Ordinary dividend raised from 3½ per cent. to 5 per cent. Carry forward increased from £1,677 to £22,339.

CURRYS, LTD.—Net profit for year to January 31, 1937, £73,983, against £103,889. To income tax reserve £3,000 against £13,000; general reserve, £10,000 as before. Ordinary dividend 12½ per cent. against a dividend and bonus of 17½ per cent. Carry forward increased from £14,619 to £16,852.

CABLE AND WIRELESS, LTD. (Index Numbers).—Monthly figures reduced to working day average. Working day average of comparable receipts, year 1929 = 100. Index number, February, 1937, 84.6 compared with 85.8 for January, 1937, and 73.3 for February, 1936. For table showing monthly index since beginning of 1930 see *The Economist*, January 23, 1937, page 214.

GENERAL REFRACTORIES.—Profit for 1936, £66,741 comparing with £55,392. Final dividend 10 per cent., making 16 per cent. for year against 15 per cent. To reserves, £10,000; bad debts, £1,000; depreciation, £5,000. Carry forward £12,565.

EDWARD LLOYD, LTD.—Net profits for 1936, after tax and depreciation, amounted to £361,310, an increase of £111,274. Ordinary dividend and bonus 16½ per cent., against 7 per cent. tax free. Carry forward increased from £74,513 to £98,573.

WIGAN COAL AND IRON.—Profits of £36,988 in 1936, against £40,528. Final dividend of 1½ per cent. on 1,809,725 £1 shares, making 2½ per cent., against 2 per cent.; £2,105, against £3,064, is carried forward.

VAUXHALL MOTORS, LTD.—Gross profits rose to a new high level of £1,769,322 for 1936 against £1,541,085. Net profit rose from £743,440 to £878,764. Ordinary dividend 75 per cent., absorbing £571,875 against 100 per cent. absorbing £561,875 for 1935.

HALL (L.) EDMONTON, LTD.—Net profit for 1936 £36,755 against £34,657. Ordinary dividend 15 per cent. as before. Grant to additional pension fund £5,000 against nil. Carry forward increased from £18,256 to £28,708.

SUMMARY OF COMPANY PROFIT AND LOSS ACCOUNTS

Company	Year Ending	Balance from Last Account	Net Profit After Payment of Debenture Interest	Amount Available for Distribution	Appropriation					Corresponding Period Last Year	
					Dividend			Carried to Reserve, Depreciation, etc.	Balance Forward	Net Profit	Dividend
					Prefce.	Ordinary					
						Amount	Amount				
Banks		£	£	£	£	£	%	£	£	£	%
Bank of Australasia	Oct. 12	182,266	300,962	483,228	...	289,899	8	...	193,329	273,857	7½
Chartered Bank of India, etc.	Dec. 31	181,038	496,682	677,720	—	420,000	14	75,000	182,720	498,643	14
Breweries											
Bernard (T. and J.)	Jan. 31	9,224	21,324	30,548	8,750	7,500	10	5,000	9,298	16,411	10
Royal Brewery Brentford...	Dec. 31	35,222	64,497	99,719	6,863	27,450	12	24,887	40,519	60,423	12
Canals and Docks											
Grand Union Canal	Dec. 31	11,183	20,383	31,566	24,000	...	...	...	7,566	24,214	Nil
Electric Lighting, etc.											
British Power and Light ...	Dec. 31	41,195	154,454	195,649	45,937	87,697	6	...	62,015	143,016	6
North Wales Power	Dec. 31	698	135,368	136,066	...	53,375	7	78,000	4,691	126,425	7
Financial, Land, etc.											
Edward Lloyd Investment...	Dec. 31	142,253	113,445	255,698	19,063	91,500	6	...	145,135	(a)	(a)
Ellis and Sons Properties ...	Dec. 31	...	4,237	4,237	...	...	...	958	3,269	(a)	(a)
John Lewis Properties	Jan. 31	6,779	64,793	71,572	30,797	26,878	15½	10,000	3,897	(a)	(a)
Olds Discount Company	Dec. 31	5,132	19,440	24,572	4,989	8,650	12½	1,830	9,103	11,675	12½
Iron, Coal and Steel											
Baldwins, Limited	Dec. 31	45,348	274,969	320,317	29,439	158,520	10	86,919	45,439	88,301	2½
Cammell Laird and Co.	Dec. 31	1,677	150,199	151,876	...	67,672	5	61,865	22,339	50,256	3½
Firth(Thos.) and John Brown	Dec. 31	69,200	482,534	551,734	48,300	232,500	15½	192,000	78,934	425,029	12½
Guest, Keen, Baldwins, etc.	Dec. 31	41,106	484,268	525,374	59,555	70,055	2½	313,317	82,447	175,962	Nil
Projectile and Engineering	Dec. 31	30,265	70,405	100,670	...	37,500	20	31,652	31,518	19,395	12½
United Collieries	Dec. 31	...	31,852	31,852	...	...	...	29,757	2,095	50,225(s)	Nil
Vickers, Limited	Dec. 31	241,608	1,126,610	1,404,218	418,190	469,528	10	250,000	266,500	928,105	8
Motor Cycle and Aviation											
Currys, Limited	Jan. 30	14,620	73,983	88,603	15,000	43,750	15	13,000	16,853	103,889	17½
Vauxhall Motors	Dec. 31	602,419	801,751	1,404,170	13,838	571,875	75	...	818,457	676,606	100(s)
Rubber											
Dennistown	Dec. 31	1,752	13,762	15,514	...	11,857	7	1,500	2,157	5,382	3
Higgoda	Dec. 31	402	1,948	2,350	420	1,360	4	...	570	586	Nil
North Malay	Dec. 31	2,162	24,040	26,202	...	22,387	7½	...	3,816	13,044	4
Sungei Choh	Dec. 31	173	10,078	10,251	...	8,000	4	1,500	751	4,006	2
Yataderia	Dec. 31	916	9,236	10,152	...	5,600	4	3,500	1,052	7,743	3
Shipping											
Cairn Line of Steamships...	Dec. 31	Dr. 7,542	16,771	9,229	...	...	...	8,705	524	3,507	Nil
Lampot and Holt Line.....	Dec. 31	2,770	43,614	46,384	...	...	...	33,000	13,384	20,006	Nil
Shops and Stores											
John Lewis and Co.	Jan. 31	8,834	224,393	233,227	102,500	108,000	12	...	22,727	192,334	9
Tea											
Battalgalla	Dec. 31	1,681	3,196	4,877	...	3,375	7½	341	1,161	3,864	7½
Travancore	Sept. 30	4,680	15,944	20,624	5,823	6,390	6	3,500	4,911	11,096	5
Telegraphs, etc.											
Ericsson Telephones	Dec. 31	37,917	140,602	178,519	13,998	93,759	25½	35,000	35,762	112,427	20½
Trusts											
City National Investment...	Feb. 28	8,564	8,017	16,581	...	6,863	6	5,005	4,713	7,434	8(n)
Investors' Trust Association	Feb. 28	23,000	20,297	43,297	14,297	4,289	1½	...	24,711	18,778	1
Telephone & General Trust	Dec. 31	56,378	106,063	162,441	38,500	58,160	8	...	65,781	105,466	8
Other Companies											
Associated Portland Cement	Dec. 31	192,048	1,524,583	1,716,631	137,500	787,500	22½	594,966	196,665	1,351,988	20
British Aluminium Company	Dec. 31	62,228	398,930	461,158	90,000	200,000	10	100,000	71,158	296,853	7½
British Pepper and Spice....	Dec. 31	1,265	12,061	13,326	...	7,930	6½	3,500	1,896	8,689	5
British Ropes	Dec. 31	48,160	211,575	259,735	81,725	81,515	25	34,500	61,995	157,093	12½
Costain (Richard)	Dec. 31	33,297	63,526	96,823	21,500	28,740	6	15,000	31,583	110,183	10
Crosfield (Joseph) and Sons	Dec. 31	156,459	821,694	978,153	227,500	600,000	40	...	150,653	788,758	37½
Dwyer and Company	Jan. 31	19,150	13,088	32,238	2,558	6,236	12½	4,375	19,069	12,727	12½
General Refractories.....	Dec. 31	20,983	64,388	85,371	...	56,806	16	16,000	12,565	54,898	15
Gossage (William) and Sons	Dec. 31	44,538	281,665	326,203	71,250	210,000	30	...	44,953	278,734	30
Imperial Tobacco of Canada	Dec. 31	18,256	32,952	51,208	4,500	15,000	15	5,000	26,708	34,657	15
Inns and Company	Dec. 31	1,477,173	1,229,416	2,706,589	99,000	1,116,646	11½	...	1,490,943	1,188,893	10½
Knight (John), Limited	Dec. 31	2,911	56,523	59,434	16,056	28,594	15	10,000	4,784	51,371	12½
Lloyd (Edward), Limited	Dec. 31	139,562	227,160	366,722	125,000	120,000	40	Dr. 20,000	141,722	246,455	40
Rowntree and Company	Dec. 31	74,513	504,077	578,590	139,000	198,250	16½	142,767	98,573	250,036	7½
Tarmac, Limited	Dec. 31	130,489	245,273	375,762	154,800	25,000	10	24,114	171,848	192,359	12½(v)
Tizer, Limited	Dec. 31	36,070	116,683	152,753	11,000	37,046	7½	67,359	37,348	95,460	6
Van den Berghs and Jurgens	Dec. 31	...	61,213	61,213	...	30,500	20	20,746	9,967	(a)	(a)
Watford Electric, &c.....	Dec. 31	287,848	752,252	1,040,100	293,714	280,219	7	200,000	266,167	(a)	(a)
Wests and Moultons	Dec. 31	...	(p)5,998	5,998	1,249	3,375	7½	584	790	(a)	(a)
	Jan. 31	2,444	23,320	25,764	...	19,687	17½	3,000	3,077	22,091	17½

COMMERCE AND TRADE

SURVEY OF COMMODITY MARKETS

AFTER the hectic movements of the past few weeks it is scarcely surprising that the majority of the commodity markets had a quieter appearance in the pre-holiday period. The strike situation in the United States had a bearish influence in certain instances and price declines were common.

Profit taking by speculators and the slackening of demand were responsible for a further decline in metals. Copper dipped well below £70 a ton, before scoring a recovery, while tin, after heavy fluctuations, also showed a net loss on the week; lead and spelter were easier in sympathy. Although the technical position of the metal markets was improved by this week's shake-out, it is probable that psychological factors will continue to play an important rôle in the near future. Rubber was barely steady after last week's rise, while raw cotton suffered a sharp reaction following the recent bout of speculative activity. Jute, on the other hand, was firmer, the continuance of strikes in Indian mills being more than sufficient to offset the effect of the removal of restrictions on working hours in that country. Other textile fibres were generally unchanged in price.

The grain markets again had a strong tone. Wheat, which had begun to sag, firmed up on the news that the Argentine Government may find it necessary to impose restrictions on exportation; flour was marked up and maize was dearer in sympathy with wheat. Linseed was also a strong market. The London tea auctions had a good tone, a hardening of prices being general. Provisions were mostly dearer, and potatoes also rose in price.

Prices in the United States are "marking time." Thus Moody's daily index of staple commodity prices stood at 122.2 on Tuesday (December 31, 1931 = 100), against 222.1 on Wednesday of last week, 206.9 a month ago, and 170.4 on the corresponding day last year.

COAL

SHEFFIELD.—There is a very strong home demand for industrial fuel, especially steam coal. All qualities are rather scarce, but there should be some improvement with increased quotas. Furnace and foundry coke, at 26s. 3d.-26s. 6d. per ton, is in strong request; and prices show a rising tendency. Gas coke, at 31s. 6d.-32s. 6d. per ton, is rather quieter. On the export market there are plenty of inquiries for forward delivery, but collieries show no great readiness to book contracts at existing quotations.

WORKINGTON.—With the restarting of the Whitehaven pits there will be more coal for industrial users and also for the Irish market. It will be another month, however, before the output is sufficient for requirements. House coal is in vigorous demand. Prices are firm. Best round stands at 23s. 6d.; washed doubles at 22s.; washed singles at 21s. per ton, all f.o.b. Smallies are priced at 15s. 6d. Best house coal costs 35s. 8d. and house nuts 34s., at station. Gas coal costs 27s., and local coke from 15s. 6d. to 16s. 6d.

NEWCASTLE-ON-TYNE.—The advance in coke prices is a feature of a very strong fuel market in this area. Home requirements are insistent and there is an increased demand from Scandinavian countries, which apparently are unable to obtain their usual supplies from the Continent. Durham prime brands of patent oven coke are now approximately 40s. per ton f.o.b., whilst ordinary classes are 37s. 6d. per ton f.o.b. Demand for all classes of coal continues active. Northumberland steam classes are fully sold over this year and there is a regular demand from home and abroad for Durham manufacturing coal.

GLASGOW.—The market remains strong. Despite full outputs in all districts, fresh supplies remain scarce, and only occasional parcels are coming on the market. Firm prices are asked and secured for these. Home trade remains on an extensive scale. Export business is less satis-

factory on the whole, though this is due partly to the scarcity of supplies. There is a brisk forward inquiry circulating in the shipping market, with quite a number of inquiries running into 1938, but for the time being collieries are showing little desire to commit themselves so far ahead on any extensive scale. Coastwise trade is moving satisfactorily.

CARDIFF.—The approach of the Easter holidays has been marked by a considerable increase in the supply of prompt tonnage, and in the early part of the week a number of vessels were waiting their turns at the loading berths. Shipments in the foreign and coastwise trades last week totalled 398,800 tons, compared with 337,651 tons in the corresponding week last year, and for a holiday period loadings this week are likely to be heavier than for many years. All but a small percentage of current deliveries are under contracts, but there are few complaints of arrears. Prices are firm, but although peas and beans are scarce, no further advances are recorded in current quotations. The Palestine railways are inquiring for tenders for 27,000 tons of large coals. The coke output of the collieries is almost entirely absorbed by the home market; there is a steady demand for patent fuel; and pitwood is in limited supply at firm prices. The proposed terms of a new wages agreement in the coalfield are to be submitted for the approval of the owners on Thursday and to a special conference of the miners on Saturday.

IRON AND STEEL

LONDON.—The weekly report of the London Iron and Steel Exchange indicates that the volume of new business continues to be limited by the reluctance of makers in most departments to add to their already heavy commitments.

In the pig iron market producers are concentrating upon maintaining deliveries against contracts rather than obtaining fresh business. The stringency of basic iron is sharply felt and the announcement that arrangements have been made under which 400,000 tons of Indian iron will become available for this market has come as a relief to many steelmakers. Efforts are being continued to obtain further supplies of iron from abroad in order to meet the requirements of consuming industries.

Although the British producers of semi-finished steel are working to capacity, output is insufficient to meet requirements, and deliveries of Continental steel against the quota are badly in arrears. As a result, consumers are seriously harassed by the difficulty of obtaining material. The scarcity in finished steel is still acute and pressure is being exercised by consumers to secure deliveries against specifications. In most departments, however, works are in arrears with deliveries. Export business is restricted by the necessity of meeting home requirements so far as possible.

MIDDLESBROUGH.—Business in pig iron is almost non-existent owing to the fact that makers have disposed of their output for the next two or three months. Consumers of foundry iron have to depend on day to day supplies in order to keep their plant occupied. Prices are unaltered both for foundry iron and East Coast hematite. The purchase of 400,000 tons of Indian pig iron for this country will not directly influence the situation in this area, as it is expected to be sent to other districts. Re-rollers continue to complain of the shortage of supplies of semi-manufactured steel, whilst finished steel continues in strong demand. Prices for manufactured steel are unchanged except for sheets, which are dearer.

Large supplies of heavy steel scrap are required and whilst no official prices have yet been announced, it is understood that 67s. per ton is the minimum. Foreign ore is only changing hands in odd cargoes at advancing prices, freight rates from Bilbao being at least 11s. 9d. Good Durham blast furnace coke is scarce, the price to-day being 30s. per ton delivered at the furnaces here.

SHEFFIELD.—Conditions in the iron and steel market show little variation. The volume of business has slowed down on the approach of the Easter holiday. Makers of pig iron are virtually off the market, for they are not in a position to accept further business for some time to come. Some consumers are finding it difficult to keep things going and eagerly take up any small parcels which come on offer. These, however, are few and far between. Foundry and basic pig iron are especially difficult, but a few small lots of forge have been booked. There is no forward business. Makers of hematite are besieged with offers of contracts which they are unable to accept. Deliveries under contract of this material are falling badly into arrears and the position is giving rise to a good deal of anxiety on the part of users. Good business is being put through in finished iron, supplies of which are moderately good. Common and marked bars are in active request, and crown bars show considerable improvement.

VAN DEN BERGHS AND JURGENS, LTD.—Combined profits of Van den Berghs, Ltd., Jurgens, Ltd., and Van den Berghs and Jurgens Sales, Ltd., totalled £752,253 in 1936 against £645,477 in 1935, after tax. Reserve fund receives £200,000; ordinary dividend, 7 per cent.

HICKLETON MAIN COLLIERY.—Net profit for 1936 £99,105 against £70,900 for 1935. Dividend 5 per cent. tax free as before. Carry forward increased from £101,742 to £140,847.

ASSOCIATED PORTLAND CEMENT.—Trading profits for 1936 increased by £107,800 to £1,149,494. To depreciation £417,150 as before. To contingencies reserve £87,500 against nil, and £10,000 against nil to depreciation of investment in subsidiary. Ordinary dividend 22½ per cent. against 20 per cent. Carry forward raised from £192,048 to £196,665.

LAMPOR and HOLT LINE.—Profit for 1936, after all operating charges, but before depreciation, was £43,614 against £20,005. To Beet depreciation £30,000 and £3,000 for sundry depreciation. Carry forward increased from £2,770 to £13,334.

ERICSSON TELEPHONES.—Net profit for 1936 £140,602 against £112,427. Ordinary dividend raised from 20 per cent. tax free to 25 per cent. tax free for year.

THOMAS FIRTH AND JOHN BROWN.—Profits for 1936 £651,644 against £575,410 for 1935. Depreciation allowance increased from £72,000 to £92,000 and ordinary dividend shares increased from 12½ per cent. free of tax to 15 per cent. free of tax. To general reserve £100,000 as before. Carry forward increased from £69,200 to £78,933.

THE CHARTERED BANK of INDIA, AUSTRALIA & CHINA

Head Office: 38 BISHOPSGATE, LONDON

(INCORPORATED BY ROYAL CHARTER, 1853.)

CAPITAL, in 600,000 Shares of £5 each - £3,000,000
RESERVE FUND - £3,000,000

COURT OF DIRECTORS.

ARTHUR d'ANVERS WILLIS, Esq., Chairman.
COLIN FREDERICK CAMPBELL, Esq.
SIR WILLIAM HENRY NEVILLE GOSCHEN, Bt., K.B.E.
MOSES MORDKAI SIMEON GUBBAY, Esq., C.S.I., C.I.E.
THE EARL OF INCHCAPE.

Chief Manager—A. H. FERGUSON.
Auditors—DAVID CHARLES WILSON, F.C.A.,

Manager—W. B. WHITE

HENRY CROUGHTON KNIGHT STILEMAN, F.C.A.

Bankers.

THE BANK OF ENGLAND.
MIDLAND BANK, LIMITED.
WESTMINSTER BANK, LIMITED.

NATIONAL PROVINCIAL BANK, LIMITED.
THE NATIONAL BANK OF SCOTLAND, LTD.
LLOYDS BANK, LIMITED.

Agencies and Branches.

ALOR STAR
(Malay States).
AMRITSAR.
BANGKOK.
BATAVIA.
BOMBAY.
CALCUTTA.
CANTON.
CAWNPORE.
CEBU.
COLOMBO.

DELHI.
HAIPHONG.
HAMBURG.
HANKOW.
HARBIN.
HONGKONG.
ILOILO.
IPOH.
KARACHI.
KLANG.
KOBE.

KUALA LUMPUR.
KUCHING.
MADRAS.
MANILA.
MEDAN.
NEW YORK.
PEIPING (PEKING).
PENANG.
RANGOON.
SAIGON.
SEMARANG.

SEREMBAN.
SHANGHAI.
SINGAPORE.
SITIAWAN (F.M.S.).
SOURABAYA.
TAIPEI (F.M.S.).
TIENTSIN.
TONGKHAH (BHUKET).
TSINGTAO.
YOKOHAMA.
ZAMBOANGA (Philippine Islands)

DIRECTORS' REPORT.

(Presented at the Eighty-second Ordinary General Meeting, 31st March, 1937)

The Directors have now to submit to the Shareholders the Balance Sheet and Profit and Loss Account of the Bank for the year ended 31st December last. These show a net profit, after providing for all bad and doubtful debts, of £677,719 18s. 10d. inclusive of £181,037 16s. 1d. brought forward from the previous year. The Interim Dividend at the rate of Fourteen per cent. per annum paid in September last absorbed £210,000. The amount now available is therefore £467,719 18s. 10d. and the Directors propose to pay a Final Dividend at the rate of Fourteen per cent. per annum less Income Tax; to add £35,000 to the Officers' Pension Fund; to set aside £40,000 on account of Contingencies and to carry forward the balance of £182,719 18s. 10d.

The Directors have to announce with regret the retirement of their esteemed colleague, Mr Archibald Auldjo Jamieson, who during his period of office, rendered valued service to the Bank as a Member of the Board.

Mr Arthur d'Anvers Willis, Mr Colin Frederick Campbell, and The Earl of Inchcape, the Directors who now retire by rotation, present themselves for re-election. The Auditors, Mr. David Charles Wilson, F.C.A., and Mr Henry Croughton Knight Stileman, F.C.A., again tender their services.

By Order of the Court,
J. F. DUNCAN, Secretary.

BALANCE SHEET, 31st December, 1936

LIABILITIES.			ASSETS.		
	£	s. d.		£	s. d.
Capital, Authorised and Issued, 600,000 Shares of £5 each, paid up	3,000,000	0 0	Cash in Hand and at Bankers	4,834,963	6 1
Reserve Fund	3,000,000	0 0	Cash (including Hongkong Government Certificates of Indebtedness for Surrendered Coin) lodged against Note Issue	537,500	0 0
Notes in Circulation	1,809,223	11 9	Bullion on Hand and in Transit		5,372,363 6 1
Current and Other Accounts, including Provision for Bad and Doubtful Debts and Contingencies	29,851,349	19 4	Government and Other Securities	22,295,466	16 3
Fixed Deposits	18,332,903	5 11	Securities Lodged against Note Issue and Government Deposits	845,000	0 0
Bills Payable	1,992,448	14 7	The P. and O. Banking Corporation Ltd., 213,513 Shares of £10 each, fully paid, at Cost		2,315,613 0 10
Acceptances on account of Customers	1,658,126	15 5	Bills of Exchange, including Treasury Bills		8,239,390 1 0
Loans Payable, against Security, per Contra	4,128,416	13 4	Bills Discounted and Loans		20,599,360 13 5
Due to Agents and Correspondents	4,439	7 5	Liability of Customers for Acceptances, per Contra		1,658,126 15 5
Sundry Liabilities, including Rebates	463,643	10 10	Due by Agents and Correspondents		99,842 10 7
Profit and Loss	467,719	18 10	Sundry Assets including Exchange Adjustments		300,124 9 9
			Bank Premises and Furniture at the Head Office and Branches		1,552,451 4 5
					£64,508,273 17 5

Liability on Bills of Exchange rediscounted, £5,071,097 3s. 11d. of which £3,536,925 2s. 2d. has run off at 15th March, 1937.
Due to Agents and Correspondents £210,000.
Outstanding Forward Exchange Contracts for Purchase and Sale of Bills and Telegraphic Transfers, etc., £42,391,454 1s. 5d.

£64,508,273 17 5

PROFIT AND LOSS ACCOUNT for the Year ended 31st December, 1936

	£	s. d.		£	s. d.
Dr.			Cr.		
To Interim Dividend at 30th June, 1936	210,000	0 0	By Balance at 31st December, 1935		466,037 16 1
" Balance proposed to be dealt with as follows:—			Less Dividend for half-year to 31st December, 1935		£210,000 0 0
Dividend at the rate of 14 per cent. per annum for the half-year to date	£210,000	0 0	Officers' Pension Fund		50,000 0 0
Officers' Pension Fund	35,000	0 0	Bank Premises		25,000 0 0
Bank Premises	40,000	0 0			285,000 0 0
Carried forward to Profit and Loss New Account	182,719	18 10			181,037 16 1
					466,682 2 9
					£677,719 18 10

A. H. FERGUSON, Chief Manager.
W. B. WHITE, Manager.
G. H. TANKARD, Chief Accountant.

REPORT OF THE AUDITORS TO THE SHAREHOLDERS.

We have audited the above Balance Sheet and Profit and Loss Account with the Books, Vouchers and Securities in London, and with the certified Returns from the Agencies and Branches. In our opinion such Balance Sheet is full and fair and properly drawn up so as to exhibit a true and correct view of the state of the Bank's affairs, according to the best of our information and the explanations given to us and as shown by the Books of the Bank.

D. C. WILSON
H. C. K. STILEMAN } Auditors.
Chartered Accountants.

London, 17th March, 1937.

In the steel market, demand for basic billets is far in excess of supply, and as a result of developments in the iron ore field in the Cleator Moor district it is believed that there will be available a sufficient supply of native hematite iron ore to enable two small furnaces at Ulverston which have long been idle to be relighted. In that event there will be another 4,000 tons of pig iron forthcoming for consumers outside the district. Even then demand will still be bigger than supplies. The more urgent needs will, however, be dealt with, and makers will be freer to accept orders that are being pressed upon them. Prices are to be advanced in June. Quotations are firm and unchanged. Bessemer mixed numbers cost £4 18s. per ton at Glasgow; £5 3s. 6d. at Manchester; £5 6s. at Sheffield; and £5 9s. 6d. at Birmingham, with low-phosphorus iron an additional 5s. 6d. to 16s. 6d. per ton. Malleable iron is in lively demand at £9 15s. delivered at Birmingham, and ferro-manganese at £13 15s. to £14 5s., home. The steel trade is exceedingly brisk. New orders are being booked. Makers anticipate another twelve months' activity at a high level. Workington is rolling rails, billets, bars and slabs, and Barrow is on rails, hoops and strip. Native ore is in sharp request, at 16s. 6d. to 17s. 9d. per ton.

There is no easing of the pressure for supplies of iron and steel scrap. There appears to be some doubt whether "official" prices are operating. At any rate heavy basic steel is being bought up to 67s. 6d. per ton. There has been a jump in high-speed steel to £58-£59 per ton, according to specification. Iron scrap is very difficult, very little heavy foundry cast iron is available and 77s. 6d. is given as a delivered price. Heavy steel works cast iron costs 67s. 6d. per ton and light material 62s. 6d. per ton.

The Easter set-down in most of the Sheffield works will be of brief duration in consequence of the heavy flow of orders both from home and overseas business.

WORKINGTON.—Production of hematite pig iron on the North-West Coast is quite inadequate to satisfy the needs of users in the Midlands, South Wales and Scotland and overseas. As makers are sold to the half-year end, there is very little business being accepted. There is, however, some prospect of a larger expansion of output in May than was at first thought practicable. A big furnace at Workington in the process of being

relined is to be put into commission in the course of six or seven weeks, and as a result of developments in the iron ore field in the Cleator Moor district it is believed that there will be available a sufficient supply of native hematite iron ore to enable two small furnaces at Ulverston which have long been idle to be relighted. In that event there will be another 4,000 tons of pig iron forthcoming for consumers outside the district. Even then demand will still be bigger than supplies. The more urgent needs will, however, be dealt with, and makers will be freer to accept orders that are being pressed upon them. Prices are to be advanced in June. Quotations are firm and unchanged. Bessemer mixed numbers cost £4 18s. per ton at Glasgow; £5 3s. 6d. at Manchester; £5 6s. at Sheffield; and £5 9s. 6d. at Birmingham, with low-phosphorus iron an additional 5s. 6d. to 16s. 6d. per ton. Malleable iron is in lively demand at £9 15s. delivered at Birmingham, and ferro-manganese at £13 15s. to £14 5s., home. The steel trade is exceedingly brisk. New orders are being booked. Makers anticipate another twelve months' activity at a high level. Workington is rolling rails, billets, bars and slabs, and Barrow is on rails, hoops and strip. Native ore is in sharp request, at 16s. 6d. to 17s. 9d. per ton.

GLASGOW.—The additional work which the Admiralty have decided to place with Clyde shipbuilding and engineering firms, as announced at the beginning of this week, will provide employment for thousands of operatives in the Clyde towns for about two years. The shipbuilding

(Continued from page 738)

FIRE AT SIMMER AND JACK MINES.—The following message has been received: "Fire occurred early Friday morning, March 19th, 36th level between Milner and Rhodes shafts. All underground workers withdrawn from the mine as a measure of safety." Work was resumed on the 23rd.

BIG STEEL PLAN (New Indian Company to be Formed).—Shareholders of Indian Iron and Steel have received particulars of a new company to work in co-operation at Hirapur. Proposed paid-up share and loan capital, £3,775,000, some of which for public subscription. To augment cash resources Indian Iron and Steel is to issue one share at Rs. 25 for five held.

INGERSOLL, LTD.—Net profit for 1936, after depreciation, amounted to £15,409 against £11,265 for 1935. Ordinary dividend 15 per cent. against nil. To preference dividend reserve £349. Carry forward increased from £6,014 to £8,375.

BRITISH ROPES, LTD.—Net profit for 1936, after depreciation, debenture interest and income tax, £211,575, against £157,093 for 1935 and £78,700 for 1934. Ordinary dividend raised from 12½ per cent. to 25 per cent. General reserve receives £25,000 as before and staff fund £9,500. Carry forward raised from £48,160 to £61,995.

JOHN LEWIS AND COMPANY.—Net profit for 1936 £233,227 against £192,334 for 1935. Ordinary dividend raised from 9 per cent. to 12 per cent. for year.

industry on the Clyde will be exceedingly busy for some time to come as many of the yards have a very considerable amount of mercantile work on hand in addition to Government contracts. In practically all branches of the industry in the West of Scotland there seems to be an increasing demand. Steel makers, makers of all classes of semis and of finished material are still finding output unequal to the demand and all have heavy bookings for forward delivery. While there has been some slight improvement in the supply of raw materials just recently these are by no means adequate for the requirements of producers who are unable to plan for more than a week or two ahead. Their difficulties are increased meantime by the shortage of fuel supplies. All the manufacturing industries are busy and the outlook would be very bright were it not for the delays and uncertainties in regard to deliveries of their steel supplies.

CARDIFF.—The improved demand for tinplates is being maintained, and output quotas have been increased from 70 per cent. to 75 per cent. of allotted capacity under the pooling scheme. The scheduled Cartel f.o.b. price remains nominally unchanged at 19s. 9d. per basis box, but makers are realising premiums of from 4s. to 5s. above this figure, and are only supplying against specifications. Galvanised sheets are unchanged at £15 15s. per ton and steel bars at £6 2s. 6d. per ton. Shipments of tinplates at Swansea last week totalled 6,759 tons compared with 4,316 tons in the corresponding week last year.

OTHER METALS

COPPER.—Profit-taking by speculators, coupled with a small demand, had a depressing effect on quotations. Although the technical position has been improved by this week's "shake out," the undertone of the market is nervous, and psychological factors are therefore likely to play an important part in the immediate future.

Sales on the London Metal Exchange: 4,250 tons on Monday, against 4,850 tons last week; 4,800 tons on Tuesday, against 4,750 tons last week; Domestic spot was quoted at 16-32½ cents per lb. in New York on Tuesday, against 16-77½ cents a week ago and 15-72½ cents a month ago. Tuesday's official closing price for standard cash in London was £68 10s. to £68 12s. 6d., compared with £71 10s. to £71 15s. a week ago. Stocks of refined copper in British official warehouses at the end of last week, at 25,267 tons, showed a decrease of 3,437 tons, while stocks of rough copper, at 557 tons, were 50 tons smaller.

LEAD AND SELLER.—Although the statistical position showed little alteration, both metals reacted in sympathy with copper and tin. Lead and spelter, like copper, are likely to remain vulnerable to psychological influences in view of their recent rapid rise.

Sales of lead on the London Metal Exchange: 3,800 tons on Monday, against 4,500 tons last week; 2,750 tons on Tuesday, against 2,750 tons last week. The New York quotation on Tuesday was 6-95 cents per lb. against 7-25 cents a week ago and 6-50 cents a month ago. The official closing quotation in London for soft foreign for shipment during the current month was £30 12s. 6d. per ton, compared with £32 18s. 9d. a week ago.

Sales of spelter on the London Metal Exchange: 4,750 tons on Monday, against 3,250 tons last week; 3,000 tons on Tuesday, against 4,100 tons last week. Tuesday's quotation in East St. Louis was 7-50 cents per lb., against 7-50 cents the week before and 6-80 cents a month earlier. Tuesday's official closing quotation in London for "good ordinary brands" for shipment during the current month was £30 12s. 6d. per ton, against £33 8s. 9d. last week.

TIN.—After wide fluctuations, tin prices show a net loss on the week, mainly in consequence of reserve on the part of consumers. Rumours regarding the possibility of a "buyers' strike" of American consumers were unconfirmed. The fact that the International Committee issued no statement after its meeting on Thursday of last week has had an unsettling effect on the market, but it appears that no important decision was then taken. Meanwhile, it is believed that there are no stocks available for immediate export, in Malaya. The strike movement in the United States, and the attitude of consumers in that country are likely to be the principal factors governing price movements in the immediate future.

Sales of tin on the London Metal Exchange: 450 tons on Monday, against 1,000 tons last week; 550 tons on Tuesday, against 875 tons last week. The New York quotation on Tuesday was 64-00 cents per lb., against 65-25 cents a week ago and 54-35 cents a month ago. Tuesday's official closing quotation in London for standard cash was £285 to £285 10s. per ton, compared with £295 15s. to £296 a week ago. Stocks of tin in London and Liverpool at the end of last week totalled 1,172 tons, a decrease of 332 tons on the week.

OTHER NON-FERROUS METALS.—Among other non-ferrous metals, aluminium ingots and bars for home delivery were again quoted on Tuesday at £100 per ton, and rolling billets at £102 per ton. Nickel, for home and export, was maintained at £180 to £185 per ton. Quicksilver, on the spot, was quoted at £14 7s. to £14 7s. 6d. per flask of 76 lbs., the same as last week. Chinese antimony was quoted at £79 to £80 per ton ex warehouse, as against £78 to £80 per ton last week. Chinese wolfram for "March-April" shipment was quoted at 57s. to 59s. per unit, c.i.f., compared with 54s. to 55s. last week. Refined platinum was steady on Tuesday at £11 15s. an ounce.

TEXTILES

COTTON.—Manchester.—During the past week sufficient business was done to maintain the improved position of spinners and manufacturers. Rather wider fluctuations have occurred in raw cotton prices, and, after an easier movement due to profit-taking, a recovery in prices took place. The United States Government has published its preliminary final report on the crop for the current season, the number of bales ginned being 12,130,000. It is probable that the total crop will be very near the Government's December estimate of 12,407,000 bales. It has been officially announced that the releases of loan cotton up to March 18th was 907,000 bales.

American yarn quotations have again been dearer. Spinners have put up their basis in the sections where price-fixing schemes are in operation. A healthy demand has been experienced, especially in twists. The higher prices for Egyptian yarns have somewhat checked trade, but now and again very fair orders have been booked. An encouraging inquiry continues to be experienced in piece goods. Customers in India are at last displaying more interest in Manchester prices, and a few more orders have been obtained in white yarn dhooties and fancies for Calcutta, mulls and bleached shirtings for Karachi and Madras and dyed sorts for Amritsar and Delhi. Contracts have been arranged in heavy materials for Hong Kong. Some useful lines have been mentioned in light bleaching descriptions for Egypt. Heavy shirtings and prints have been sold for West Africa with a steady demand in printing and finishing qualities for South America. Rather more activity has shown itself for the Continent in heavy makes for Scandinavia and Germany and in fine cloths for Switzerland. An encouraging business has been done in home trade fabrics, and more Government contracts have been reported in heavy materials.

COTTON PRICES

	1937				Corresponding Date	
	Mar. 8	Mar. 10	Mar. 17	Mar. 23	1935	1936
Raw Cotton—Mid. American..... per lb.	d. 7-58	d. 8-01	d. 8-12	d. 7-85	d. 6-46	d. 6-33
„ Sakelardis Fully Good Fair..... per lb.	10-48	11-22	12-70	12-46	8-39	9-27
Yarns—32's twist..... per lb.	13½	13½	13½	13½	9½	10½
„ 40's twist..... per lb.	12½	13½	13½	13½	10½	10½
„ 60's twist (Egyptian)..... per lb.	18	19	19½	20	15½	15½
32-in. Printers, 116 yds., 16 by 16, 32's and 50's.....	s. d. 20 8	s. d. 21 0	s. d. 21 0	s. d. 21 0	s. d. 17 5	s. d. 17 0
36-in. Shirtings, 75 yds., 19 by 19, 32's and 40's.....	28 7	29 0	29 0	29 0	23 4	24 0
38-in. ditto, 38 yds., 18 by 16, 10 lb.	11 5	11 7	11 7	11 7	10 4	9 11
39-in. ditto, 37½ yds., 16 by 15, 8½ lb.	10 5	10 7	10 7	10 7	9 2	8 11

JUTE.—Dundee.—The continuance of strikes at about a dozen of the Indian jute mills is responsible for an advance in prices for Calcutta goods. In addition, there is a fair consuming demand, America being a prominent buyer. This has helped the jute trade all round and the raw material has also shown a tendency to advance in price, while spinners and manufacturers have experienced such an improved demand for yarns and cloth that they have been able to raise their terms a little. Altogether, prospects for the trade are brighter. Efforts are being made by Dundee employers and employees to press the Government to give the jute industry some form of protection against the heavy imports of jute cloth and bags from India. These have increased enormously in the past two years. For the first two months of 1935 imports of jute cloth were only 10,566,000 square yards, compared with 19,872,000 square yards in 1936 and 31,165,000 square yards in 1937, while imports of jute sacks and bags were 73,301 cwt., 77,120 cwt. and 87,531 cwt., respectively. Though Dundee's export trade is also showing an increase, in spite of the heavy competition from Calcutta and the Continent, Dundee interests consider that they are not receiving a fair share in the increase in home consumption. Exports of jute cloth for the first two months this year were 23,419,000 square yards, against 19,049,000 square yards last year and 15,102,000 square yards in 1935, exports of jute sacks and bags being 175,252 cwt., 123,644 cwt. and 112,111 cwt., respectively. The Dundee Town Council called a meeting of all interests last week, but in the meantime it has been left to the employers and workers to send a joint deputation to the Board of Trade, and if that fails, then the Town Council and Chamber of Commerce will add their weight.

GRAIN MARKETS

After a rather quiet spell at the end of last week, wheat firmed up on renewed buying interest and on the announcement by the Argentine Government that some curtailment of wheat exports may be necessary in the near future. Prices accordingly showed a net gain on the week and flour was marked up in sympathy. Maize was also slightly dearer this week, despite some reserve on the part of sellers. Barley was a rather quiet market throughout the pre-holiday period.

AMERICAN WHEAT MARKETS.—The following table shows wheat quotations for selected weeks in 1935-37:—

NEAREST FUTURE	Jan. 2, 1935	Dec. 31, 1935	Mar. 25, 1936	Dec. 30, 1936	Mar. 17, 1937	Mar. 23, 1937
Winnipeg (No. 1, Manitoba) —Cents per 60 lb.	82½	84½	82½	129	136½	139½
Chicago (No. 2, Winter) —Cents per 60 lb.	98½	101½	96½	185½	198½	199½

The visible supply of wheat in Canada amounts to 85,333,000 bushels, against 86,322,000 bushels last week, and 113,923,000 bushels in the corresponding week last year.

SALES AND PRICES OF BRITISH CEREALS.—The following table gives the estimated sale of home-grown wheat during the harvest years 1933-34 to 1936-37:—

	1933-1934	1934-1935	1935-1936	1936-1937
Estimated sales of home-grown wheat—	Cwts.	Cwts.	Cwts.	Cwts.
1 week to March 20	224,839	319,248	294,866	277,345
29 weeks to March 20	8,940,476	10,683,471	10,790,506	8,057,980
Average price of English wheat per cwt.	s. d. 4 5	s. d. 4 7	s. d. 6 4	s. d. 9 0

The following is a statement showing the quantities sold and the average price of British cereals in the past two weeks, and for the corresponding weeks in each of the years from 1933 to 1936:—

Week ended	QUANTITIES SOLD			AVERAGE PRICE PER CWT.		
	Wheat	Barley	Oats	Wheat	Barley	Oats
March 18, 1933	Cwts. 137,900	Cwts. 75,016	Cwts. 43,535	s. d. 5 2	s. d. 6 3	s. d. 5 10
March 17, 1934	224,839	91,248	41,320	4 5	9 1	6 2
March 23, 1935	319,248	119,992	34,929	4 7	7 5	6 10
March 21, 1936	294,866	93,960	44,257	6 4	7 9	6 0
March 13, 1937	205,919	117,276	59,383	8 11	9 9	8 2
March 20, 1937	277,345	116,429	52,951	9 0	9 10	8 3

OTHER FOODS

BACON.—A further advance in the official quotations occurred last week-end, and the market has since had a firm tone. The official quotations (per cwt. for No. 1 Sizable) which formed the basis for dealings on the London Provision Exchange this week were: English, 92s. to 96s.; Canadian, 88s.; Danish, 92s., against 90s. to 94s.; 82s., and 90s. last week. Arrivals in London last week included: Danish, 13,639 bales; Canadian, 6,777; Dutch, 2,778; Lithuanian, 1,069; and Polish, 2,748; as against 12,940, 6,430, 2,370, 1,179 and 2,848 bales, respectively, in the previous week.

BUTTER.—Colonial makes were firmer in price this week. Quotations (per cwt.) on the London Provision Exchange on Monday were: New Zealand, finest salted, 101s.; Australian, choicest salted, 101s.; Danish, 128s.; compared with 98s. to 99s.; 98s. to 99s. and 128s., respectively, a week ago.

CHEESE.—Prices advanced in a strong market. Quotations (per cwt.) on the London Provision Exchange on Monday were as follows: English, finest farmers, 86s. to 92s.; Canadian, finest coloured, 73s. to 74s.; and New Zealand, finest coloured, 63s. 6d., against 86s. to 88s., 71s. to 72s., and 63s. 6d. to 64s., respectively, a week ago.

COCOA.—The spot quotation in New York on Tuesday was 11½ cents per lb., as against 11½ cents per lb. last week. In London, on Tuesday last, good fermented new crop, Accra, March-April, was quoted at 50s. 3d. per 50 kilos, c.i.f. Continent, against 52s. a week ago. Last week's movements of cocoa in London were as follows: Landed, 49,295 bags; delivered, for home consumption, 6,889 bags; exported, 959 bags; stocks, 238,733 bags, against 130,725 bags a year ago.

COFFEE.—On Tuesday, Rio No. 7 (cash) was quoted at 9½ cents per lb. in New York, as compared with 9½ cents per lb. last week and 9½ cents per lb. a month ago. Movements of coffee in London last week were as follows: Brazilian, landed, nil; delivered, for home consumption, 81 cwt.; exports, nil; stocks, 3,098 cwt., against 11,674 a year ago. Central and other South American: Landed, 7,684 cwt.; delivered for home consumption, 3,044 cwt.; exported, 775 cwt.; stocks, 91,265 cwt., against 93,241 last year. Other kinds: Landed, 13,117 cwt.; delivered, for home consumption, 5,337 cwt.; exported, 438 cwt.; stocks, 122,284 cwt., against 154,932 last year.

EGGS.—Prices were further reduced and an active demand was encountered at the lower level. At Smithfield, on Tuesday, English (ordinary packing, Grade 1, about 15-15½ lb.) realised 10s. to 10s. 3d. per 120, as against 10s. 9d. to 11s. 3d. last week; while Danish (15½ lb.) made 10s. 3d. to 10s. 6d., as against 11s. to 11s. 3d. last week.

MEAT.—Business at Smithfield was on a rather quiet scale. On Tuesday last, Argentine chilled hindquarters were quoted at 3s. 10d. to 4s. 2d. per 8 lbs., as compared with 3s. 6d. to 4s. a week ago. New Zealand frozen mutton was 3s. 4d. to 4s. per 8 lbs., against 3s. 4d. to 4s. a week ago. According to the Smithfield Market official report, supplies during last week amounted to 9,396 tons, an increase of 738 tons on the corresponding week last year. Beef and veal accounted for 5,091 tons, mutton and lamb 2,586 tons, and pork and bacon 1,055 tons, as compared with 4,503, 2,522 and 1,089 tons, respectively, in the same week of 1936.

PEPPER.—On Tuesday, Singapore white Muntok, spot, was quoted at 6d. per lb. in bond, against 6d. per lb. a week earlier. Black Lampung, spot, in bond, was quoted at 3½d. per lb. sellers, compared with 3½d. per lb. last week. Movements of pepper in London last week were as follows: Black, landed, 12 tons; delivered, 1 ton; stocks, 1,807, against 1,689 last year. White, landed, 54 tons; delivered, 57; stocks, 11,814 compared with 12,785 a year ago.

RICE.—The spot price of Burma No. 2, cleaned, was 10s. per cwt., ex warehouse, on Tuesday, as compared with 10s. 3d. per cwt. a week ago. "March-April," in singles to Continent and U.K., was quoted a

9s. per cwt., against 9s. last week. Movements in London last week were as follows: Landed, 38 tons; delivered, 33; stocks, 1,102 tons, against 1,273 a year ago.

SUGAR.—Raw sugar was easier, both in London and New York, this week. The New York spot quotation was 3-45 cents on Tuesday, as compared with 3-50 cents per lb. last week and 3-45 cents per lb. a month ago. Tuesday's sales of raw sugar in London included "May" delivery at 6s. 4½d. to 6s. 5½d., against 6s. 8½d. to 6s. 9d. a week ago. Movements of raw sugar in public warehouses in London and Liverpool last week were as follows: Imports, 4,436 tons, against 9,666 in the previous week and 9,402 in the same week of 1936; deliveries, 17,728 tons, against 16,366 and 15,155 tons, respectively; stocks, 200,540 tons, against 213,832 and 236,070 tons, respectively.

TEA.—The following table shows the average prices (compiled by the Tea Brokers' Association) of tea sold in Mincing Lane on Garden Account in recent weeks:—

Week ended	Northern India	Southern India	Ceylon	Java	Sumatra	Africa	Total
	d.	d.	d.	d.	d.	d.	d.
Mar. 19, 1936	12-96	13-76	14-90	11-15	10-77	11-67	13-34
Feb. 11, 1937	13-72	13-73	15-87	12-59	11-29	13-00	14-16
Feb. 18, "	14-04	14-19	16-15	13-35	11-93	13-21	14-53
Feb. 25, "	14-32	14-71	16-60	14-35	11-94	13-65	14-84
Mar. 4, "	14-34	14-76	16-78	13-35	12-24	13-52	14-92
Mar. 11, "	14-29	15-01	16-82	14-18	12-38	13-34	14-92
Mar. 18, "	14-37	15-05	17-03	14-13	12-56	13-61	15-02

The quantities catalogued for this week's public auctions comprised 27,497 packages of Indian and 18,131 packages of Ceylon tea. At the Indian sales on Monday competition was active and a rise in prices was general. On Tuesday—the last auction before the holidays—fine Ceylon teas occasionally sold irregularly, but prices for all other grades tended upwards.

MISCELLANEOUS COMMODITIES

VEGETABLE OILS AND OILSEEDS.—Firm conditions have developed in the market for oilseeds. Following a marked rise in Argentine options, linseed further advanced in price. Demand on this side has been mainly for Calcutta seed, for which £14 10s. has been paid for shipment to July. Bombay prices are considered too dear to tempt buyers. Shipments at River Plate ports are not so heavy, and stocks at the seaboard are smaller. From now on, deliveries are likely to become smaller unless shippers take advantage of the high level of prices now ruling. To date Argentina has exported only a little short of 600,000 tons, or 33 per cent. of the estimated exportable surplus. A feature is the continuance of substantial shipments to the United States, amounting to 197,000 tons so far this season, against only 72,000 tons during the same period last year. The quantity now afloat for Europe has declined to 189,000 tons (including 12,600 tons from India) or 10,000 tons less than a week ago. Exports of the new crop from India will soon commence, but whether larger quantities will be available for export than in the past season is doubtful, though much depends upon prices being sufficiently attractive to growers. Cottonseed is very firm in sympathy with Alexandria, and prices have again advanced. Demand, however, is limited to near positions, and is small. Among vegetable oils, linseed oil is in fair demand, and is about 20s. per ton dearer on the week, in a very firm market. Cotton oil is a shade dearer, but export demand is only moderate. Oilcakes continue in brisk demand and are firm.

RUBBER.—After easing in the early part of the period under review quotations recovered and closed on Tuesday showing little net change on the week. The spot price in New York on Tuesday was 24½ cents per lb., compared with 24½ cents per lb. a week ago and 21½ cents a month ago, Tuesday's official buyers' price for standard ribbed smoked sheet on the spot in London was 1s. 0½d. per lb., as against 1s. 0½d. on the corresponding day last week. In forward positions, business has been done at 1s. 0½d. to 1s. 0½d. for "April" shipment, as against 1s. 0½d. to 1s. 0½d. a week ago. Stocks in London and Liverpool at the end of last week totalled 54,734 tons, against 56,187 tons a week earlier. A year ago stocks amounted to 150,409 tons.

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63A

A third and final reprint of the February issue of *The Banker* is fast being exhausted. Copies, whilst available, can still be obtained (2/9d. post free to any address in the world) by applying to The Publisher:

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WHOLESALE COMMODITY PRICES

UNITED KINGDOM: LONDON, March 23rd.

The prices in the following are revised with the assistance of an eminent firm in each department

CEREALS AND MEAT				POTATOES—				WOOL—			
GRAIN, Etc.—				English King Edward				English Southdown, greasy, per lb.			
	s. d.	s.	d.		s. d.	s.	d.		s. d.	s.	d.
Wheat—				per cwt.	9	6	10	0			
No. 2, N. Man. 496 lb.	55	6		SPICES—				Lincoln hog, washed	18		
Eng. Gaz. av., per cwt.	9	0		Pepper, per lb.—				Queensland, scd. super cmbg.	31		
Barley, Eng. Gaz. av.	9	10		Black Lampong	0	3		N.S.W. greasy, super cmbg.	20		
Oats	8	3		White Muntok	0	8		N.Z., grsy., half-bred 50-56	19		
Maize, La Plata, landed	27	6		Cinnamon—1st sort, per lb.	0	8		Crossbred 40-44	15		
480 lb.				Cloves—Zanzibar, per lb.	0	10		Topes—			
Flour, Lon. stan. ex mill.	41	9		Ginger—per cwt.—	65	0		Merino 70's average	40		
280 lb.				African	62	6	90	64's	38		
Rice, No. 2 Burma, per cwt.	9	0		Jamaica, ord. to good	1	9	2	Crossbred 48's	23		
MEAT—				Mace	1	9	2	48's	23		
Beef, per 8 lbs.—				Nutmegs, 65's	1	0					
English long sides	4	0	4	SUGAR—							
Argentine chilled hinds	3	10	4	(Duty, 11/8 per cwt.)							
Mutton, per 8 lbs.—				Centrifugals, 96's, prpt.	6	6					
English wethers	6	4	7	shipm., c.i.f. U.K./Cont.	17	6	19				
N.Z. frozen	3	4	4	B.W.I., crystallised	1	2	1				
Lamb, per 8 lbs.—				Java, white, c. & f. India							
N.Z. frozen	4	6	5	Oct.-Dec.	Nominal.						
Pork, English, per 8 lbs.	5	8	6	RESIN—							
OTHER FOODS				London—							
BACON—				Yellow Crystals	19	10					
English	92	0	96	Cubes	24	1	24				
Irish	89	0	95	Crushed	22	4					
Danish	92	0		Granulated	20	1	21				
Dutch	89	0		Home Grown	20	1	20				
HAMS—				TEA—							
Canadian	93	0	96	per lb.—							
United States	93	0	95	Pekoe	1	1	1				
Australian	101	0		Broken Pekoe	1	1	1				
New Zealand	101	0		Orange Pekoe	1	1	1				
Danish	128	0		Broken Orange Pekoe	1	2	1				
CHEESE—				Ceylon—per lb.—							
Canadian	73	0	74	Pekoe	1	2	2				
New Zealand	63	6		Broken Pekoe	1	2	2				
English Cheddars	86	0	92	Orange Pekoe	1	2	2				
Dutch	51	0	56	Broken Orange	1	2	2				
COCOA—				TOBACCO—							
(Duty, British grown,				(Duty, 9/6-10/8 per lb.)							
11/8, foreign, 14/- cwt.)				Empire growth, 7/5							
Accra, f.f. per cwt.	51	0	52	8/4 per lb.)							
Trinidad	80	0	85	Virginia leaf	0	8	2				
Grenada	68	0	73	Rhodesian leaf	0	8	1				
COFFEE—				Nyasaland leaf	0	7	1				
(Duty, British grown,				" strips	0	9	1				
4/8, foreign, 14/- cwt.)				East Indian leaf	0	5	1				
Santos sup. c. & f. cwt.	50	0		" strips	0	6	1				
Colombian, good	58	0	62	TEXTILES							
Costa Rica, med. to good	62	0	85	COTTON—							
East Indian	62	0	80	Mid-American	12	56					
Kenya, medium	60	0	75	Sakellaridis, f.g.f.	13						
EGGS—				Yarns, 32's twist	13						
English	10	3	10	FLAX—							
Danish	10	3	10	Livonian ZK	79	10	81				
FRUIT—Oranges—				Pernau HD	80	0	81				
Valencia	11	0	17	Slavet Medium 1st sort	88	0	90				
Jaffa	9	0	13	HEMP—							
Lemons, Malaga	13	0	15	Italian P.C.	67	0					
Sicilian	26	0	36	Manila, Mar-May "J2"	35	10					
Apples—Amer. (var.)	11	0	13	Sisal, African	26	0	29				
boxes				JUTE—							
Onions—				Native 1st mks							
Valencia, case	6	0	8	c.i.f. H.A.R.B.							
Egyptian, bags	9	0	10	Apr.-May	£19/16/3						
Grapes, Almeria, barrels	7	0	10	Daisee 2/3 c.i.f. Dundee	£19/12/6						
Grapefruit, Jaffa				SILK—							
LARD—				Canton	s. d. s. d.						
Irish finest bladders	72	0	80	Tussah	6	0	8				
U.S.	71	0	73	Japan	3	6	4				
				Italian—raw, fr. Milan	9	0	9				

† These prices are for fuel oil for inland consumption—other than for use in Diesel-engined road vehicles—and do not include the Government tax.

THE ECONOMIST

TRADE SUPPLEMENT

New Series

SATURDAY, JANUARY 30, 1937

No. 1

Our New Statistical Service

We present our Monthly Trade Supplement in a new form to-day. The essential purpose of the Supplement, which has long been a feature of *The Economist*, is to enable our readers to keep their finger on the economic pulse of the world. International exchange of commodities and services has been under a cloud in recent years owing to the endeavour of many countries, for strategic or economic reasons, to render themselves more independent of the services of other nations. None the less, the prosperity of the various countries of the world is as indivisible as peace, and a sustained measure of world recovery depends in no small measure on the resumption of economic co-operation. Economic collapse in the United States, or a fall in the prices of primary products, for example, is bound, as before, to have far-reaching repercussions outside the geographical areas immediately affected.

When the Trade Supplement was last revised, in June, 1923, we assembled the most important statistical series which were then available, supplemented by comment and interpretation. In recent years, however, the range of the statistical evidence of the progress of individual countries and commodities has been considerably enlarged. The League of Nations, for example, has steadily increased its statistical series; the International Institute of Agriculture now publishes regularly information relating to the crops of the world; Governments are collecting and publishing an increased number of data; and trade associations have begun to realise the value of statistics relating to the industry which they represent.

But while many spheres of economic activity have not yet been illuminated by the searchlight of statistical evidence, the increase in the information regularly available has enabled us to recast our Statistical Service, and to provide a better view of the trend of business activity at home and abroad. As far as the United Kingdom is concerned, we have endeavoured, since October, 1933, to indicate the general economic trend by our index of Business Activity.

In the past, the four statistical pages of the Trade Supplement consisted of tables showing the production of coal, pig iron and steel, the trend of wholesale and retail prices, of imports and exports, of the notes in circulation, of unemployment, bank rates, exchange rates, capital issues and security prices in a number of countries.

The new statistical section comprises five and a half instead of four pages, as hitherto. Apart from official figures we have assembled a mass of trade statistics, not hitherto available to the general reader. The section comprises more than 500 individual series and no less than 9,000 individual statistics.

The statistics, which are drawn from official and recognised trade publications, supplemented by private information, have been arranged by countries and commodities,

instead of in the form of international tables as previously. In order to enable readers to follow the changes which have taken place, annual figures have been carried back to 1929, while monthly figures are shown from November, 1935, onwards, omitting January-May, 1936, for reasons of space. In subsequent issues, when the number of years covered will be reduced, we shall show monthly figures for the last fourteen months.

Statistics are given for most of the more important countries of the world. The first statistical page is devoted entirely to the United Kingdom, the figures being arranged under production, trade and transport, employment and wages, prices and finance. There are altogether 105 individual series, covering all spheres of business activity in this country. They are drawn from numerous sources (supplemented by private information), and cannot be found together in any other publication.

Detailed statistics relating to the United States, France and Germany, not available in any other British publication, will be found on the second page. The third page—Other European Countries—provides the essential data necessary to follow developments in Austria, Belgium, Czechoslovakia, Denmark, Finland, Holland, Italy, Norway, Sweden and Switzerland. The fourth page—British Dominions and Other Countries Outside Europe—covers Australia, Canada, India, the Irish Free State, New Zealand, South Africa, Argentina, Brazil, Chile and China. In addition to current statistical data, the populations and area are given for each of these countries. Moreover, at the foot of these two pages, which, unlike those relating to the United Kingdom, the United States, France and Germany, will be published in alternate months, will be found a table of statistics showing the trend of world industrial activity, production and stocks of primary products, as well as changes in the value and volume of international trade.

The second part of the new statistical section shows the trend of production, consumption, stocks and prices of leading raw materials and crude foodstuffs. The commodity section is arranged under three groups. Group I will be published monthly and Groups II and III in alternate months. The first group of commodities includes coal, oil, crude steel, gold, wheat, cotton and sugar. Information relating to rubber, rayon, wool and tea will be found in Group II, while Group III covers copper, lead, spelter and tin.

Finally the re-arrangement of the statistical section has enabled us to extend our monthly comments on British industrial developments and on the trend of business abroad. In the main, comment and interpretation will be confined to short-term trends rather than to long-run prospects which are discussed in *The Economist* itself.

UNITED STATES

New York quotations unless otherwise stated

	Mar. 25, 1936	Feb. 24, 1937	Mar. 17, 1937	Mar. 23, 1937		Mar. 25, 1936	Feb. 24, 1937	Mar. 17, 1937	Mar. 23, 1937
Wheat, No. 2, Winter, nearest future, Chicago, per bushel	96½	131½	138½	139½	Sugar, Cuban Centrifugals, 96 deg., spot, per lb.	3-60	3-45	3-50	3-45
Maize, nearest future, Chicago, per bushel	58½	103½	108	110	Cotton, middling, spot, per lb.	11-47	13-18	14-88	14-54
Oats, nearest future, Chicago, per bushel	25½	47½	47½	47	Rubber, smoked sheet, spot, per lb.	15½	21½	24½	24½
Rye, nearest future, Chicago, per bushel	52½	107½	109½	110½	Petroleum, Mid-continent crude 33 deg., to 33-90, at well, per barrel	104	116	116	116
Barley, nearest future, Chicago, per bushel	(a)	82	79	75	Copper, "Electrolytic," Domestic, spot, per lb.	8-70	15-72½	16-77½	16-32½
Coffee, Rio No. 7, cash, per lb.	6½	9½	9½	9½	Copper "Electrolytic," Export prompt, per lb.	8-92½	15-95	17-00	16-55
" Santos No. 4, cash, per lb.	8½	11½	11½	11½	Spelter, East St. Louis, spot, per lb.	4-90	6-80	7-50	7-50
Cocoa, Accra, nearest future, per lb.	4-90	10-12	11-50	11-00	Lead, spot, per lb.	4-60	6-50	7-25	8-95
					Tin, "Straits," spot, per lb.	47-50	54-35	65-25	64-00

(a) Nominal.

The Trend of Business

DURING the past year British industrial activity rose well above the level of 1929. After a slight setback in January, due partly to the previous acceleration of production in anticipation of a coal strike, business activity increased vigorously until September. This period of rapid expansion was followed by a temporary lull, but in December activity resumed its upward trend and was scarcely affected by the Constitutional crisis. Moreover, the year 1936 closed with out any perceptible loss of momentum in the progress of recovery, and there are no signs, as yet, which forbode a change of trend in the near future.

The improvement during the past year is revealed by the statistical data shown on page 6. *The Economist* Index of Business Activity reached the highest level of the year in the past month, and it registered an increase of 6 per cent. between 1935 and 1936. Despite the unpropitious weather on the day of the count and the temporary unsettlement caused by the Constitutional crisis during the first fortnight of the past month, the number of insured persons aged 16 to 64 employed in Great Britain rose to 11,132,000—an increase of 503,000 over the corresponding month in 1935 and of 907,000 over December, 1929. The expansion in business activity has been accompanied by a steady increase in industrial profits, the company reports published during the past month showing an advance of 15 per cent. over earnings disclosed by the same concerns a year ago.

The incidence of the expansion in activity underwent some significant changes in recent months. Domestic demand, for example, has been absorbing an increasing share of total production. Notwithstanding the improvement in the international background, the rate of increase in exports was considerably smaller in 1936 than in the two previous years. The imposition of sanctions on Italy was only partly responsible for the sluggishness of foreign business.

Secondly, there have been significant shifts in the relative progress of British industries. Broadly, the tendency of activity in the capital equipment industries to increase faster than in the consumption goods trades has become more pronounced. Our index of domestic iron and steel consumption rose to 134½ (1935=100) last December, when the index of general business activity stood at 109. A year ago the disparity between the two indices was much less marked, and in 1929 they were almost at the same level.

The growing disparity between the increase in the output of productive equipment and consumption goods usually indicates that the trade cycle has reached an advanced stage. It should be remembered, however, that much of Britain's industrial plant had become inefficient, especially as no large-scale re-equipment and modernisation took place in the years before the depression. But apart from re-equipment and replacement, the growing home demand necessitated considerable extensions to existing capacity in a number of industries, such as iron and steel, automobile manufacture and electricity supply.

The increase in activity, due to modernisation of plant and equipment and to extensions of capacity, has been accentuated in recent months by the re-armament programme. The effect of re-armament on industrial activity

cannot be measured by current Government expenditure and by the assistance given in the erection of certain factories. In addition to expenditure through Government contracts and indirect expenditure through loans, many industrialists have been, and are, adding independently to their capacity in anticipation of Government contracts which may, or may not, materialise. A third factor in the rapid expansion of the capital equipment industries is the revival of international trade. Since the world's merchant fleet had been substantially reduced during the depression, a slight increase in the exchange of commodities between countries has been sufficient to absorb the idle tonnage still remaining and to bring about a marked increase in freight rates. Consequently, the flow of shipbuilding orders, and the demand for the refitting of old vessels with modern machinery, has increased considerably.

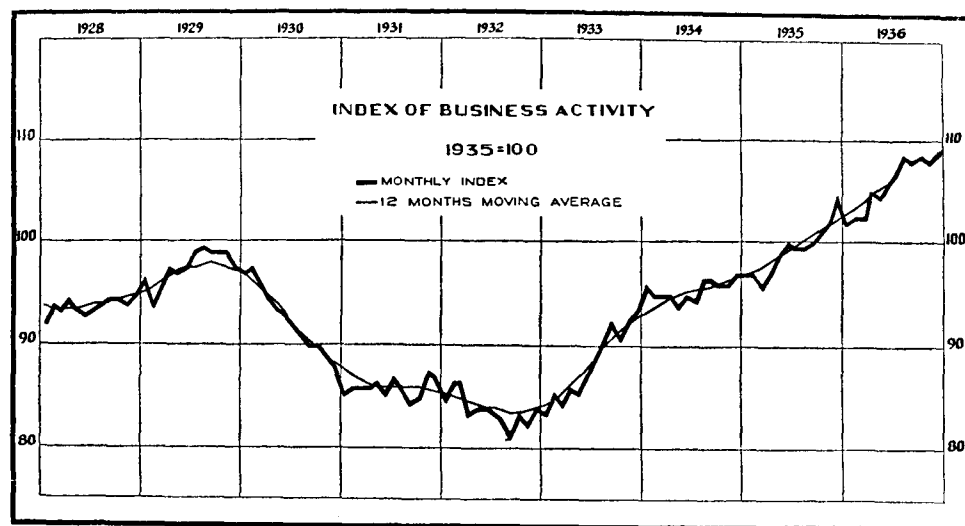
Changes are also noticeable in the building industry. Constructional activity in 1936 has been maintained above the level of the previous year. The number of dwelling houses built during the year ended September, 1936, was a record. More recently, however, there has been a tendency of the centre of gravity to shift towards non-residential construction. The returns of the value of all building plans approved by 146 Local Authorities showed an increase of 4.7 per cent. over the corresponding month in 1935. Actually, plans passed for dwelling houses showed a decline,

but this was more than offset by an increase in non-residential plans. Re-armament is becoming a factor of increasing importance in industrial construction, while expenditure on public works is also increasing. It is noteworthy, however, that building costs are now tending to rise more

rapidly than hitherto. There are indications, however, that the demand for capital goods cannot continue indefinitely its recent rate of expansion. Costs are now rising fairly rapidly, and conditions of supply, especially in the iron and steel industry, are steadily deteriorating. The iron and steel industry has been operating at capacity for some time; and, as there is no more reserve plant to be brought into production, output can increase no faster than capacity. Moreover, imports cannot now be increased as easily as before owing to the growing demand abroad. The engineering industry, too, is experiencing considerable pressure for supplies, and is having difficulties in meeting requirements, despite the rise in imports. Moreover, the flow of Government orders to the industry is increasing.

But while expansion continued most marked in the capital equipment trades, the pace of the improvement in the consumers' goods industries also quickened in recent months. The rapid increase in the turnover of the cotton trade reflects the rising tide of world recovery.

The international setting, as will be seen from the article on page 226, is steadily improving. The countries producing raw materials, such as Latin America, the British Dominions, Scandinavia and some of the South European countries, are all benefiting from rising prices, while the majority of industrial countries continue to make headway, though the tempo of recovery in France is still slow and progress in the United States may be hampered by strikes.



British Industrial Developments

The following reports on British industry cover, in most cases, the period to the middle of January. In the remainder they relate to the month of December.

COAL

The past month has witnessed a considerable improvement in the industry, and the outlook now appears to be better than for some time past. Output rose in December to 20,598,000 tons, against 19,652,000 in the same month of 1935. The employment position also showed a marked improvement and is now appreciably better than it was twelve months ago. In contrast with recent experience, exports showed a welcome expansion last month, France being by far the best customer. A feature of the December returns was the reappearance of shipments to Italy, while Germany took larger quantities than in the previous year. The export market has continued to improve since the turn of the year, forward inquiries being of satisfactory dimensions. Business in house coal was active right up to the holidays, but the seasonal slackness in this department early in January was accentuated by mild weather. Towards the end of January the position again improved. Meanwhile, industrial descriptions remain in active demand, the bulk of the output being disposed of against existing contracts. Open market business is consequently restricted.

IRON AND STEEL

The output of iron and steel during the past year has been the highest in the history of the industry. Production of pig iron rose by 19.6 per cent. between 1935 and 1936, and the output of steel ingots and castings advanced by 18.7 per cent. to 11,698,000 tons. The improvement was due to the remarkable increase in home demand, accentuated by the re-armament programme. The volume of exports of iron and steel materials actually declined by 107,200 tons between 1935 and 1936, while imports rose by 331,100 tons. The pressure of home demand has thus prevented the industry from benefiting from the expansion in the requirements of importing countries. Moreover, the past year closed without any slackening in the momentum of the upward movement of demand, which was unaffected by an average increase of 10 per cent. in the prices of iron and steel materials. And, although capacity is being gradually extended, there is some anxiety among consumers concerning the availability of adequate supplies in future, especially as foreign materials cannot now be obtained as easily as before.

GENERAL ENGINEERING

The engineering industry continued to expand vigorously in the past year, when it reached the highest level of activity since the war. As a result of the large-scale re-equipment and expansion of the capacity of British industry, which is now in progress, the flow of orders to the engineering industry has been increasing rapidly. Moreover, the expansion of demand has been accentuated by the re-armament programme and the revival in shipbuilding. Indeed, the increase in home orders has been so marked that domestic production has had to be supplemented by heavier purchases from abroad, while exports made no further headway in the past year. Imports of machinery rose from 72,500 tons in 1935 to 103,500 in the past year, while exports declined from 383,800 tons to 380,400 tons during this period. Moreover, the past year drew to its close without any decline in the pressure of demand, and the indications point to a further expansion of business this year, especially as the flow of Government orders is expected to increase. On the other hand, the industry's difficulties in obtaining prompt delivery of its requirements of iron and steel may increase with the expansion of output, while the shortage of skilled labour may also hamper progress in engineering.

ELECTRICAL EQUIPMENT

The electrical engineering industry is more active than ever before in its history. The proportion of insured workers unemployed in the industry, for example, was only 3.3 per cent. last month. Both the heavy and light sections of the industry are receiving a flow of expanding orders. The heavy section, in particular, has benefited from the rapid expansion of the demand for electricity, which necessitated the placing of a substantial volume of orders for generating equipment. During December, home orders for heavy electrical machinery were slightly smaller than in the previous month, but overseas orders showed a further improvement.

AUTOMOBILES

Automobile production remains on a high level, and the number of cars in use consequently continues to increase. Thus, in November last there were 1,530,000 private cars in use, an increase of more than 11 per cent., compared with November 1935. Production in November, at 30,667 units, compares with 27,339 a year earlier. Commercial vehicle production also remains well above the level of a year ago. Sales in markets overseas continue to make headway, December exports amounting to no less than 8,122 private cars, against only 4,852 in the same month of the previous year—an increase in value terms of £300,000 on the year. Exports of cars during the whole of 1936 amounted to 64,787, against 54,260 in the previous year. Imports of cars were also higher in December, total entries being 1,974 units, against 636 in Decem-

ber, 1935. For the whole year, however, imports were rather lower, at 11,452 units, compared with 12,331 in 1935.

BUILDING

Activity in the building industry was maintained on a high level throughout 1936, and, according to the official statistics, the record number of 339,538 houses was completed in England and Wales during the twelve months ended September 30th. The number completed by private enterprise, however, was slightly below the previous year's figure—274,348, compared with 275,069. The indications are that the peak of building activity has now been reached. Our index of building activity for December showed a further modest contraction. Unemployment increased seasonally in all the building occupations and, in the case of bricklayers and plasterers, was worse than a year earlier. The building plan figures for housing have been running recently below the previous year's level, but a large amount of industrial and commercial building is envisaged. Costs are now showing a distinct upward trend, the competition of the Government's re-armament programme being an important factor here. Meanwhile, as from February 1st, wages are to be increased by ¼d. per hour to 1s. 7d. per hour for craftsmen and proportionately to 1s. 2½d. per hour in the case of labourers.

CHEMICALS

Business on the home chemical market has been quite good during the past month in spite of the Christmas break. Pharmaceutical chemicals were well in demand, and the coal tar products market has been more active than is usual at this time of the year, though pitch has been a dull item. An improvement has shown itself in wood distillation products, the demand for charcoal and wood naphtha being particularly good items. There was an increase in overseas trade in chemicals, drugs, dyes and colours during December, 1936, exports being £43,438 and imports £141,122 greater than for the same period last year. Imports for the whole of 1936 increased by £982,751 compared with 1935, but exports decreased by £229,413.

POTTERY

The December unemployment figures for North Staffordshire were adversely affected by the completion of Christmas orders and by the temporary stoppage of production of Coronation wares. The position was, however, much better than in December, 1935. At Worcester employment was very good, while at Derby it was fair. Conditions in the industry remain patchy, short-time working by some firms being accompanied by the working of overtime by others. Exports of general earthenware were appreciably better last month than in December, 1935.

FOOTWEAR

Activity in the footwear trades suffered a seasonal contraction in December, when unemployment was rather worse than in the previous December. Holidays were consequently extended in many cases and short-time working was very general. On the other hand, exports of leather boots and shoes last month were above the previous year's level.

COTTON

During the past month the position of the cotton textile industry has undergone further improvement, and Lancashire begins the New Year with better prospects than for years past. Sales were larger than production in January, and order lists have consequently been extended. Selling prices are higher than for years back, but, on the other hand, costs have risen. Raw cotton prices, it is true, have shown little alteration in recent weeks, but, following the advance in weavers' wages, an increase of 1s. 1½d. in the £ has been granted to spinning operatives. Demand for piece-goods has broadened out and sales overseas during December were well above the level of recent years. A feature of the past month has been the revival of buying for India, and an improved business has been transacted for other outlets. Home trade demand has also been more active. Many idle looms have been restarted, and in the spinning section production is at 90 per cent. of capacity, against 89 per cent. a month ago and 83 per cent. a year ago. All mills are now reported to be making profits.

JUTE

Although unemployment remained heavy, 1936 was a better year for the jute industry than any since 1929. The improvement in prices took place despite a substantially increased production of jute manufactures in India, consequent upon the dispute between the Indian Jute Mills and the "outside" mills. Fortunately, the dispute coincided with an improvement in world demand, so that Dundee manufacturers were able to compete satisfactorily and even to obtain higher prices for their products. Recently costs have been tending upwards. The raw material has been very firm, while the operatives were granted a 4½ per cent. advance in wages by the Jute Trade Board. Nevertheless, business remains satisfactory, and it is hoped to pass these increasing costs on to the consumer in the form of higher prices.

LINEN

Demand for good quality flax remains strong on all markets, and prices continue their upward trend. Yarns are well sold

ahead and producing machinery is fully engaged. As regards cloth, a satisfactory volume of new business has been arranged, both on the home and export markets. Some heavy contracts have been placed for Government and public corporation requirements. Prices are on the upgrade.

RAYON

Business in rayon yarns, both for weaving and hosiery, is fairly satisfactory for the time of year, though activity on the spinning side is below normal. Stocks of yarn are fairly large, but the market, nevertheless, remains moderately firm, there being no strong selling pressure. Various sections of the trade are now busy on Coronation novelties, and the immediate outlook is considered good.

WOOL

The wool textile industry had a prosperous year in 1936 and enjoyed a further modest improvement in December. The unemployment percentage fell to 6.4 per cent., against 7.9 per cent. a year earlier, and in various occupations a shortage of labour was reported. In the worsted section, however, the position was not quite so good as in December, 1935. Activity in the carpet section is maintained at a high level. Meanwhile the export position remains satisfactory, further progress having been recorded last month. December shipments of woollen and worsted yarns and manufactures totalled £2,770,359, against £2,364,071 a year earlier, the improvement being due to increased demand from the Empire, the United States and the Far East. A feature of the past month was the resumption of Japanese buying of Australian wool, following the settlement of the "war" between the two countries. Prices of raw wool consequently appreciated and Bradford topmakers and spinners were compelled to raise their quotations. The grant of a 10 per cent. increase in the wages of Yorkshire mill operatives is a further factor making for higher costs. The immediate outlook, however, appears satisfactory.

AGRICULTURE

Fair progress has been made with the autumn sowing, states an official report, although work has been retarded on the heavier lands. Germination has been good, and plants generally are strong and healthy, except where floods have occurred. From the very varied estimates received, it appears that the area sown to wheat is 3 per cent. greater, and that sown to barley is 5 per cent. less, than a year ago. A slight reduction is indicated in the area sown

to oats. Cattle and sheep did fairly well during December, and breeding ewes are in satisfactory condition. Milk yields are somewhat below average for the time of year. Winter keep has not been drawn on unduly.

SHIPPING

The past year witnessed a remarkable improvement in the shipping position and freight rates showed a firm tendency at the close of December. The demand for tonnage broadened out in a most satisfactory manner and, on the other hand, the supply of idle tonnage was reduced to small dimensions. Consequently it became possible to establish a system of minimum freights in the River Plate market in February of last year, and subsequently to extend this system to cover all the principal markets; in many cases rates are now above the minimum. The improvement in the position is reflected in a 34 per cent. rise in *The Economist* index of whole cargo freight rates from 95.7 in December, 1935 (1898-1913 = 100) to 128.2 in December, 1936. The expansion of demand was not, however, confined to freight tonnage only, for passenger traffic was also better last year. Despite the war clouds over Spain, the outlook for the next few months is good. Passenger traffic is likely to increase in view of the Coronation, while the indications also point to an expansion of international trade in the near future.

RETAIL TRADE

The official statistics, published in the *Board of Trade Journal*, lend colour to the view that the constitutional crisis of December had some adverse effect upon retail trade. Thus, although the money value of retail sales was 5.5 per cent. above the corresponding 1935 figure, this was the smallest increase for some months. On the other hand, in 1935 December was a particularly good month. All districts recorded an improvement last month, the increases ranging from 1.7 per cent. in Central London and the West End to 7.4 per cent. in Suburban London. The South of England showed a gain of 6.6 per cent. and the North of England and Scotland advances of 5.4 and 3.8 per cent., respectively. Sales of food and perishables, amounting to some 48 per cent. of total sales, were 7.2 per cent. higher than a year earlier, the expansion in this group being most noticeable in the South of England and the suburbs of London. Sales of other merchandise, which in October and November had shown a relatively greater improvement, rose in December by only 4 per cent. The greatest advance in this group (+ 7.7 per cent.) was in boots and shoes.

Business Developments Overseas

BRITISH EMPIRE

AUSTRALIA.—Following a year of advancing prosperity, Australia is now benefiting from the rise in the prices of primary products. Thus, a strong tone has been displayed at the wool sales recently, while wheat and base metals have sold at rising rates. According to a cable from the National Bank of Australasia, improved pastoral and dairying conditions are now apparent, particularly in eastern coastal districts. Bank clearings, receipts from customs and excise, and postal receipts are all higher than a year ago, while the Stock Exchange is buoyant for industrial and mining shares.

NEW ZEALAND.—Substantial increases in the price of wool are reported to have given a marked stimulus to confidence in the Dominion. Better prices have also been realised for dairy produce, and foreign trade is showing a marked expansion. Internal recovery is being assisted by large Government expenditure on public works, while this factor, together with the rising tendency of wages, has given a fillip to retail trade. Higher internal prices are consequently expected in coming months.

SOUTH AFRICA.—Prospects for the coming year are considered good, states a cable from the Standard Bank; Christmas trade expectations were fulfilled and turnovers in most sections were higher than in recent years. Building plans passed in Johannesburg in 1936 reached the record total of £9,775,180, against £6,797,546 in the previous year, and reports indicate that work on hand is sufficient to occupy contractors for two years. Maize prices are rather lower, but the wool market is strong, despite diminished Japanese support. Farming conditions and prospects show little change.

CANADA.—After a year of steady progress business remains buoyant for the time of year. Freight car loadings, employment, bank clearings and other indices are above the level of a year ago, and the outlook is encouraging. Stimulated by trade agreements with the United States and other countries, overseas trade made considerable headway last year. Meanwhile wholesale prices, notably for wheat and metals, have taken a strong upward turn, thus benefiting the Canadian producer.

INDIA.—Rainfall has been light to moderate in most parts of India, and crops are reported to be in good condition, except in the Central Provinces, where linseed has been slightly damaged by insects. The latest estimates of the area under the principal crops are as follow:—Rice, 81,446,000 acres, against 80,736,000 last year; winter rape and mustard, 2,813,000 acres, against 2,602,000; linseed, 2,756,000 acres, against 2,530,000; sesamum, 5,295,000 acres, against 5,370,000 acres. December imports fell by 63 lakhs of rupees to below the previous year's level, but exports rose by 44 lakhs and were 416 lakhs in excess of the total for December, 1935.

EUROPE

FRANCE.—The last three months of the past year have witnessed a gradual revival of confidence and activity in certain branches of industry, including the metal and textile industries. The official index of industrial production, for example, rose from 93 (1913 = 100) in August to 98 in November; a year ago the index stood at 95. Unemployment has declined, the number in receipt of benefit at the end of December being 410,785, compared with 439,782 a year ago. Foreign trade has taken an upward turn and taxation receipts are increasing. The improvement in confidence is reflected in the marked rise of the quotations for industrial securities since the beginning of the year. Nevertheless, there are still difficulties in the way of rapid recovery; the repatriation of capital has so far been disappointing, labour relations are still unsettled in a number of industries, and the problem of the Budget is not yet solved. None the less, the outlook is not unencouraging.

GERMANY.—Business activity continued to expand vigorously during the past year. The index of industrial production, calculated by the German Institute for Business Research, rose from 101.1 (1928 = 100) in November, 1935, to 113.7 in the corresponding month last year. Heavy expenditure on armaments was in a large measure responsible for the substantial expansion of activity. The number of unemployed, as officially recorded, declined from 2,508,000 to 1,478,000 during the past year. Foreign trade also tended to expand, both imports and exports in 1936 showing an increase over the figures for 1935. While the improvement was very marked in the capital equipment industries, retailment was also about 10 per cent. higher than in 1935. Prices have shown a tendency to rise. There are no indications of a setback in the near future, but the outlook remains somewhat uncertain.

NORWAY.—Industrial production in December continued the upward trend which was in evidence throughout 1936 and foreign trade was good. A sharp rise in prices was a feature of the month, an increase of 4.2 points in the "Ökonomin Revue" index carrying the figure to the highest since October, 1929. Demand for shipping tonnage shows an expansion and shipbuilding is on the up-grade. Retail trade is more active than it was twelve months ago.

SWEDEN.—The boom in Sweden continues. Demand for timber has recently been strong, and pulp sales have been brisk; consumption of iron and steel is increasing at advancing prices. Thus the index of industrial production continues to rise, and unemployment to fall. The normal seasonal slackness of employment

was not apparent in the early winter, and the outlook is good. Overseas trade is on the increase and the import surplus has been reduced. The rising tide of prosperity is reflected in the favourable Budget figures. Wholesale prices are rising, but retail prices show little change.

HOLLAND.—Since the devaluation of the guilder, recovery has been gaining ground. The current level of Stock Exchange prices discounts a further considerable improvement in business. Unemployment has now dropped below the level of a year ago, while foreign trade returns have a more satisfactory appearance. The expansion in business activity has swollen the revenue receipts, which actually exceeded the Budget estimate in November.

HUNGARY.—Hungary enters the New Year with favourable prospects. A greater measure of political tranquillity at home, higher wheat prices on world markets, and a virtually balanced Budget for the first time since 1930, hold out the promise of further economic improvement in coming months. In the first four months of the current financial year receipts were more than 10 per cent. in excess of the previous year's level, but expenditure showed a proportionately smaller advance.

UNITED STATES OF AMERICA

During the past year recovery continued to make rapid progress in most branches of activity. The volume of industrial production rose by about 15 per cent. between 1935 and the past year, and has now almost reached the pre-depression level. The index of industrial production, calculated by the Federal Reserve Board, rose from 82.4 (1929 = 100) in November, 1935, to 95.8 in the corresponding month last year. But while production of consumption goods is now as high as in the pre-depression year, the output of capital equipment is still somewhat below that level, despite rapid expansion in the past year. Owing to the need for re-equipment and extensions of industrial plant, activity in the capital goods industries may be expected to show further expansion in 1937. Moreover, building activity may also continue on the upgrade. The immediate outlook, however, is overshadowed by the efforts of the Committee for Industrial Organisation to reorganise the trade union system. And, since the Committee is resorting to the strike (as in the automobile industry, for example) to gain its objective, the progress of recovery may be hampered, but is unlikely to be arrested, during the next few months.

LATIN AMERICA

ARGENTINA.—Exports remain at a high level. Total exports for 1936 aggregated 1,652 million pesos in value, against 1,569 millions in 1935. The export surplus for last year may reach 500 million pesos, against 394 millions in 1935. Good crops of wheat and linseed are now coming on the market, and, with ideal weather conditions for growing maize, exports may continue on a high level for many months to come. The supply of exchange continues ample, with the "free" rate still approximating to the official rate. Retail trade is very good. Prospects generally are encouraging. Great Britain continues to predominate in Argentina's import trade, and the Argentine Government has recommended Congress to approve the new Anglo-Argentine Treaty since it assures a period of security of commercial relations between the two countries.

BRAZIL.—The exchange situation continues normal, with the rate showing an improving tendency, this being principally due to increased exports and an expansion in the favourable trade balance. Coffee prices are higher, probably mainly owing to official support, but there is increasing criticism of the regimentation of the industry. The commercial situation appears normal and the money market is easier.

CHILE.—Conditions in the "export" exchange market for sterling and United States dollars remain difficult, although "compensation" exchange for business with Germany and other countries appears to be easily forthcoming.

OTHER COUNTRIES.—This season's wool clip in Uruguay has met with a steady demand, and over 80 per cent. has already been sold at remunerative prices. The new wheat crop is of excellent quality and weight. In Peru, business conditions continue to improve; reports of the forthcoming cotton crop are favourable, and sugar prices are advancing. Central America is benefiting from satisfactory coffee crops, which are being marketed at higher prices.

THE FAR EAST

Although political conditions in Japan remain unsettled, business activity continues on the up-grade. There was an all-round improvement last year, due partly to the Government's policy of low interest rates and to inflationary armaments expenditure. Prices consequently showed a rising trend. These tendencies seem likely to continue in coming months. Meanwhile, the expansion of business has necessitated increased imports of raw materials, whereas exports have failed to record a comparable increase. Total imports in 1936 were 2,928 million yen, while exports amounted to 2,797 million yen—an increase of 12 per cent. and of 7½ per cent., respectively, over the previous year's figures. The import surplus rose by 115 million yen, but some part of this deficit will doubtless be covered by increased "invisible" exports. In China, recovery has been proceeding gradually ever since the devaluation of the currency, but its incidence has been somewhat patchy. The trade balance, however, was rather less favourable in the closing months of 1936, imports having risen above the previous year's level and exports showing a stagnant tendency.

UNITED KINGDOM—THE ECONOMIST INDICES OF BUSINESS ACTIVITY*

Daily Averages of 1935 = 100

Period	Employment	Consumption of Power		Transport		Postal Receipts	Building Activity	Consumption of		Foreign Trade				Bank Clearings		Complete Index	
		Coal	Electricity	Merchandise on Railways	Commercial Motors in Use			Iron and Steel	Cotton	Imports of Raw Materials	Exports of British Manufactures	Shipping Movements	Metropolitan, Provincial	Town	Monthly	Twelve-Months' Moving Average	
1929	98	103	68	127	76	95	60	97	111	98	137	108	91	109	98	...	
1930	94	98	68	115	80	96	65	84	82	88	108	107	89	112	93	...	
1931	91	92	69	98	83	95	62	73	86	82	80	97	86	92	87	...	
1932	90	90	71	86	86	94	57	59	94	84	82	94	86	86	84	...	
1933	93	90	78	89	89	96	70	70	101	82	85	96	91	88	89	...	
1934	97	97	88	100	95	97	78	93	95	100	92	98	95	96	96	...	
1935	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	...	
1935—December	96	95	86	99	92	98	80	94	96	96	86	97	93	95	93	92	
1934—January	96	106	84	97	93	97	81	84	104	107	91	103	96	98	96	93	
February	96	93	84	100	93	98	83	92	105	102	88	99	94	113	95	93	
March	97	99	85	99	94	96	84	96	92	92	80	99	95	103	95	94	
April	97	94	85	98	94	96	86	94	98	95	89	97	95	96	95	94	
May	97	94	83	98	95	95	86	92	99	94	88	95	94	94	94	95	
June	97	91	90	101	95	95	88	87	103	103	93	96	94	85	95	95	
July	98	92	84	98	96	94	89	82	101	107	91	98	94	89	96	95	
August	98	97	87	102	97	98	90	95	98	114	89	98	93	89	96	95	
September	98	95	88	102	97	96	90	98	101	101	89	98	94	89	96	95	
October	98	97	89	100	95	97	91	94	89	98	95	95	94	91	96	96	
November	98	99	94	98	95	97	93	89	87	89	93	97	95	114	96	96	
December	98	93	87	99	95	101	92	96	97	94	98	100	99	100	97	96	
1935—January	98	96	92	103	98	98	93	98	88	85	95	95	98	110	97	97	
February	98	96	92	99	98	99	95	94	92	91	104	97	98	94	97	97	
March	98	92	93	98	99	95	96	97	94	85	98	97	96	92	96	97	
April	98	98	97	97	99	101	98	92	90	100	81	99	97	97	97	98	
May	99	102	99	100	99	98	100	93	96	100	81	99	97	97	97	98	
June	100	99	97	100	99	98	98	98	99	97	105	100	99	100	99	99	
July	101	94	96	98	98	98	98	93	112	108	96	100	102	106	100	99	
August	101	92	99	100	99	99	99	93	100	100	97	100	100	106	99	99	
September	101	100	99	98	100	101	100	104	100	100	97	100	100	106	99	100	
October	101	105	101	101	101	99	103	105	96	104	103	101	102	95	100	100	
November	101	104	102	103	101	100	105	102	96	102	102	98	99	96	101	101	
December	101	105	108	102	102	104	108	113	99	106	99	101	99	96	102	101	
1936—January	101	107	104	104	103	101	106	117	106	98	92	98	98	91	102	102	
February	102	100	108	102	104	101	107	115	100	99	102	100	99	93	102	103	
March	103	98	105	105	104	102	107	112	101	100	100	99	100	94	102	104	
April	103	103	111	106	104	102	106	110	110	101	98	101	97	105	105	105	
May	104	102	107	105	105	102	107	116	112	109	99	100	103	96	104	105	
June	105	106	107	104	105	101	109	121	119	120	98	102	104	104	106	...	
July	106	104	109	106	105	103	109	139	120	121	106	101	104	97	107	...	
August	107	103	111	109	105	103	109	123	120	121	101	103	106	103	108	...	
September	106	102	112	106	106	103	109	132	107	127	106	103	106	103	108	...	
October	106	104	113	107	107	104	107	127	102	127	106	103	106	103	108	...	
November	107	101	117	106	108	107	105	125	100	130	106	106	106	106	108	...	
December	106	102	117	108	108	108	103	134	109	117	109	103	107	122	109	...	

* For method of construction and earlier figures (1924-1936) see Supplement to *The Economist* of July 25, 1936.

† Annual indices represent averages of monthly figures.

r. Revised.

p. Provisional.

UNITED KINGDOM

(Population, mid 1935, 46,886,000; Area 95,030 sq. miles; 244,000 sq. kms)

United Kingdom figures; otherwise Great Britain (G.B.)	Unit of Measurement	Monthly Average												1935		1936											
		1929	1930	1931	1932	1933	1934	1935	1936	Nov.	Dec.	June	July	Aug.	Sept.	Oct.	Nov.	Dec.									
PRODUCTION																											
1. Industrial Prod. of Trade...	1930 = 100	108.5	100.0	91.0	90.5	95.5	106.1	113.5	...	...	...	...	...	...	...	...	...	...									
2. Coal, G. B.	Mill. tons	21.4	20.3	18.3	17.4	17.2	18.4	18.6	19.0	20.3	19.7	16.9	18.2	17.1	18.8	20.0	19.2	20.6									
3. Electricity, pub. supply, G. B.	Mill. kw. hrs.	858	910	951	1,020	1,130	1,288	1,464	1,685	1,758	1,929	1,344	1,403	1,332	1,544	1,860	2,010	2,180									
4. Pig iron	Thous. tons	632	516	314	298	345	497	535	641	530	559	634	666	636	651	670	643	671									
5. Steel ingots and castings	Thous. tons	803	610	434	439	585	738	822	975	903	812	966	974	873	1,027	1,061	1,001	1,019									
6. Dwelling-houses	Thous. £'s	3,688	3,897	3,374	3,907	5,192	5,799	6,536	6,255	7,761	5,829	6,857	6,669	5,052	5,945	6,035	6,411	5,396									
7. Other buildings	"	2,403	2,320	1,877	1,614	1,781	2,164	2,990	3,497	3,001	3,093	3,621	4,170	2,548	3,410	2,951	3,268	3,629									
8. New Orders, heavy elec. mach.	Thous. £'s	100	125	77	112	67	160	148	250	132	148	199	212	247	252	268	263	250									
9. Home	1929 = 100	100	67	50	31	44	60	62	96	66	62	82	84	88	90	93	90	96									
10. Foreign	"	100	93	58	59	56	107	104	167	100	104	139	144	162	165	174	168	167									
11. Total	Thous. gross tons	412	237	50	18	61	130	171	273	...	...	311	282	...	293	...	...	...									
12. Shipbuilding : commenced	"	381	370	126	47	33	115	125	280	...	...	132	168	...	212	...	...	...									
13. " : launched	"	1,560	909	401	225	332	597	743	964	...	...	743	849	...	929	...	...	964									
14. Automobiles : priv. cars.	Number	15,196	14,139	13,250	14,270	19,232	21,406	25,962	...	22,739	24,509	29,968	29,796	18,306	27,499	30,870	30,667	...									
15. " : Com. vehicles	"	4,705	5,572	5,609	5,123	5,459	7,136	7,681	...	7,525	7,443	8,262	10,044	7,539	9,034	10,335	9,240	...									
16. Cotton dyes, to mills, G.B.	Thous. lbs.	5.27	3.92	4.04	4.47	4.72	4.31	4.72	5.17	5.65	5.22	5.45	5.00	4.66	4.25	5.05	4.50	5.74									
17. Rayon : Output	Thous. lbs.	4,742	4,064	4,548	6,043	7,907	7,758	10,314	...	11,800	9,960	12,320	13,810	9,860	13,240	13,490	11,760	...									
18. " : Quantity excised	Thous. st. barrels	1,620	1,568	1,365	1,102	1,193	1,293	1,355	...	1,294	1,447	1,462	1,726	1,445	1,498	1,379	1,324	...									
19. Beer production	Thou. proof galls.	2,743	2,522	2,357	2,162	2,199	2,572	2,161	...	3,125	2,081	...	...	2,090	...	...	...	...									
20. Distilling : Drink	"	3,614	4,181	4,313	5,502	7,451	8,448	9,523	...	11,094	9,945	...	...	11,009	...	...	...	...									
21. " : Industrial alcohol	Mill. proof galls.	151.6	153.4	148.5	141.5	134.9	135.4	136.1	...	134.3	136.1	138.3	138.0	137.5	137.2	136.9	136.9	...									
22. " : Stocks	"	151.6	153.4	148.5	141.5	134.9	135.4	136.1	...	134.3	136.1	138.3	138.0	137.5	137.2	136.9	136.9	...									
TRADE AND TRANSPORT																											
23. Rly. traf. : Merch. & lvtst. G. B.	Thous. tons	9,780	8,890	7,602	6,605	6,875	7,660	7,681	...	8,590	7,506	8,200	7,592	8,111	8,371	8,900	...	...									
24. " : Coal and coke, G. B.	Thous. tons	15,933	14,868	13,360	12,861	12,727	13,384	13,447	...	14,751	14,353	12,402	11,374	12,226	12,965	15,129	15,174	15,417									
25. Automob. : priv. cars in use, G. B.	Thousands	893.8	967.7	979.7	1,018.4	1,084.9	1,184.5	1,347.5	1,495.4	1,376.1	1,398.5	1,547.1	1,599.1	1,604.9	1,614.6	1,512.9	1,517.4	1,541.7									
26. " : Com. vehicles in use, G. B.	Thous. £'s	133	135	134	133	135	137	140	147	145	190	138	142	135	147	151	155	159									
27. Postal traffic receipts, daily	Avg. daily sales	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...									
28. Retail trade, Gt. Brit. : Food	1935 = 100	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...									
29. " : Other merchandise	"	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...									
30. " : Total	1935 = 100	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...									
31. Advtg. expndt. on brnd. goods	Thous. £'s	42,444	37,603	33,041	29,810	27,311	27,829	28,616	30,921	33,202	33,471	30,754	28,903	28,102	31,888	37,788	35,988	36,839									
32. Retained imports, value : Food	Thous. £'s	23,774	17,674	12,277	11,740	12,897	15,153	15,237	17,934	17,484	20,930	16,801	17,501	16,532	17,869	19,214	20,763	21,940									
33. " : Manufactures	"	25,467	23,622	20,367	12,168	11,654	13,995	14,302	16,452	15,760	14,121	14,730	16,951	16,531	17,946	18,829	17,240	18,111									
34. " : Total	Thous. £'s	49,241	41,296	32,634	23,908	24,551	29,148	30,539	34,386	33,244	35,051	31,531	34,452	33,063	35,815	38,043	38,003	40,051									
35. Volume : Food	Av. of 1930 = 100	117.7	100	83.7	52.7	104.1	112.6	113.4	...	...	...	...	...	...	...	...	...	...									
36. " : Raw materials	"	117.7	100	83.7	52.7	104.1	112.6	113.4	...	...	...	...	...	...	...	...	...	...									
37. " : Manufactures	"	117.7	100	83.7	52.7	104.1	112.6	113.4	...	...	...	...	...	...	...	...	...	...									
38. " : Total	"	117.7	100	83.7	52.7	104.1	112.6	113.4	...	...	...	...	...	...	...	...	...	...									
39. Domestic exports, value : Food	Thous. £'s	4,555	3,944	2,898	2,625	2,314	2,538	2,636	2,966	3,905	2,655	2,633	3,044	2,776	2,960	3,619	3,823	3,404									
40. " : Raw materials	"	6,575	5,513	3,920	3,634	3,332	4,021	4,169	5,096	5,096	4,591	3,546	4,591	3,976	4,265	4,766	4,568	4,940									
41. " : Manufactures	"	47,899	36,745	24,398	23,303	23,475	25,403	27,411	28,410	29,351	26,179	24,945	31,483	27,478	28,820	32,157	28,872	30,323									
42. " : Total	Thous. £'s	60,779	47,563	32,552	30,419	30,659	33,638	35,493	36,727	39,400	34,917	32,065	40,086	35,258	36,961	41,764	38,441	40,516									
43. Volume : Food	Av. of 1930 = 100	119.0	100	82.0	77.4	83.5	85.2	94.5	...	...	...	...	...	...	...	...	...	...									
44. " : Raw materials	"	124.9	100	74.5	76.6	78.9	85.3	92.2	...	...	...	...	...	...	...	...	...	...									
45. " : Manufactures	"	122.0	100	76.5	76.8	78.4	84.4	91.2	...	...	...	...	...	...	...	...	...	...									
46. " : Total	"	122.0	100	76.5	76.8	78.4	84.4	91.2	...	...	...	...	...	...	...	...	...	...									
47. Shipping : Tonnage entered	Thous. net tons	5,225	5,310	5,023	4,457	5,355	5,223	5,302	5,616	5,236	5,389	6,082	6,172	6,468	5,981	6,002	5,627	5,534									
48. " : Tonnage cleared	"	5,723	5,488	4,882	4,620	4,638	4,674	4,777	4,735	4,937	4,385	4,726	5,221	5,117	5,039	5,234	4,637	4,663									
49. " : Tonnage laid-up	"	365	1,593	1,966	1,971	1,240	878	466	...	...	...	...	...	...	...	...	...	...									
50. Freight rates, No. days lost	1929 = 100	100	81.7	82.2	77.9	75.1	76.4	76.8	87.3	84.9	85.0	80.4	82.0	86.6	89.0	94.1	99.8	113.8									
51. Cable and wireless traffic receipts	Corresponding month 1929 = 100	100	87.3	73.9	72.3	70.5	72.5	73.5	74.4	72.7	80.1	70.3	70.3	69.1	70.7	75.9	80.5	96.4									
EMPLOYMENT AND WAGES																											
53. Insured pers. employed G.B.	Thousands	10,220	9,797	9,421	9,348	9,681	10,139	10,377	10,896	10,560	10,629	10,933	11,006	11,072	11,082	11,103	11,120	11,132									
54. Insured pers. unemployed	"	1,212	1,915	2,630	2,756	2,496	2,107	1,958	1,684	1,843	1,796	1,645	1,595	1,548	1,556	1,549	1,553	1,552									
55. Per cent. unemployed	"	10.3	15.8	21.1	21.9	19.8	16.6	15.3	13.0	14.3	13.9	12.6	12.2	11.9	11.9	11.9	11.9	11.9									
56. Regist'd at Exchanges, all ages,	"	1,276	2,014	2,719	2,813	2,588	2,221	2,106	1,822	1,983	1,933	1,766	1,717	1,678	1,690	1,677	1,694	1,703									
57. " : London	"	118	177	273	306	272	216	203	179	199	186	161	156	161	161	172	178	179									
58. " : S.E. England	"	50	75	114	142	120	93	91	79	94	94	65	61	52	59	67	77	93									
59. " : S.W.	"	69	91	129	157	147	127	114	94	115	109	80	76	78	82	152	149	156									
60. " : Midlands	"	165	267	381	371	325	245	217	178	187	178	181	175	168	168	171	170	171									
61. " : N.E. England	"	280	419	569	602	557	478	452	304	405	393	400	369	343	341	342	342	342									
62. " : N.W.	"	285	522	627	562	517	461	439	374	417	404	365	359	347	347	341	342	342									
63. " : Northern	"	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...									
64. " : Scotland	"	156	244	358	378	364	331	314	277	300	303	254	268														

EUROPEAN COUNTRIES
(Bi-monthly)

	Unit of Measurement	Monthly Average								1935		1936							
		1929	1930	1931	1932	1933	1934	1935	1936	Nov.	Dec.	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	
AUSTRIA (Population 1935: 6,786,000; Area: 84,000 sq. kms.)																			
1. Industrial production.....	1929=100	100.0	84.9	74.3	64.3	65.4	72.2	79.6	...	88.6	89.4	78.8	79.6	80.4	82.0	86.1	...	...	
2. Retained imports.....	Mill. schilling	271.88	224.93	180.11	115.29	93.68	96.07	100.47	...	117.77	124.94	88.89	93.44	95.25	104.33	116.17	118.38	...	
3. Domestic exports.....	Thous.	182.38	154.26	107.59	63.69	64.56	71.42	74.56	...	82.63	90.00	75.12	70.95	75.89	84.56	84.72	84.15	...	
4. Applicants for work.....	1929=100	100.0	90.0	83.9	86.2	83.1	84.6	84.4	...	83.9	83.5	84.0	84.5	83.9	84.2	85.3	85.1	85.6	
5. Wholesale prices.....	"	100.0	100.0	95.5	97.3	94.8	94.5	94.4	...	95.1	95.0	95.3	94.1	94.3	94.5	94.5	94.8	94.6	
6. Cost of living.....	"	100.0	84.0	64.0	54.5	45.1	49.4	65.3	...	69.2	72.4	77.8	77.3	80.7	82.1	87.0	92.8	94.8	
7. Price of indus. securities.....	Mill. schilling	1,094	1,090	1,183	914	952	964	976	944	953	976	950	952	943	944	932	915	944	
8. Notes in circulation.....	"	1,094	1,090	1,183	914	952	964	976	944	953	976	950	952	943	944	932	915	944	
BELGIUM (Population 1934: 8,276,000; Area: 30,000 sq. kms.)																			
9. Industrial production.....	1929=100	100.0	88.8	81.1	69.1	71.4	72.3	80.6	...	81.7	78.8	48.5	75.0	76.8	78.4	...	...	...	
10. Retained imports.....	Mill. francs	2,961	2,581	1,979	1,347	1,235	1,142	1,417	...	1,621	1,804	1,427	1,559	1,639	1,856	1,882	1,950	...	
11. Domestic exports.....	Thous.	2,649	2,172	1,922	1,234	1,109	1,128	1,317	...	1,564	1,537	1,118	1,172	1,618	1,702	1,762	1,864	...	
12. Unemployment.....	1929=100	100.0	74.2	201.1	335.7	338.0	349.1	284.2	...	236.4	264.3	200.0	189.9	201.1	184.9	175.6	...	74.9	
13. Wholesale prices.....	"	100.0	87.4	73.6	62.5	58.9	63.1	...	...	68.4	63.0	67.0	67.7	68.4	69.8	70.7	72.3	...	
14. Cost of living.....	"	100.0	87.4	73.6	62.5	58.9	63.1	...	...	68.4	63.0	67.0	67.7	68.4	69.8	70.7	72.3	...	
15. Price of industrial securities.....	Mill. francs	13,425	16,419	18,270	18,135	17,093	17,650	20,583	22,702	20,792	20,583	21,768	22,310	22,395	22,531	22,331	22,230	22,702	
16. Notes in circulation.....	"	13,425	16,419	18,270	18,135	17,093	17,650	20,583	22,702	20,792	20,583	21,768	22,310	22,395	22,531	22,331	22,230	22,702	
CZECHOSLOVAKIA (Population 1935: 15,158,000; Area: 140,000 sq. kms.)																			
17. Retained imports.....	Mill. kr.	1,663.5	1,309.4	980.3	623.9	485.9	531.8	560.9	...	791.3	754.3	529.2	548.8	583.4	611.1	789.7	869.8	...	
18. Domestic exports.....	Thous.	1,708.1	1,436.0	1,093.2	611.9	487.9	518.8	520.0	...	824.0	693.3	703.7	820.7	761.5	712.4	794.3	862.8	...	
19. Registered unemployed.....	1929=100	100.0	88.8	80.6	74.5	72.2	74.0	77.2	...	77.4	77.9	76.6	75.7	75.9	77.1	78.2	79.1	...	
20. Wholesale prices.....	"	100.0	97.8	93.4	91.7	90.7	89.6	91.3	...	91.7	92.1	92.1	92.5	92.5	92.1	92.4	92.0	92.3	
21. Cost of living.....	"	100.0	81.8	65.0	51.7	56.6	60.1	65.6	...	72.6	74.7	83.4	84.2	88.0	91.9	93.8	98.0	...	
22. Price of industrial securities.....	Million kr.	8,230	7,824	7,679	6,755	6,364	6,017	6,137	6,972	5,967	6,137	6,097	5,837	5,946	6,204	6,120	6,130	6,972	
23. Notes in circulation.....	"	8,230	7,824	7,679	6,755	6,364	6,017	6,137	6,972	5,967	6,137	6,097	5,837	5,946	6,204	6,120	6,130	6,972	
DENMARK (Population 1935: 3,684,000; Area: 43,000 sq. kms.)																			
24. Industrial production.....	1929=100	100.0	108.0	100.0	91.0	105.0	117.0	121.0	...	123.0	124.0	133.0	133.0	134.0	134.0	133.0	132.0	...	
25. Retained imports.....	Mill. kr.	142.91	138.03	117.48	91.97	102.08	108.88	107.22	...	108.05	105.40	115.80	106.50	113.10	148.99	140.51	134.56	...	
26. Domestic exports.....	Thous.	134.63	126.97	104.97	93.90	96.90	7.96	101.12	...	104.78	102.90	111.30	115.20	117.00	115.93	124.70	108.80	...	
27. Applicants for work.....	1929=100	100.0	40.6	59.4	126.0	121.1	97.6	92.4	...	100.1	140.0	57.8	61.3	61.4	64.9	80.5	96.5	141.9	
28. Wholesale prices.....	"	100.0	86.4	75.8	78.0	83.3	90.2	92.4	...	95.5	95.5	94.7	96.2	97.7	98.5	100.8	101.5	103.0	
29. Cost of living.....	"	100.0	84.3	85.4	74.8	83.3	96.2	98.7	...	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
30. Price of industrial securities.....	Mill. kr.	367	360	346	332	375	386	384	399	384	384	381	373	376	377	407	385	399	
31. Notes in circulation.....	"	367	360	346	332	375	386	384	399	384	384	381	373	376	377	407	385	399	
FINLAND (Population 1934: 3,558,000; Area: 388,000 sq. kms.)																			
32. Industrial production.....	1929=100	100.0	90.8	80.0	83.3	85.8	116.7	125.0	...	130.0	127.5	121.7	138.3	132.5	140.8	...	...	...	
33. Retained imports.....	Million mks.	583.5	437.3	288.7	291.9	327.3	398.0	445.4	...	526.5	445.4	558.9	566.5	527.5	600.9	616.6	...	...	
34. Domestic exports.....	Thous.	535.5	450.3	371.4	389.0	441.5	518.8	520.0	...	576.6	630.3	703.7	761.5	712.4	794.3	...	...	...	
35. Registered unemployed.....	1929=100	100.0	91.8	85.7	91.8	90.8	91.8	91.8	...	83.3	82.6	80.3	80.7	81.6	82.0	82.3	82.7	1,630	
36. Wholesale prices.....	"	100.0	92.2	84.8	83.7	81.7	80.2	81.4	...	1,319	1,381	1,465	1,460	1,503	1,551	1,561	1,565	1,630	
37. Cost of living.....	Mill. markka	1,361	1,279	1,293	1,085	1,184	1,277	1,381	1,630	1,319	1,381	1,465	1,460	1,503	1,551	1,561	1,565	1,630	
38. Notes in circulation.....	"	1,361	1,279	1,293	1,085	1,184	1,277	1,381	1,630	1,319	1,381	1,465	1,460	1,503	1,551	1,561	1,565	1,630	
HOLLAND (Population 1935: 8,474,000; Area: 34,000 sq. kms.)																			
39. Industrial production.....	1929=100	100.0	91.4	79.0	62.3	69.1	69.8	66.3	...	66.0	69.8	67.9	63.6	66.7	69.1	...	...	...	
40. Retained imports.....	Mill. gulden	229.36	201.52	157.73	108.29	100.73	86.52	77.99	...	85.76	72.67	76.89	79.62	81.69	81.85	92.39	101.00	...	
41. Domestic exports.....	Thous.	165.79	143.24	109.32	70.51	60.49	59.32	56.26	...	60.40	51.71	53.00	59.64	63.19	71.80	75.38	77.00	...	
42. Unemployed registered.....	1929=100	100.0	102.0	100.0	93.0	89.0	87.0	84.0	...	415.2	471.9	378.8	375.4	381.4	390.1	394.4	...	...	
43. Index of wages (hrl. earg.).....	"	100.0	89.9	76.5	64.8	63.1	63.2	61.7	...	62.9	62.7	61.8	62.5	62.9	62.8	68.4	...	...	
44. Wholesale prices.....	"	100.0	89.9	76.5	64.8	63.1	63.2	61.7	...	62.9	62.7	61.8	62.5	62.9	62.8	68.4	...	...	
45. Cost of living.....	"	100.0	89.9	76.5	64.8	63.1	63.2	61.7	...	62.9	62.7	61.8	62.5	62.9	62.8	68.4	...	...	
46. Price of industrial securities.....	Mill. gulden	862	847	1,025	963	913	913	810	793	788	810	768	749	782	774	782	807	793	
47. Notes in circulation.....	"	862	847	1,025	963	913	913	810	793	788	810	768	749	782	774	782	807	793	
ITALY (Population 1935: 43,009,000; Area: 310,000 sq. kms.)																			
48. Industrial production.....	1929=100	100.0	91.9	77.6	66.9	73.7	80.9	91.8	...	...	...	...	...	...	...	...	...	...	
49. Retained imports.....	Million lire	180.6	140.6	970.3	639.0	619.3	639.6	646.8	...	704.0	...	...	...	...	...	...	...	...	
50. Domestic exports.....	Thous.	129.7	105.4	350.4	237.7	237.7	237.7	237.7	...	504.0	...	...	...	...	...	...	...	...	
51. Wholly unemployed.....	1929=100	100.0	89.3	78.1	73.0	66.5	65.0	71.3	...	...	...	...	...	...	...	...	...	...	
52. Wholesale prices.....	"	100.0	96.6	87.2	83.2	79.6	75.5	76.6	...	...	...	...	...	...	...	...	...	...	
53. Cost of living.....	"	100.0	96.6	87.2	83.2	79.6	75.5	76.6	...	...	...	...	...	...	...	...	...	...	
54. Notes in circulation.....	Million lire	16,774	15,680	14,295	13,672	13,243	13,145	15,456	...	...	15,456	...	...	...	...	...	...	...	
NORWAY (Population 1935: 2,884,000; Area: 323,000 sq. kms.)																			
55. Industrial Production.....	1929=100	100.0	101.0	78.3	92.7	93.8	97.7	105.1	...	115.2	109.6	117.7	101.2	115.8	122.5	121.1	...	...	
56. Retained imports.....	Million kroner	88.61	87.93	71.20	56.89	54.76	60.74	67.83	...	76.96	86.56	74.31	64.25	73.21	77.29	86.19	94.23	...	
57. Domestic exports.....	Thous.	61.89	56.23	38.31	46.74	45.82	47.50	49.81	...	60.46	59.22	46.90	50.61	50.36	60.33	64.17	68.15	...	
58. Unemployed registered.....	1929=100	100.0	92.0	81.9	81.9	81.9	8												

RAW MATERIALS AND CRUDE FOODSTUFFS

GROUP I.—MONTHLY

Commodity	Unit of Measurement	Monthly Average (except Gold, Rayon and Wool, where annual totals are given)								1935		1936						
		1929	1930	1931	1932	1933	1934	1935	1936 (a)	Nov.	Dec.	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
COAL																		
1. Production: Belgium	Th. metric tons	2,245	2,285	2,254	1,785	2,108	2,199	2,207	...	2,205	2,283	1,359	2,499	2,286	2,159	2,518	2,447	...
2. " France	"	4,482	4,490	4,167	3,856	3,907	3,969	3,815	...	3,987	3,915	3,433	3,915	3,154	3,484	4,165	3,436	...
3. " Germany: Coal	"	13,620	11,892	9,887	8,728	9,141	10,405	11,918	...	13,178	13,049	12,299	13,375	12,995	13,348	14,597	13,879	...
4. " Poland	"	3,853	3,126	3,189	2,403	2,283	2,436	2,395	...	2,536	2,497	2,064	2,339	2,387	2,692	3,157	3,046	...
5. " U.K.	"	21,837	20,650	18,382	17,717	17,525	18,708	18,877	19,340	20,605	19,965	17,136	18,478	17,330	19,106	20,341	19,519	20,900
6. " U.S.A.	"	46,026	40,590	33,365	27,183	28,967	31,398	31,576	...	32,722	35,788	30,162	32,876	32,707	36,823	42,808	40,558	...
7. " Principal countries	"	107,219	98,062	86,002	76,435	79,883	87,503	89,335	...	94,055	98,732	85,917	92,707	90,012	97,557	...	...	...
8. Stocks: Belg., Germ., Pol., Saar	Thous. long tons	8,121	10,526	9,960	10,113	9,647	10,747	7,370	...	8,137	7,770	7,658	7,746	6,961	...	...	...	...
9. Price: U.S.A., MidCont. crude	sh. per ton	16-08	16-67	16-17	16-25	16-08	16-04	16-29	16-98	16-50	16-67	16-75	17-04	17-12	17-12	17-17	17-20	17-06
10. Price: Av. Br. expt. price	"	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
OIL																		
11. Production: Dutch East Indies	Th. metric tons	437	461	392	424	461	503	507	...	499	516	507	532	531	533	580	...	...
12. " Mexico	"	556	492	411	408	422	475	501	...	504	516	507	532	531	533	580	...	...
13. " Persia (Ang.-Ir. Oil)	"	462	503	487	543	544	579	577	...	595	634	666	684	674	591	645	...	...
14. " Rumania	"	403	483	563	612	615	706	698	...	717	736	762	768	765	720	...	...	...
15. " U.S.A.	"	11,508	10,260	9,714	8,970	10,347	10,375	11,356	...	11,856	12,162	12,364	12,624	13,037	12,472	13,134	...	...
16. " U.S.S.R.	"	1,206	1,552	1,912	1,791	1,786	2,013	1,989	...	2,201	2,208	2,188	2,151	2,140	2,112	2,218	...	...
17. " Principal countries	"	17,082	16,293	15,766	15,004	16,465	17,366	18,738	...	19,619	19,965	20,160	20,788	21,247	20,465	21,194	...	...
18. Stocks: U.S.A., MidCont. crude	Thous. barrels	422	402	371	340	355	337	315	...	316	315	311	306	302	296	292	...	...
19. Price: U.S.A., MidCont. crude	cents per barrel	123-3	111-1	57-3	81-3	60-1	94-0	94-0	104-0	94-0	94-0	104-0	104-0	104-0	104-0	104-0	104-0	104-0
CRUDE STEEL																		
20. Production: Belgium	Th. metric tons	342	280	259	232	229	246	252	...	256	265	152	250	272	275	298	283	...
21. " France	"	808	787	652	470	544	514	523	...	508	500	503	542	460	545	627	581	...
22. " Germany, inc. Saar	"	1,354	962	691	481	632	990	1,342	...	1,483	1,442	1,631	1,722	1,725	1,721	1,705	1,507	...
23. " Japan, ex. castings	"	191	191	157	200	267	325	386	...	385	386	413	428	401	...	...	...	...
24. " Luxembourg	"	225	189	170	163	154	161	153	...	156	156	152	162	164	185	188	176	...
25. " U.K.	"	816	620	438	445	595	750	833	991	918	825	991	990	887	1,043	1,078	1,017	1,035
26. " U.S.A., ex. castings	"	4,599	3,326	2,133	1,128	1,913	2,139	3,973	3,973	3,201	3,123	4,049	3,986	4,262	4,228	4,618	4,407	4,508
27. " U.S.S.R.	"	407	483	451	490	571	800	1,034	...	1,064	1,209	1,281	1,302	1,353	1,367	1,519	1,442	...
28. " Principal countries	"	9,714	7,660	5,615	4,113	5,510	6,638	7,975	...	8,441	8,626	9,633	9,837	10,001	10,270	10,960	...	...
29. Price: Pig iron Cleveland, No. 3,	per ton	3-53	3-35	2-91	2-91	3-13	3-35	3-39	3-70	3-44	3-50	3-55	3-75	3-75	3-75	3-81	4-55	...
GOLD																		
30. Production: Union of S. Africa	Thous. fine ozs.	10,412	10,716	10,878	11,559	11,014	10,480	10,774	11,339	905	909	945	967	967	966	977	944	...
31. " Canada	"	1,085	1,434	1,701	1,990	2,667	4,263	5,831	7,350	293	307	317	320	329	331	334	...	...
32. " U.S.A.	"	1,928	2,102	2,694	3,044	2,949	3,285	3,720	...	...	...	...	...	...	...	...	...	...
33. " U.S.S.R.	"	2,057	2,100	2,214	2,219	2,277	2,742	3,179	3,714	...	...	...	...	...	...	...	...	...
34. " World	"	19,586	20,836	22,356	24,341	25,352	27,753	30,984	35,000	...	...	...	...	...	...	...	...	...
35. Price: London, per fine ounce	sh.	84-9	85-0	92-5	118-0	127-8	137-6	142-1	140-3	141-29	141-07	138-68	138-88	138-35	137-99	141-91	142-27	141-69
WHEAT																		
36. World shipments	Mlns. of bushels	923	630	825	801	631	549	515	504	51	34	41	38	47	52	48	...	...
37. Stocks: World visible supplies	sh. per cwt.	370-1	411-9	462-7	408-2	459-7	477-2	339-5	275-1	436-7	484-0	244-0	275-1	294-0	315-8	305-6	292-9	...
38. Average British import price	"	10-33	8-22	5-09	6-15	5-52	6-38	6-02	7-53	6-61	6-48	6-69	6-92	7-47	7-87	8-36	8-80	7-89
COTTON																		
39. Mill consumption: U.K.	Thousands	2,800	2,465	1,964	2,386	2,248	2,470	2,507	...	...	...	...	...	...	...	...	...	...
40. " Japan	of actual	2,766	2,997	2,565	2,769	2,900	3,252	3,730	...	...	...	...	...	...	...	...	...	...
41. " U.S.A.	bales	7,033	6,060	5,246	4,847	6,109	5,670	5,321	...	...	...	...	...	...	...	...	...	...
42. " World	"	25,882	25,209	22,488	22,322	24,352	25,112	24,418	...	...	...	...	...	...	...	...	...	...
43. Price: Mid. American	d. per lb.	10-33	7-46	5-08	5-25	5-54	6-67	6-70	6-69	6-64	6-51	6-87	7-35	6-82	6-94	6-94	6-81	6-94
SUGAR																		
44. Stocks: World visible supplies	Thous. tons	4,047	5,522	6,765	7,018	6,441	5,692	4,166	2,983	6,468	6,237	4,990	4,207	3,652	2,983	3,366	5,502	...
45. Av. Brit. import price, unrefined	sh. per cwt.	9-68	8-91	8-10	7-70	7-46	6-98	6-38	6-71	7-36	7-50	6-59	5-52	5-66	5-87	6-34	7-05	7-20

GROUP II.—BI-MONTHLY

RUBBER																		
1. Production: Ceylon	Thous. tons	6-69	6-30	5-19	4-10	5-32	6-59	4-52	...	4-29	4-94	3-77	3-77	3-94	5-37	5-62	5-01	...
2. " D. E. Indies	"	21-22	20-18	21-40	17-58	23-51	31-60	23-54	...	17-40	13-78	26-40	33-91	25-31	21-84	28-78	30-44	...
3. " British Malaya	"	38-05	36-90	35-20	33-80	37-10	38-90	34-71	...	32-75	30-44	32-75	34-21	30-25	34-16	33-59	30-55	...
4. " World	"	72-20	68-80	66-60	59-05	71-03	84-93	72-68	...	64-69	63-79	66-48	83-85	71-21	72-31	81-69	78-63	...
5. " Quota of restricting countries...	% of est. cap/city	...	...	...	...	...	87-14	67-50	62-50	60-00	60-00	60-00	65-00	65-00	65-00	65-00	65-00	...
6. Consumption: U.K.	Thous. tons	6-02	6-38	6-38	6-50	6-63	9-18	8-29	...	4-62	7-38	6-81	8-13	3-59	4-24	7-25	7-10	...
7. " U.S.A.	"	38-95	31-33	29-58	28-08	34-33	38-75	41-04	...	42-31	43-41	52-64	48-13	46-66	46-33	49-51	50-30	...
8. " World	"	67-12	59-53	57-05	57-70	68-73	78-78	78-58	...	82-19	87-87	87-87	86-70	81-38	82-29	91-51	87-51	...
9. " Reclnd. in U.S.A.	"	18-08	12-79	10-25	6-46	7-08	8-40	9-42	...	9-08	8-52	11-55	11-82	10-99	11-17	12-61	12-03	...
10. Stocks: U.K.	"	73-2	118-6	127-1	92-7	86-5	134-9	164-3	...	166-9	164-3	122-3	113-4	108-2	104-0	96-6	88-8	...
11. " U.S.A.	"	118-6	201-0	322-0	373-0	365-0	355-0	303-0	...	309-0	303-0	245-9	234-5	229-1	228-5	219-6	212-5	...
12. " World	"	232-7	366-3	504-3	508-2	499-4	555-4	500-3	...	512-5	500-3	400-9	382-1	367-3	361-2	342-6	330-0	...
13. Price: London, st. sm. sheet	pence per lb.	10-25	5-91	3-13	2-34	3-25	6-22	6-00	7-75	6-34	6-34	7-38	7-72	7-63	7-69	7-91	8-59	9-69
RAYON																		
(i) Continuous Filament																		
14. Production: France	Mill. lb.	37-0	40-0	44-1	51-0	57-0	57-0	53-0	42-5	...	13-2	11-0	...	...	8-0	...	10-5	...
15. " Germany	"	58-4	59-0	61-9	55-5	62-4	73-6	104-0	112-0	...	26-3	28-5	...	...	...	...	28-5	...
16. " Italy	"	71-3	66-4	76-3	70-7	70-9	84-4	86-0	88-0	...	19-8	22-0	...	...	22-0	...	22-4	...
17. " Japan	"	25-7	36-0	47-5	75-8	97-8	155-3	220-0	275-0	19-9	20-3	23-5	23-0	...	23-8	24-5	25-0	...
18. " U.K.	"	52-4	50-0	53-9	68-9	82-3	90-3	118-6	116-1	10-2	8-6	9-5	10-8	7-9	10-4	10-9	9-7	8-2
19. " U.S.A.	"	121-4	127-3	150-9	134-7	213-5	208-5	257-0	278-0	...	71-8	66-4	...	...	71-0	...	72-0	...
20. " World	"	431-8	443-9	501-2	528-5	662-4	758-4	930-9	1022-3	...	248-0	250-1	...	...	259-0	...	265-0	...
21. Price: Viscose, std. grade, per lb.	pence	...	...	78-0	77-0	72-0	59-0	55-5	55-5	55-5	55-5	55-5	55-5	55-5	55-5	55-5	55-5	55-5
(ii) Staple Fibre																		
22. Production: France	Thous. lb.	...	...	...	1-6	2-2	4-4	8-0	12-0	...	2-5	3-5	...	...	2-0	...	3-0	...
23. " Germany	"	...	5-5	5-5	6-6	9-9	16-5	32-0	65-0	...	9-0	15-0	...	...	18-0	...	21-0	...
24. " Italy	"	1-7	0-7	1-4	9-4	11-0	22-0	66-0	106-0	...	18-5	25-0	...	...	25-5	...	25-5	...
25. " Japan	"	...	...	...	0-6	1-0	4-7	13-0	40-0	...	4-0	8-0	...	...	11-0	...	1-8	...
26. " U.K.	"	2-6	0-7	1-2	2-2	2-8	3-3	10-0	28-3	1-6	1-4	2-8	...	...	...	...	1-0	...
27. " U.S.A.	"	0-5	0-4	0-9	1-1	2-1	2-2	6-0	12-0	...	2-0	2-5	3-0	2-0	2-8	2-6	2-1	4-0
28. " World	"	8-3	7-3	9-0	21-9	29-4	53-8	136-7	259-5	...	40-5	62-5	...	...	68-5	...	75-3	...
29. Price: Viscose, std. grade, per lb.	pence	...	...	...	...	...	...	15-5	11-0	11-0	11-0	11-0	11-0	11-0	11-0	11-0	11-0	11-0
WOOL																		
30. Production: Argentina	Million lbs.	347	333	361	378	388	385	376	360	...	...	...	...	...	...	...	...	...
31. Season ended Australia	"	968	938	912	1,007	1,063	996	1,021	963	...	...	...	...	...	...	...	...	...
32. " in year Union of S. Africa	"	290	309	302	314	330	284	222	250	...	...	...	...	...	...	...	...	...
33. " shown New Zealand	"	272	272	271	283	288	301	276	272	...	...	...	...	...	...	...	...	...
34. " U.K.	"	114	112	111	113	119	120	115	109	...	...	...	...	...	...	...	...	...
35. " U.S.A.	"	384	400	435	464	441	460	451	453	...	...	...	...	...	...	...	...	...
36. " World	"	3,887	3,915	3,847	3,946	3,863	3,745	3,681	3,668	...	...	...	...	...	...	...	...	...
37. Stocks: Australia, S. Africa, N. Zealand, June 30	"	35	98	101	147	74	114	94	47	...	...	...	...	...	...	...	...	...
38. Price: Weekly Wool Chart ... 1929 = 100	"	100	64-7	49-3	48-6	60-4	68-1	62-1	78-4	69-8	69-0	72-4	74-1	76-7	77-6	79-3	87-9	92-2
TEA																		
39. Exports: Ceylon	Million lbs.	21-0	20-2	20-3	21-1	18-0	18-2	17-6	...	17-6	17-2	20-2	18-4	16-6	13-4	14-3	14-8	...
40. " Dutch East Indies	"	13-3	13-2	14-4	14-5	13-2	11-8	12-1	...	10-8	12-7	13-2	12-0	10-7	10-3	14-8	14-0	...
41. " British India	"	32-0	30-0	28-8	30-8	27-3	28-0	27-4	...	47-0	36-3	13-1	31-9	40-8	49-2	43-7	42-3	...
42. " World	"	80-6	74-7	75-3	77-7	70-7	71-9	70-0	...	88-1	76-6	57-4	80-3	84-9	94-0	...	...	...
43. " Quota of Restricting countries	% of std. quant'y	...	...	...	...	85-0	87-5	82-5	...	...	...	...	...	...	...	...	...	...
44. Consumption: U.K.	Mill. lbs.	35-4	36-6	38-5	37-9	38-5	36-0	36-9	...	82-5	82-5	82-5	82-5	82-5	82-5	82-5	82-5	82-5
45. " World	"	76-1	75-2	75-1	74-2	72-2	71-2	71-2	...	39-9	33-6	34-5	36-7	37-2	40-4	37-9	37-6	...
46. Stocks: U.K. and Holland	"	281-9	294-8	278-9	315-8	295-7	309-4	270-3	...	758-9	687-6	63-0	67-1	68-1	79-3	...	...	...
47. Price: A.V. London auctions...	pence per lb.	16-25	15-23	12-24	9-45	11-78	13-27	12-90	13-07	...	...	...	...	...	...	...	...	...

UNITED STATES, FRANCE AND GERMANY

(a) SOURCES

Official or recognised trade publications.

(b) DEFINITIONS

- 31-36, 58-60, 100-101. Annual figures relate to end of year.
 37-38. Until 1932 all member banks of the Federal Reserve System, deposits subject to reserve. 1929 to 1932, averages of daily figures. Since 1933, deposits of weekly reporting member banks in 101 leading cities; annual figures relate to end of year, monthly figures to end of month.
 39. Annual figures relate to December.
 42. Excluding refunding issues.
 52, 54. Quarterly figures; shown under last month of quarter to which they relate.
 56, 57. Annual figures: 1929, 15 months to March; 1930, year to March, 1931; 1931, year to March, 1932; 1932, 9 months to December, 1932; 1933 onwards, calendar years. Monthly figures are cumulative.
 104. Yield on 6 per cent. mortgage bonds until 1934.

EUROPEAN COUNTRIES

BRITISH DOMINIONS AND FOREIGN COUNTRIES OUTSIDE EUROPE

(a) SOURCES

League of Nations' and other official and recognised trade publications.

(b) DEFINITIONS

- Notes in Circulation and Commercial Bank Deposits: Annual figures related to end of year.
 Quarterly figures are shown under last month of quarter to which they relate.
 Canadian Note Circulation: Prior to March, 1935, including Dominion Notes then transferred to Bank of Canada.
 Chinese Foreign Trade: Figures from 1929 to 1932 represent trade before separation from Manchuria. From 1933, Chinese trade with Manchuria shown separately.

86. Eight commodities. Annual figures represent stocks at end of year; monthly figures at end of month.
 87-88. Excluding Italy and Spain from 1935.

RAW MATERIALS AND CRUDE FOODSTUFFS

(a) SOURCES

Official and recognised trade publications, with the exception of the following:—

Gold: Union Corporation.

Average Prices: Calculated by *The Economist*, except those relating to rubber, raw wool (index of *Weekly Wool Chart* converted to 1929 basis), tea and tin.

(b) DEFINITIONS

Group I—

- 8, 17, 28, 34, 36, 37, 42, 44. Including all the principal producing countries of the world.
 8. Including Aachen (Germany) from 1932.
 18. New basis from 1934.
 34. Annual figures for 1934 and 1935 are subject to revision.
 36, 39-42. Annual figures: Year ended July 31st of year shown.
 37. Annual figures: July 31st of year shown.
 44. Annual figures: September 30th of year shown.

Group II—

- 4, 8, 12, 20, 28, 36, 42, 45. Including all the principal countries of the world.
 10-12, 46. Annual figures relate to end of year; monthly figures to end of month.
 14-16, 19-20, 22-25, 27-28. Quarterly production figures; shown under last month to which they refer.
 37. Annual figures relate to June 30th of year shown.

Group III—

- 6, 7, 9, 17, 28, 39, 43. Including all the principal countries of the world.
 8, 9, 18, 19, 29, 30, 44, 45. Annual figures relate to end of year; monthly figures to end of month.

THE ECONOMIST

TRADE SUPPLEMENT

New Series

SATURDAY, FEBRUARY 27, 1937

No. 2

The Trend of Business

THE salient features of the past few weeks were a sharp rise in commodity prices, accompanied by a marked, and somewhat indiscriminate, decline in the quotations for gilt-edged stocks and, to some extent, in those for industrial securities. These are phenomena usually associated with the advanced stage of the trade cycle, but they do not in themselves necessarily portend an early decline in business activity. An advance of raw material prices, while increasing costs of production, does not check enterprise so long as it can be passed on to the consumer under a liberal monetary policy. But it is now fairly evident that further expansion of capital goods construction at rising costs may tend to bring into existence plant and equipment which may become unremunerative during the next slump and accentuate its incidence.

Meantime, business activity showed a marked seasonal decline during January. *The Economist* index of Business Activity, shown graphically on this page, declined from 108½ (1935=100) in December to 107½ in January. With the exception of those relating to employment, commercial motors in use, consumption of raw cotton and imports of raw materials, all the component series of *The Economist* index, shown on page 15, registered a fall between December and January. Employment, it is true, declined much less than usual during this period; it must be remembered, however, that the employment figures relate to a particular day of the month and do not necessarily give a true indication of changes in the volume of activity from month to month.

On the other hand, the latest reports from various industrial centres suggest that the general trend of business activity remains upwards. Moreover, the course of industrial profits continues upwards, the reports published during January and analysed in *The Economist* of February 20th showing an increase of 15.9 per cent. over the preceding year.

Additions to productive capacity as well as re-equipment and modernisation of existing plant and machinery are proceeding apace. Nor are there any indications that this tendency, accentuated by re-armament, is likely to be arrested in the near future. But, in contrast to the position a year ago, the pace of expansion has slowed down, for the metal trades, which form the basis of the capital goods industries, are now working at capacity and are unable to expand output in proportion to the increase in demand at current prices. Although prices of raw materials and partly-finished articles are now rising more rapidly, consuming trades are not yet seriously alarmed by this movement. Nor is the scarcity of labour, though hampering expansion in certain directions, endangering the progress of general recovery.

The main factor, which is now severely limiting the extent to which the demand for capital goods can be satisfied, is the problem of supplies. The inability of the iron and steel industry, for example, to satisfy requirements is causing serious concern, especially as larger supplies of imported materials cannot now be obtained so easily owing to the expansion of world demand. Hence, there is some danger of an inordinate rise in prices which might render it unprofitable to add further to industrial equipment not designed for the production of armaments as well as to prejudice the competitive power of our export trades. Re-armament, probably the chief cause of these difficulties, is thus likely to be much more far-reaching in its ultimate effect than has been generally realised. Part of the expanding demand for capital equipment for civil purposes will

have to go unsatisfied, while the cost of the work actually carried out will be considerably higher than it would have been without the competition of re-armament demand.

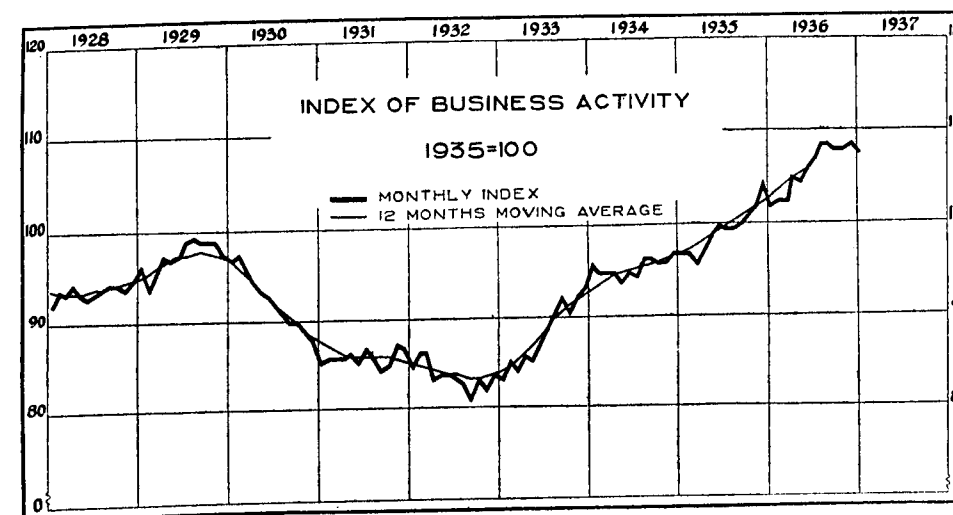
Building activity remains well above the level of a year ago, but the relative importance of non-

dwelling house construction, partly due to re-armament, is steadily increasing. The returns of the building plans passed by 146 Local Authorities in January show a substantial decline in dwelling houses which was not entirely offset by the increase in plans passed for industrial and commercial construction.

Activity among consumers' goods trades continues to expand with the increase in employment, wages and industrial profits. Wage rates, for example, are now as high as in 1929, and the volume of employment is considerably higher than eight years ago.

The international setting is steadily improving, reflected in the expansion of international trade. Rising prices for primary products, accompanied by expanding sales, are stimulating recovery in the British Dominions and Colonies, as well as in South America, China, Scandinavia and other raw material producing countries.

Following the rapid expansion during the last quarter of 1936, business activity showed a decline early this year, accentuated by labour difficulties in the automobile industry and by the dislocation caused by disastrous floods. But there is still considerable scope for further expansion, though progress may be hampered by further labour disputes. In Germany, there has been a slight decline in activity, but the current level of production is still considerably higher than a year ago. Austria, Belgium, Holland, Poland and Switzerland are making gradual headway. In France, however, the expansion of activity has been slight so far, and business men and investors in that country still lack the confidence necessary for a revival of enterprise and investment.



British Industrial Developments

The following reports on British industry cover, in most cases, the period to the middle of February. In the remainder they relate to the month of January.

COAL

Latest available information suggests that the sharp improvement of December was barely maintained last month. The monthly output of saleable coal was 19,490,000 tons, against 20,598,000 tons in December and 21,559,000 tons in January, 1936. Labour disputes and the influenza epidemic were to some extent responsible for the decline. On the other hand, the employment position was again a little better in January and unemployment was much below last year's level. Exports, too, were moderately satisfactory last month. Shipments abroad fell short of the corresponding 1935 figure, but were above the total of January, 1936. The improvement was especially marked in the case of France, which is by far the best of our overseas customers. Prices on the export markets now show a much firmer tendency, but business is hampered by the pressure for inland delivery, with the result that export inquiries have sometimes to be refused. It is reported that a number of pits in South Wales, which have been closed for some years, are now being reopened. Meanwhile, available supplies of industrial sorts are mainly absorbed by existing contracts, and the amount on offer on the open market is correspondingly limited. Business in house coal has been well maintained in recent weeks.

IRON AND STEEL

The position in the iron and steel industry is one of acute stringency, accompanied by rising prices. The industry is now working at capacity; hence the rate of further expansion of steel production is now conditioned by the rate at which new plant becomes available, on the one hand, and by the supply of raw materials, on the other hand. While productive capacity is being gradually increased, the scarcity of raw materials, such as coke, iron ore and scrap, presents a serious problem, which has been aggravated by the increase in the demand for steel in other countries. Moreover, the strong upward trend of the demand for steel abroad has also rendered difficult the supplementing of home production by heavier imports. The output of both pig iron and steel in January was slightly lower than in the preceding month. Imports of iron and steel materials in January at 93,100 tons, showed a decline of 11,700 tons on December and of 36,800 tons on the corresponding month a year ago. Exports, on the other hand, showed an increase over January and December, 1936. Meanwhile, home demand, stimulated by re-armament expenditure, continues to expand.

GENERAL ENGINEERING

The stringency of iron and steel, even more than the rise in prices and the shortage of skilled labour, is causing anxiety to the engineering industry. Indeed, the progress of the industry is hampered by the present and prospective scarcity of iron and steel. Demand for machinery continues on the up-grade, and re-armament orders are now rapidly increasing. To some extent, the output of the industry is supplemented by higher imports. Thus, total imports of machinery in January amounted to 10,323 tons, compared with 6,999 tons a year ago and 5,018 tons in January, 1935. The increase in imports has been particularly marked in the case of machine tools, purchases having risen from 598 tons in January, 1935, to 1,406 tons and 2,802 tons, respectively, in the corresponding months of 1936 and 1937. Exports in January, at 30,095 tons, compare with 30,023 tons in January, 1936, and 31,455 tons in 1935. Unemployment in engineering declined further in January, when the proportion of insured persons out of work was only 6.6 per cent. The extent of the revival in shipbuilding is revealed by the fact that the proportion of unemployed workers last month, at 26.4 per cent., showed a reduction of 10.2 per cent. on the corresponding month a year ago and of 19.7 per cent. compared with January, 1935. The pressure of new business, meantime, is still increasing.

ELECTRICAL EQUIPMENT

Despite a slight increase in unemployment during January, activity in electrical engineering continues to expand. Both home and foreign orders for heavy electrical machinery showed an increase in January. While imports of electrical apparatus and machinery remain at a relatively low level, exports in January were appreciably higher than a year ago. The indications, meantime, point to a further expansion of output, despite the sharp rise in the prices of copper and other raw materials.

AUTOMOBILES

From figures published by the Society of Motor Manufacturers it appears that 1937 may be another record year for the British motor industry. In the first three months of the current motor year production of private cars amounted to 95,886, against only 82,487 in the corresponding period of the previous season. New registrations in December, at 27,822, were no less than 24 per cent. above the level of the previous year. Production of commercial vehicles is also making good progress. Meanwhile, exports continue on the up grade. In January, exports of cars totalled 6,489 units, against 4,540 a year earlier; on the other hand, imports were slightly higher at 1,716 units, compared with 1,119 units in January, 1936. Sales of commercial vehicles overseas aggregated 1,846 units last month, against 1,378 in the same month of last year.

BUILDING

Activity in building and public works contracting has been well maintained since the beginning of the year. As far as building is concerned, the relative importance of non-residential construction continues to increase. The large-scale re-equipment and extension of British industrial plant, stimulated by re-armament, involves the construction of many new factories. Residential building is maintained at a high level by "assisted" construction. The proportion of insured building operatives unemployed in January showed a reduction of 10.2 per cent. on the corresponding month last year. Building costs are now increasing more rapidly; prices of raw materials are rising, and wage rates were again advanced at the beginning of this month. Largely as a result of the continued expansion of non-residential construction, an early and substantial decline in total building activity appears improbable. The value of building plans passed by 146 local authorities in January showed a sharp decline in dwelling-houses, which was not entirely offset by the further increase in plans passed for other forms of construction. While this tendency must not be overlooked, the construction of public works continues to show an upward tendency, despite the marked improvement which occurred during the past twelve months.

CHEMICALS

The home chemical market has been fairly active during the past month. Business in industrial chemicals has been on a very fair scale, with acetone, formaldehyde, formic and oxalic acids particularly active items. In the coal tar products market tar acids have been in good demand, and a satisfactory volume of business has been transacted in most other products. Trade in wood distillation products has continued on a good scale, and prices are firm, with a tendency to rise. The pharmaceutical chemicals market has been quiet but steady. There was an improvement in overseas trade during January, exports of chemicals, drugs, dyes and colours showing an increase in value of £106,354, as compared with January, 1936. Ammonium sulphate, drugs and medicines were the only items for which there were appreciable decreases in exports. The value of chemical products imported was £105,173 greater than in January, 1936.

POTTERY

Although the industry is better situated than at this time last year, no further improvement was discernible in January. Employment in North Staffordshire showed little change and continued moderate on the whole. At Derby and Worcester employment was good, and at Bristol fair. Short-time working is still common, but overtime is occasionally worked. Exports of general earthenware last month were larger than in January, 1936, the improvement being well spread geographically. On the other hand, shipments of china, tiles and sanitary ware were below the level of a year ago.

FOOTWEAR

Although short-time working is still common, the employment position showed a slight improvement in January. Unemployment is now considerably less severe than at this time last year. Meanwhile, exports remain on the upgrade. Sales of leather boots and shoes in overseas markets last month totalled 27,746 dozen pairs, against 26,299 in the previous year. The most striking improvement was in exports to New Zealand.

COTTON

Spinners and manufacturers did a substantial volume of business during the past month, and order lists are reported to be healthier than at any time since the post-war boom. Some slackening of demand has been apparent in recent weeks, but this was only to be expected in view of the high level of demand in January. A further reduction last month in numbers unemployed was partly due to vacancies caused by sickness. Spinners and manufacturers have now advanced their prices, and profit margins are much more encouraging, for raw cotton prices have shown little alteration. Exports of yarns and manufactures in January were above the level of a year ago, and demand is well maintained. As regards India, Karachi has been the best outlet during the past month. Java and South America have been good markets, while a considerable business has been transacted for West Africa. Operations for the Dominions have been somewhat irregular. Steady buying has been encountered for the home trade, and some substantial Government contracts have been arranged. Meanwhile, sales of American yarns have generally exceeded production, while the price-fixing movement has had further successes. On January 31st production in the spinning section was unchanged at 90 per cent. of capacity, compared with 81 per cent. a year earlier.

JUTE

The event of the month was the decision of the Indian Jute Mills to remove all restrictions on working hours and on the extension of looms as from March 1st. The decision was made after a dispute with the "outside" mills lasting many months and was designed to force the latter to come to terms. Production in India has not yet risen, for a number of mills have been idle in consequence of labour troubles. Demand has accordingly been sufficient to keep prices steady. Some expansion of production is, however, expected in the near future. Meanwhile, spinners and

AGRICULTURE

At the end of February, states an official report, work on the land generally was somewhat in arrear. Despite the wet weather, early sown corn has germinated well. On the whole, potatoes are keeping better than was expected in the earlier part of the season. Where lambing has begun the fall appears to be satisfactory, but in a few districts losses have occurred owing to the wet conditions. Cattle and sheep have done fairly well. Milk yields are decreasing owing to the inferior quality of much of last year's hay. With care, existing stocks of winter keep should last until the spring.

FISHING

The Minister of Agriculture announced in the House of Commons this week that the Government propose to introduce legislation for a scheme to regulate production and marketing in the white fish industry. It is planned to set up three bodies—an independent commission, a central board or joint council, which will be the co-ordinating body for the whole industry, and a producers' board representing the trawler owners. The decision follows the recommendations in the second report of the Sea Fish Commission, the herring industry having already been provided for. During 1936, British takings of white fish were heavier than in 1935, but the aggregate value of the catch fell by 3½ per cent. owing to a decline in prices. British takings of herrings were sold at better prices than in the previous year. A reduction in the catch of white fish last month was accompanied by an improvement in prices, while a larger catch of herrings also realised better rates than in January, 1936.

SHIPPING

Following the remarkable improvement recorded in 1936, the freight markets again displayed a good tone in January. The improvement is reflected in *The Economist* index of whole cargo shipping freights, which rose from 128.2 in December (1898-1913 = 100) to 135.6 in the following month. An easier tendency, however, was apparent at the end of January. Smaller grain shipments adversely affected the demand for tonnage in the Plate market and quietude spread to other markets also. But during the past fortnight, larger movements of wheat and maize have imparted a better tone to the markets and the outlook is satisfactory. Passenger traffic should shortly be favourably affected by the influx of visitors for the Coronation.

UNITED KINGDOM—THE ECONOMIST INDICES OF BUSINESS ACTIVITY*

Daily Averages of 1935 = 100

Period	Employment	Consumption of Power		Transport		Postal Receipts	Building Activity	Consumption of		Foreign Trade			Bank Clearings		Complete Index	
		Coal	Electricity	Merchandise on Railways	Commercial Motors in Use			Iron and Steel	Cotton	Imports of Raw Materials	Exports of British Manufactures	Shipping Movements	Metropolitan, Country, Provincial	Town	Monthly	Twelve Months' Moving Average
1929	98½	103	88	127	78	95	80	97	111	98½	137½	108½	91	109	98½	...
1930	94½	98½	89½	115½	80½	96½	85½	84½	82	88	108	107	89	112	93	...
1931	91	92	89	99½	83½	95½	82	73	86	82½	80½	97½	86½	96½	87½	...
1932	90	90	71½	86	86	94½	57	59½	94	84	82	94½	86½	84	...	...
1933	93½	90	78	89½	89½	96½	73½	70	101	92½	85	98	91	98	96	...
1934	97½	97½	88½	100	95	97½	88	93½	98½	92½	98	95½	96	100	100	...
1935	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	...
1936	105	112½	112½	100	100	104½	100	100	100	100	100	100	100	100	100	...
1934—January	96½	106½	84½	97½	93½	97	81	84½	104½	107	91	103½	96	98	98	93½
February	96½	95	84	100½	93½	98	83	92½	105	102½	88½	99	98	113	95	94½
March	97	99½	86½	99½	94½	96	84½	96	92	92	90½	99½	95½	103	96	95
April	97½	94½	85	99	94½	96½	86	94½	95½	85	89½	95½	93½	84	94	95
May	97½	94	83½	98	95	95½	86½	92½	96½	84	88½	95½	94½	85	95	95½
June	97½	91½	90	101	95½	95½	88½	94½	103	103	93½	96½	94½	85	95	95½
July	98	92½	84½	98½	96½	98	90	95½	98	114	89	98	93	89½	96½	95½
August	98½	97	87½	102½	97	96	90	90½	98	101	101	98	94½	89½	96½	95½
September	98½	95	88½	100½	95	97½	91½	94	89	98	95½	95½	95½	91½	96	95½
October	98	97	89½	98	95	97½	93	89	87	89	93	97½	95½	114½	96	96½
November	98½	98½	94	99½	95½	101	92½	96	97½	94	98	100	99	100½	97	96½
December	98½	93½	87	99½	95½	101	92½	96	97½	94	98	100	99	100½	97	96½
1935—January	98	96	92	103½	98	93½	98	93½	98½	85	95½	95	98	110	97	97
February	98	96	92	99	96½	99	95	94½	92	91½	104	97	98	94½	97	97½
March	98½	92½	93	98	99½	95½	96½	97½	94	85	98½	97½	97	92	96	97½
April	99½	98	97	99	99	101	98	92½	90	100	81½	89½	97	97	97	98½
May	99½	102½	99	100½	99	98	100	93½	96	100½	97	100½	99	100	99	98½
June	100	99½	96½	98	100	98½	99½	96	99	97½	97	100½	99	100	99	99½
July	101	94	97	99½	100	99	99½	93½	112	108	96	100½	104	99½	99	100
August	101	92½	99	100½	100	99	100	99½	100	100½	97	100	100½	98	99½	100
September	101	100½	99½	98	101	99½	103½	102½	96	102½	102½	98	99½	96½	101	101½
October	101	105	101½	101½	101	100½	105½	102½	107	106	99	101	99	96½	102	101½
November	101½	104	102	103	101½	100½	105½	102½	107	106	99	103	103	112½	104½	102½
December	101½	105½	108½	102½	102	104	108	113½	99	117	99½	103½	103	112½	104½	102½
1936—January	101½	107	104	104	103½	101	106½	117	108½	98½	92	98½	98	91	102	102½
February	102½	100½	108	102	104	101½	107½	115	109	99	102½	103	99½	93	102½	103½
March	103	98	105	105½	104½	102	107	112½	101½	100	100	99	100	94	102½	104½
April	103½	103	111	106½	104½	102	107½	116	112½	109	99½	100	103	97	105	104½
May	104½	102½	107½	105½	105	102	106½	126	110	110½	101	99½	101	97	104½	105½
June	105	106½	107½	104½	105½	103½	109	121	119	120½	98	102½	104	96½	104½	105½
July	106½	104½	109½	106	105½	103½	109½	123	120	121	108	101½	104	97	107	106½
August	107	104½	111½	108½	106½	106½	108½	132	120	121½	107½	107½	105½	103	108½	...
September	108½	102½	112	107	107½	104½	107	127½	107	127½	107	107	106	113½	108½	...
October	106½	104½	118½	106	108	107	105	125	109	120½	107	107	103	106	111	108½
November	107	103½	117½	108½	108½	108	103	134½	109	108½	108½	103	107	122	108½	...
December	108½	102½	117½	108½	108½	108	103	134½	109	108½	108½	103	107	122	108½	...
1937—January	108½	97½	118½	106½	109½	107½	102½	125½	111	109½	106½	100½	106½	106½	107½	...

* For method of construction and earlier figures (1924-1936) see Supplement to *The Economist* of July 25, 1936.
† Annual indices represent averages of monthly figures.

r. Revised. p. Provisional.

Business Developments Overseas

BRITISH EMPIRE

AUSTRALIA.—According to information cabled by the National Bank of Australasia, January rainfalls were generally over average. Pastoral conditions have therefore much improved in South and West Australia, although more rain is needed in the dairying districts of Queensland. Higher wool and wheat prices are expected to add largely to the incomes of primary producers this season. Meanwhile, industrial production and building activity show further expansion, with factory and shop employment above pre-depression levels. Imports and exports for the past twelve months were, respectively, £10 and £13 millions sterling above the previous year's level. The Stock Exchange has a strong tone.

SOUTH AFRICA.—Farming conditions and prospects have improved in consequence of recent general rains, states a cable from the Standard Bank. Maize markets firmed up after early weakness. Union wool markets are firm at the lower levels, with active competition from Japan and Germany. Exports of deciduous fruits this season have been below the previous year's level, owing to the partial failure of the crop, but shipments of pears are satisfactory, and grape exports are expected to be up on last year. Meanwhile, railway earnings are above Budget estimates, and the Transvaal gold output is well maintained. Building plans approved in Johannesburg during January amounted to a record figure, and Government plans for Cape Town harbour will involve large expenditures over the next few years. Wholesale and retail trade remain brisk.

CANADA.—The latest available economic indicators suggest that the improvement shown in the closing months of 1936 has been well maintained. There has been no setback in mining, while prospects for the heavy industries have been improved by the placing of substantial orders for railway equipment. Meanwhile, the wood pulp and lumbering industries remain highly active. British Columbian ports have recently profited greatly by the United States shipping strike, this province now being more prosperous than for years past. The central Government has recently placed a refunding loan in New York at the lowest rate of interest ever offered for a Dominion loan.

INDIA.—Rainfall has been generally light and the condition of the crops is reported to be good in most districts. The first all-India estimate of the area covered by wheat is 32,167,000 acres, against 32,760,000 acres last year; while the final estimate of the sugar crop is 4,431,000 acres, against 4,020,000 acres a year ago. The yield of raw sugar is put at 6,717,000 tons, compared with 5,908,000 tons last season. Meanwhile, wholesale prices are tending upwards. Imports in January, although slightly smaller than in the same month of 1936, were 2,61 lakhs of rupees more than in December. Exports were 4,19 lakhs above the December level and 7.74 lakhs in excess of last year's corresponding figure.

EUROPE

FRANCE.—The last four months of the past year witnessed a steady, if modest, expansion of industrial activity. Thus, the official index of industrial production (1913 = 100) rose from 93 in August to 100 in December. In December, 1935, the index stood at 96. Since the beginning of the year, however, recovery appears to have made little further headway, and the position remains precarious. The immediate outlook is obscured by the lack of confidence among business men, which the Government has so far been unable to restore. Fundamentally, the stage is set for recovery, but the social and financial policy of the Government has tended to undermine confidence and check enterprise. In this respect the present position in France is not unlike that of the United States in the summer of 1933. Much is hoped from the forthcoming exhibition and from the increase in tourist traffic generally, as well as from the forces making for an expansion in international trade. But these developments alone can scarcely be expected to solve all the difficulties hampering recovery.

GERMANY.—There has been a seasonal decline in business activity during the past month, reflected in an increase in the number of unemployed persons, from 1,478,900 to 1,853,000. In general, however, the current level of industrial production remains well above the level of a year ago. The index of industrial production calculated by the German Institute for Business Research stood at 110.2 (1929 = 100) in December, against 113.7 in November and 96.2 in December, 1935. Activity remains most marked in the capital equipment industries, the current output of steel, for example, being well above the 1929 level. The official index of wholesale prices remained practically unchanged in recent weeks, but the trend of quotations for industrial shares has been upwards.

BELGIUM.—After a temporary setback in the summer, industrial activity in Belgium resumed its upward trend. The number of unemployed is considerably smaller than a year ago. Production of iron and steel and textiles is above last year's level. The upward tendency of imports and exports continued in recent months.

NORWAY.—Foreign trade figures for January indicate some contraction in turnover compared with December, 1936. But compared with January, 1936, imports increased from 64.1 to 91.6 million kroner and exports from 55.4 to 63.2 million kroner. Domestic business is increasing in volume. Building activity continues to expand, and the tendency of prices is decidedly

upwards, the wholesale price index having risen from 146.5 in December to 150.4 on January 31st.

POLAND.—Business activity continues its gradual upward trend. The index of industrial production calculated by the Polish Institute for Economic Research rose from 68.4 (1928 = 100) in December, 1935, to 74.9 in November and 77.5 in December, 1936. Expansion has been most marked in the case of capital equipment. Little headway has been made so far by industries producing consumers' goods.

DENMARK.—After a period of rapid expansion, industrial activity has been maintained about 30 per cent. above the 1929 level for many months. Over the past year the woodworking, textile and iron and steel industries have registered a substantial expansion in output. The volume of exports of butter and eggs during December was higher, and that of bacon slightly lower, than in the corresponding month in 1935.

UNITED STATES OF AMERICA

Following the rapid advance during the last quarter of 1936, business activity showed a decline early this year, accentuated by labour difficulties in the automobile industry and by the dislocation caused by disastrous floods. A year ago there was a similar setback, which lasted during the first quarter of 1936. Actually, the volume of industrial production in December, as measured by the Federal Reserve Board, was slightly above the average level of output in 1929. Nevertheless, there is still considerable scope for further expansion, though future progress may be temporarily impeded by further labour disputes. The momentum of recovery, however, has gained sufficient force to overcome any temporary difficulties. While the output of consumption goods may be expected to continue its upward trend this year, progress is likely to be most marked in the capital equipment industries. The process of re-equipment and extension of industrial plant is now in full swing, but much leeway remains to be made up in the building, iron and steel, railways and electricity industries. The agricultural community is benefiting from the marked rise in prices which has taken place in recent months. The value of imports and exports is steadily increasing.

LATIN AMERICA

ARGENTINA.—The current year promises to be the most prosperous for Argentina since the beginning of the world depression, and there is a general feeling of optimism. Shipments of new-crop fine cereals and of old-crop maize have continued at record levels, whilst further large conversion operations in the United States dollar debt have been undertaken, all of which should help to support the peso. The year 1935 closed with an export surplus of nearly 536 million pesos, the highest for several years past. As a temporary measure, the meat industry will be subsidised out of the Exchange Profits Fund in respect of exports to the United Kingdom, in order to offset the new British import duty.

URUGUAY.—Conditions continue to improve, and, there being apparently a good supply of exchange to cover imports from Great Britain, no exchange quota for this country has been fixed for the first quarter of 1937.

CHILE.—Interest is now mainly centred on the General Election in March next. The Budget for 1936 closed with a substantial surplus of ordinary revenue over expenditure. During the past few weeks there has been a distinct improvement in the Chilean "export" exchange market for sterling and United States dollars, the recent stringency having been eased considerably, thereby facilitating payment of outstanding bills for collection.

BRAZIL.—Business conditions continue normal, with no important change in import market conditions. Coffee export bills continue to be offered freely, and, as current exports exceed imports in value, there is a tendency to build up a reserve of cover, which should lead to a further improvement in the exchange value of the milreis. Brazil's overseas commerce for the first eleven months of 1936 was higher in value, in respect to both imports and exports, than in the corresponding period of any of the four preceding years.

OTHER COUNTRIES.—The seasonal outward movement of coffee from the Central American countries continues buoyantly, with corresponding benefit to the exchange markets and business conditions generally.

THE FAR EAST

With the formation of the Hayashi Cabinet, to replace the Hirota Ministry, and the resumption of the Diet on February 15th the political outlook in Japan is less obscure. Business circles are stated to be in sympathy with the new Cabinet owing to the prospect of gradual reforms, such as a reduction of the Budget figures and an alleviation of tax burdens. Government funds, industrial stocks and commodities have accordingly rallied. Following an active period at the end of January, the money market turned easy. Wholesale prices remain on the up grade. Japan's imports totalled 320 million yen in January, against 241 millions in the same month of last year, while her exports were 209 millions, compared with 171 millions in January, 1936. China's export trade also remains above the previous year's level. Her imports and exports in December last totalled 92.16 and 79.88 million standard dollars respectively, against 65.22 and 70.58 millions in December, 1935.

UNITED KINGDOM

(Population, mid 1935, 46,886,000; Area 95,030 sq. miles; 244,000 sq. kms)

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UNITED STATES, FRANCE AND GERMANY

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UNITED STATES (Population 1934: 126,450,000; Area: 7,839,432 sq. kms.)																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
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1. Industrial production, F.R.B. (a)	1929=100	100	80.7	68.1	53.8	63.9	66.4	75.6	88.1	87.4	82.4	90.8	90.8	91.6	91.6	95.8	101.7	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...

RAW MATERIALS AND CRUDE FOODSTUFFS

GROUP I.—MONTHLY

Commodity	Unit of Measurement	Monthly Average (except Wool, where annual totals are given)										1935		1936					1937
		1929	1930	1931	1932	1933	1934	1935	1936 (a)	Dec.	Jan.	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	
COAL																			
1. Production: Belgium	Th. metric tons	2,245	2,285	2,254	1,785	2,108	2,199	2,207	2,323	2,283	2,527	2,499	2,286	2,159	2,518	2,447	2,519	...	
2. " France	"	4,482	4,490	4,167	3,856	3,907	3,969	3,851	3,769	3,915	4,087	3,915	3,154	3,484	4,165	3,436	3,413	...	
3. " Germany: Coal	"	13,620	11,892	9,887	8,728	9,141	10,405	11,918	13,198	13,049	13,679	13,375	12,995	13,348	14,597	13,379	14,681	...	
4. " Poland	"	3,853	3,126	3,189	2,403	2,283	2,436	2,395	2,479	2,497	2,556	2,339	2,387	2,692	3,157	3,046	2,984	...	
5. " U.K.	"	21,837	20,650	18,582	17,717	17,525	18,708	18,877	19,340	19,965	21,905	18,478	17,330	19,106	20,341	19,519	20,929	...	
6. " U.S.A.	"	46,026	40,590	33,395	27,183	28,967	31,398	31,576	36,470	35,788	40,400	32,405	33,088	37,162	43,125	41,441	44,168	19,760	
7. " All Principal countries	"	107,219	98,062	86,002	78,455	79,688	87,503	89,335	96,620	98,732	105,667	92,233	90,383	97,887	109,290	103,766	107,760	39,585	
8. Stks.: Belg., Germ., Pol., Saar (c)	Thous. long tons	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
9. Price: Av. Br. expt. price	sh. per ton	16-08	16-67	16-17	16-25	16-08	16-04	16-29	16-98	16-67	16-80	17-04	17-12	17-12	17-17	17-20	17-06	17-09	
OIL																			
11. Production: Dutch East Indies	Th. metric tons	437	461	392	424	461	503	507	...	516	516	532	531	533	580	591	...	...	
12. " Mexico	"	556	492	411	408	422	475	501	...	547	504	475	564	563	483	478	...	...	
13. " Persia (Ang.-Ir. Oil)	"	482	503	485	543	544	579	577	...	634	609	641	674	591	619	632	...	...	
14. " Roumania	"	403	483	563	612	612	615	706	...	736	710	768	765	727	716	668	...	...	
15. " U.S.A.	"	11,509	10,260	9,714	8,970	10,347	10,375	11,356	...	12,162	12,177	12,624	13,037	12,472	13,131	12,478	...	...	
16. " U.S.S.R.	"	1,206	1,552	1,912	1,791	1,786	2,013	1,989	...	2,208	2,216	2,151	2,140	2,112	2,304	2,290	...	...	
17. " All Principal countries	"	17,082	16,293	15,766	15,004	16,465	17,366	18,738	...	19,965	20,088	20,738	21,247	20,465	21,201	20,582	...	...	
18. Stocks: U.S.A. end year	Thous. barrels	422	402	371	340	354	337	315	...	315	313	306	302	296	292	...	...	...	
19. Price: U.S.A. Mid-Cont. crude	cents per barrel	123-3	111-1	57-3	81-3	60-1	94-0	94-0	104-0	94-0	104-0	104-0	104-0	104-0	104-0	104-0	107-0	...	
CRUDE STEEL																			
20. Production: Belgium	Th. metric tons	342	280	259	232	229	246	252	265	265	274	250	272	275	298	283	296	...	
21. " France	"	808	787	652	470	544	514	523	559	560	561	542	460	545	627	579	593	...	
22. " Germany, inc. Saar	"	1,354	962	691	481	632	990	1,342	1,596	1,442	1,584	1,722	1,725	1,721	1,705	1,507	1,470	...	
23. " Japan, ex. castings	"	191	191	157	200	267	325	375	...	386	388	428	401	401	422	458	...	...	
24. " Luxembourg	"	225	189	170	163	154	161	153	165	156	154	162	164	185	188	176	186	2,015	
25. " U.K.	"	816	620	438	445	595	750	833	990	825	926	980	887	1,043	1,078	1,017	1,038	1,036	
26. " U.S.A. ex. castings	"	4,599	3,326	2,133	1,128	1,913	2,139	2,830	3,973	3,123	3,095	3,986	4,262	4,228	4,618	4,407	4,503	4,813	
27. " U.S.S.R.	"	407	483	571	490	571	800	1,034	1,362	1,209	1,261	1,392	1,353	1,367	1,519	1,442	1,496	...	
28. " All Principal countries	"	9,714	7,660	5,615	4,113	5,510	6,838	7,977	9,805	8,626	8,731	9,837	10,001	10,272	10,982	10,384	10,571	...	
29. Price: Pig iron Cleveland No. 3	per ton	3-53	3-35	2-91	2-91	3-13	3-35	3-39	3-70	3-50	3-50	3-75	3-75	3-75	3-75	3-81	4-05	4-05	
GOLD																			
30. Production: Union of S. Africa	Thous. fine ozs.	888	893	907	963	918	873	898	945	909	922	967	967	966	977	944	967	...	
31. " U.S.S.R.	"	90	120	142	166	222	355	486	613	...	...	...	...	...	...	...	...	...	
32. " Canada	"	161	175	225	254	246	248	274	310	307	278	320	329	331	334	319	...	...	
33. " U.S.A.	"	171	175	185	185	190	229	264	310	...	...	...	...	...	...	...	...	...	
34. " World (b)	"	1,632	1,736	1,863	2,028	2,113	2,313	2,582	2,920	...	...	...	...	...	...	...	...	...	
35. Price: London, per fine ounce	sh.	84-9	85-0	92-5	118-0	127-8	137-6	142-1	140-3	141-07	140-90	138-88	138-35	137-99	141-91	142-27	141-69	141-69	
WHEAT																			
36. World shipments	Mlns. of bushels	923	630	825	801	631	549	515	504	34	...	...	...	...	...	...	...	...	
37. Stks.: World visible supplies (d)	"	370-1	411-9	462-7	408-2	459-7	477-2	339-5	275-1	484-0	468-9	275-1	294-0	315-8	305-6	292-9	312-5	...	
38. Average British import price...	sh. per cwt.	10-33	8-22	5-09	6-15	5-82	5-38	6-02	7-53	6-48	6-83	6-92	7-47	7-87	8-36	8-80	7-89	7-93	
COTTON																			
39. Mill consumption: U.K.	Thousands of actual	2,800	2,465	1,964	2,386	2,248	2,470	2,507	...	...	...	...	...	...	...	...	...	...	
40. " Japan	"	2,766	2,997	2,585	2,769	2,900	3,252	3,730	...	...	...	...	...	...	...	...	...	...	
41. " U.S.A.	bales	7,033	6,080	5,246	4,847	6,109	5,670	5,321	...	...	...	...	...	...	...	...	...	...	
42. " World	"	25,882	25,209	22,488	22,322	24,352	25,112	24,418	...	...	...	...	...	...	...	...	...	...	
43. Price: Mid. American	d. per lb.	10-33	7-46	5-08	5-25	5-54	6-67	6-70	6-69	6-51	6-18	7-35	6-82	6-94	6-94	6-81	6-94	7-15	
SUGAR																			
44. Stks.: World visible supplies (d)	Thous. tons	4,047	5,522	6,765	7,018	6,441	5,692	4,166	2,983	6,237	5,829	4,207	3,652	2,983	3,366	5,502	5,389	...	
45. Av. Brit. import price, unrefined	sh. per cwt.	9-68	8-91	8-10	7-70	7-46	6-98	6-38	6-71	7-50	7-50	5-82	5-86	5-73	6-48	7-05	7-20	7-97	

GROUP II.—BI-MONTHLY

RUBBER																			
1. Production: Ceylon	Thous. tons	6-69	6-30	5-19	4-10	5-32	6-59	4-52	4-14	4-94	4-18	3-77	3-94	5-37	5-60	4-96	4-38	...	...
2. " D. E. Indies	"	21-22	20-18	21-40	17-58	23-51	31-60	23-54	25-81	13-78	20-78	33-91	25-31	21-84	28-78	30-48	27-47	...	...
3. " British Malaya	"	38-05	36-90	35-20	33-80	37-10	38-90	34-71	29-48	30-44	26-64	34-21	30-25	34-16	33-59	30-55	29-12	...	...
4. " World	"	72-20	68-80	66-60	59-05	71-03	84-93	72-68	71-36	63-79	62-73	83-85	71-21	72-31	81-76	78-61	77-24	...	...
5. " Quota of restricting countries	% of est. cap'city	...	...	...	...	...	87-14	67-50	62-50	60-00	60-00	65-00	65-00	65-00	65-00	65-00	65-00	...	...
6. Consumption: U.K.	Thous. tons	6-02	6-38	6-38	6-50	6-63	9-18	8-29	6-59	7-38	6-76	8-13	8-59	4-24	7-25	7-10	5-39	...	...
7. " U.S.A.	"	38-95	31-33	29-58	28-08	34-33	38-75	41-04	47-79	43-41	48-51	48-13	46-66	46-33	49-51	50-30	49-63	...	...
8. " World	"	67-12	59-53	57-05	57-70	68-73	78-78	78-58	85-07	87-87	83-99	86-70	81-38	82-29	91-60	88-88	93-95	...	...
9. " Reclmd. in U.S.A.	"	18-08	12-79	10-25	6-46	7-08	8-40	9-42	10-84	8-52	10-04	11-82	10-99	11-17	12-61	12-03	12-98	...	...
10. Stocks: U.K. end year	"	73-2	118-6	127-1	92-7	86-5	134-9	164-3	78-5	164-3	162-1	113-4	108-2	104-0	96-6	88-8	78-5	...	...
11. " U.S.A.	"	118-6	201-0	322-0	379-0	365-0	355-0	303-0	218-8	303-0	285-1	234-5	229-1	228-5	219-6	212-5	218-8	...	...
12. " World	"	232-7	396-3	594-3	508-2	499-4	555-4	500-3	326-7	500-3	482-9	382-1	367-3	361-2	342-6	330-0	326-7	...	...
13. Price: London, std. sin. sheet	pence per lb.	10-25	5-91	3-13	2-34	3-55	6-22	6-00	7-75	6-34	6-81	7-72	7-63	7-69	7-91	8-59	9-69	10-81	...
RAYON																			
(i) Continuous Filament																			
14. Production: France	Mill. lb.	3-1	3-3	3-7	4-3	4-8	4-8	4-4	3-5	4-4	4-3	2-7	2-7	3-5	3-5	3-5	...	...	
15. " Germany	"	4-9	4-9	5-2	4-6	5-2	6-1	8-7	9-3	8-8	9-0	9-3	9-3	9-3	9-7	9-7	9-7	...	...
16. " Italy	"	5-6	5-5	6-4	5-9	5-9	7-0	7-2	7-3	6-6	7-1	7-5	7-5	7-5	7-5	7-5	7-5	...	...
17. " Japan	"	4-1	3-9	4-0	3-8	4-0	13-0	18-3	22-9	20-3	20-3	23-0	23-5	24-2	23-8	24-5	25-0	...	...
18. " U.K.	"	4-4	4-2	4-5	5-7	6-6	8-6	7-9	9-7	8-6	10-3	10-8	10-8	7-9	10-4	10-9	9-7	9-8	...
19. " U.S.A.	"	10-1	10-6	12-6	11-2	17-8	17-7	21-5	22-9	23-9	22-9	23-7	23-7	23-7	24-0	24-0	24-0	...	...
20. " World	"	36-0	37-0	41-8	44-0	55-2	63-2	77-6	85-2	82-7	82-7	86-3	86-3	86-3	88-3	88-3	88-3	...	...
21. Price: Viscose, std. grade, per lb.	pence	...	...	78-0	77-0	72-0	59-0	55-5	55-5	55-5	55-5	55-5	55-5	55-5	55-5	55-5	55-5	55-5	...
(ii) Staple Fibre																			
22. Production: France	Thous. lb.	...	...	...	0-1	0-2	0-4	0-7	1-0	0-8	1-2	0-7	0-7	0-7	1-0	1-0	1-0	...	...
23. " Germany	"	0-3	0-5	0-5	0-6	0-8	0-8	2-7	5-4	3-0	3-7	6-0	6-0	6-0	7-0	7-0	7-0	...	...
24. " Italy	"	0-1	0-1	0-1	0-8	1-0	1-8	5-3	8-3	6-2	8-0	8-3	8-3	8-3	8-3	8-3	8-3	...	...
25. " Japan	"	...	...	...	0-1	0-1	0-4	1-1	3-3	1-3	2-0	3-7	3-7	3-7	5-0	5-0	5-0	...	...
26. " U.K.	"	0-2	0-1	0-1	0-2	0-2	0-3	0-8	2-4	1-4	1-6	3-0	2-0	2-8	2-6	2-1	1-8	...	...
27. " U.S.A.	"	0-0	0-0	0-1	0-1	0-2	0-2	0-5	1-0	0-7	0-7	1-2	1-2	1-2	1-3	1-3	1-3	...	...
28. " World	"	0-7	0-6	0-8	1-8	2-5	4-5	11-4	21-6	13-5	17-7	22-8	22-8	22-8	25-1	25-1	25-1	...	...
29. Price: Viscose, std. grade, per lb.	pence	...	...	...	...	...	15-5	11-0	11-0	11-0	11-0	11-0	11-0	11-0	11-0	11-0	11-0	11-0	...
WOOL																			
30. Production: Argentina	Million lbs.	347	353	361	378	388	385	376	360	...	...	...	...	...	...	...	...	...	...
31. Season ended Australia	"	968	938	912	1,007	1,063	996	1,021	963	...	...	...	...	...	...	...	...	...	...
32. " in year Union of S. Africa	"	290	309	302	314	330	284	222	250	...	...	...	...	...	...	...	...	...	...
33. " shown New Zealand	"	272	273	271	283	288	301	276	272	...	...	...	...	...	...	...	...	...	...
34. " U.K.	"	112	114	111	113	119	120	115	109	...	...	...	...	...	...	...	...	...	...
35. " U.S.A.	"	384	400	435	464	441	460	451	453	...	...	...	...	...	...	...	...	...	...
36. " World	"	3,887	3,915	3,847	3,846	3,863	3,745	3,681	3,668	...	...	...	...	...	...	...	...	...	...
37. Stocks: Australia, S. Africa, N. Zealand, June 30	"	35	98	101	147	74	114	94	47	...	...	...	...	...	...	...	...	...	...
38. Price: Weekly Wool Chart	1929=100	100	64-7	49-3	48-6	60-4	68-1	62-1	78-4	69-0	69-8	74-1	76-7	77-6	79-3	87-9	92-2	...	...
EXTRA																			
39. Exports: Ceylon	Million lbs.	21-0	20-2	20-3	21-1	18-0	18-2	17-6	...	17-2	15-7	18-4	16-6	13-4	14-3	14-8	12-1	...	...
40. " Dutch East Indies	"	13-3	13-2	14-4	14-5	13-2	11-8	12-1	...	12-7	12-9	12-0	10-7	10-3	14-8	12-0	...	...	...
41. " British India	"	32-0	30-0	28-8	30-8	27-3	28-0	27-4	...	36-3	24-1	31-9	40-8	49-2	43-7	42-3	26-1	...	...
42. " World	"	80-6	74-7	75-3	77-7	70-7	71-9	70-5	...	76-6	64-7	80-3	84-9	94-0	85-7	...	...	...	...
43. " Quota of Restricting countries	% of std. quantity	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
44. Consumption: U.K.	Mill. lbs.	35-4	36-6	38-5	37-9	35-0	36-3	36-9	...	82-5	82-5	82-5	82-5	82-5	82-5	82-5	82-5	...	...
45. " World	"	76-1	75-2	75-1	74-2	72-2	71-2	72-8	...	33-6	39-4	36-7	32-0	40-4	37-9	37-6	38-6	...	...
46. Stocks: U.K. and Holland (c)	"	281-9	294-8	278-9	315-8	295-7	309-4	270-3	241-2	270-7	278-0	215-4	226-3	228-4	83-6	...	241-2	13-71	...
47. Price: Av. London auctions	pence per lb.	16-25	15-23	15-24	12-9	9-45	11-78	13-27	12-90	13-07	12-74	13-00	13-19	12-87	14-00	12-97	13-71	...	...

British Industrial Developments

The following reports on British industry cover, in most cases, the period to the middle of March. In the remainder they relate to the month of February.

COAL

After the lull in January, the industry was again more active in February. Although there were two less working days, the output of commercially disposable coal amounted to 19,796,800 tons last month, against 19,489,600 tons in January and 19,640,000 tons in February, 1936. The employment position showed little change, and was very bad in South Wales and Cumberland, but was appreciably better than in the same month of last year. The improvement in exports compared with a year ago was well maintained, though February's shipments had not recovered to the 1935 level. France again took substantially larger quantities, while Norway and Sweden were good customers. Shipments to Denmark and to Germany were, however, smaller than in the same month of last year. Export inquiries remain numerous, but collieries are not always able to take advantage of them. In recent weeks export business has been hampered by severe storms, which have delayed shipping. Meanwhile, business in industrial fuel continues active and spot supplies remain short. House coal has been in good demand in recent weeks and substantial orders have passed to the collieries.

IRON AND STEEL

Demand for iron and steel continues to expand more rapidly than supplies, thus hampering the expansion of the consuming industries. As a result of the scarcity of semi-finished materials, for example, a number of plants have been forced to curtail the output of finished steel products. To some extent, however, the shortage is exaggerated by the anxiety of consumers to cover their requirements for longer periods ahead and by their practice to apply for larger quantities than actually required in the expectation that only part of their demands will be satisfied. The position has been rendered more difficult by the marked reduction in imports, due to the growth of demand elsewhere. The current monthly rate of world steel production is now well over 10 million metric tons, compared with an average of 9.7 million tons in 1929. While world demand has tended to expand, British imports of iron and steel have declined steadily, from 170,300 tons in July, 1936, to 82,900 tons last month, against 123,200 tons during the corresponding month a year ago. British production of crude steel, on the other hand, is gradually expanding, output in February, at 995,900 tons, showing an increase of 57,400 tons over February, 1936. Total output of crude steel this year may show an increase of about 1,000,000 tons over 1936, while imports of all iron and steel materials, at the current rate, may show a decline of about half a million tons. The total quantity of steel available this year, therefore, will be substantially heavier than a year ago, though it may not be sufficient to meet the growing home requirements and, at the same time, sustain the higher volume of exports.

GENERAL ENGINEERING

The volume of new orders for machinery, swelled by Government contracts, is expanding rapidly. The industry is still very much concerned with the difficulty of obtaining supplies of iron and steel within the time required. Indeed, the question of iron and steel supplies is still causing much more concern than the rise in prices and the scarcity of skilled labour. Moreover, the pressure of Government contracts, which are receiving priority, is expected to increase further. The proportion of unemployed workers in general engineering continued to decline in February, when it was 6.2 per cent., compared with 10.8 per cent. a year ago. The industry is finding it impossible to accept all new business on offer. An increasing volume of home orders, therefore, is diverted abroad, while export business is declining. The volume of exports declined from 32,700 tons in February, 1936, to 30,700 tons during the past month. During the same period imports rose in volume from 6,200 tons to 11,900 tons. Owing to the inability of the industry in this country to supply all requirements, a substantial proportion of imports are allowed to enter under licence. Most individual branches in the industry are experiencing great activity. The pressure of orders, however, is most marked in the machine tool section. Imports of machine tools, incidentally, increased from 778 tons in February, 1936, to 2,604 tons in the past month. Heavier imports of rolling-mill machinery indicate the extension of the iron and steel industry's capacity now in progress. Meanwhile, the trend of activity in engineering remains upwards.

ELECTRICAL EQUIPMENT

Activity in the electrical equipment industry continues to expand. The volume of new orders is still increasing both on home and export account. Indeed, the rising trend of exports is one of the most satisfactory features. The value of exports of electrical goods and apparatus rose from £726,200 in February, 1936, to £803,900 last month. Similarly, exports of electrical machinery increased from £235,400 to £255,900 during this period.

AUTOMOBILES

Reflecting the increase in purchasing power, the home market continues to absorb an increasing number of private cars. Thus, new registrations in January totalled 28,820, against 26,580 in

the same month of last year, while registrations in the first four months of the current season were almost 11 per cent. in excess of the comparable aggregate for last season. Foreign cars are also in increasing demand, imports amounting to 1,427 last month, against 923 in February, 1936. Meanwhile, British producers, despite the shortage of steel and other difficulties, are making progress in overseas markets. Exports of cars, which totalled 5,325 units in February, 1936, had risen to 6,143 units last month. The outlook still appears favourable.

BUILDING

Building activity increased last month, when there was a decline of 1.5 per cent. in the proportion of insured unemployed workers in the industry. The Economist index of building activity showed a slight rise between January and February. The construction of public works is also expanding, the proportion of insured workers unemployed in that branch of activity in February being 42.4 per cent., a fall of 1.2 per cent. on January and of 6.2 per cent. on the corresponding month a year ago. Moreover, the latest figures of building plans passed indicate that constructional activity is likely to continue at a high level for some time to come. At £10,699,000, the value of plans passed by 146 local authorities last month shows an increase of 6 per cent. over February, 1936. To some extent the rise in the value of the plans passed is probably due to the increase in costs of construction, which are now advancing more rapidly. Actually, plans passed for dwelling houses declined from £6,391,000 in February, 1936, to £5,300,000 in the past month, but this fall was more than offset by an increase, from £3,712,000 to £5,399,000, in other forms of construction. Incidentally, in February the value of plans passed for non-residential purposes for the first time exceeded that for dwelling houses, an indication of the expansion in industrial capacity and in commercial and public building.

CHEMICALS

Business in the home chemical market was on a very fair scale during February, although demand for industrial chemicals was not quite as active as during the previous month. On the other hand, there was more trade in dyestuffs, and considerable interest was shown in most coal tar products, tar acids being particularly active. An improvement was also reported from the wood distillation industry. The pharmaceutical chemicals market was quiet but steady, with deliveries covering fair quantities. The trade returns for February show a definite improvement in overseas trade in chemicals, drugs, dyes and colours as compared with February, 1936, exports increasing in value by £352,855 and imports by £55,887.

POTTERY

Employment in North Staffordshire showed an improvement in February and was fair on the whole. In the china section there was increased activity due to Coronation orders, and shortages of labour were reported in certain occupations. Employment was good at Derby, very good at Worcester and fair at Bristol. The position was considerably better than at this time last year. Exports of general earthenware were, however, smaller in February than in the same month of 1935 and 1936, the decline in shipments being widely distributed. Sales of electrical ware were larger than a year ago, and increases were also recorded in sanitary ware and glazed tiles.

FOOTWEAR

A marked improvement in February was reflected in an increase in the number of workpeople employed and in the aggregate wages paid. Short-time working decreased, and there was a considerable amount of overtime working. Exports, however, were rather below last year's level, amounting to 30,259 dozen pairs, against 31,300 in February, 1936. The decline was substantial in the case of the Union of South Africa, which, however, remained the chief overseas outlet. Shipments to New Zealand again showed a striking advance.

COTTON

The condition of the cotton textile industry remains healthy, though fewer new orders were booked during the past month. It is now quite common for manufacturers to be engaged three or four months ahead, and in some instances cloth orders now booked will not be completed until the end of the year. Prices are accordingly hardening, the employment position shows a remarkable improvement compared with a year ago, and shortages of workers are reported from certain areas. Among the principal export outlets, demand from India has been rather disappointing, and it is reported that looms which are usually engaged on producing cloths for India have now been turned on to contracts for other markets. The offtake by other overseas customers, however, remains encouraging. Despite complaints about the rise in prices, a fair volume of business has been transacted with home trade buyers. Cloth manufacturers have been handicapped in some instances by sickness among their workpeople and by the scarcity of certain yarns. The strong position of firms with wide looms remains a feature of the trade. Spinners have been doing well, and the price maintenance scheme in the Egyptian spinning section came into operation on March 1st. At the end of February 92 per cent. of the spindles was estimated to be in full production, against 81 a year earlier.

JUTE

Although the members of the Indian Jute Mills Association are now at liberty to extend their working hours and increase the number of their looms, production has been held in check by strikes. The Calcutta market has accordingly remained steady. It has been rumoured that the Indian Government is contemplating intervention in the dispute regarding working hours, but no definite information is yet available. Meanwhile conditions at home show little change. Exports of jute yarns and manufactures showed a substantial improvement in February compared with the same month of last year, but business has recently been quiet generally. Prices, however, are fairly firm.

LINEN

Flax prices are firm at top limits, with little material on offer. Supplies of Irish fibre are beginning to decline, but Courtrai is in strong demand. For the first time for many years market conditions and prices are stated to be dominated by yarn and cloth requirements, rather than by costs and tendencies of the raw material. The volume of new business in damasks and fine cloths with the United States and other overseas markets is satisfactory.

RAYON

Business in yarns is expanding, and there has recently been a marked increase in the call for yarns for the hosiery and knit-goods trade. Where the prices of rayon fabrics are unchanged, trade is being favourably affected by the rise in cotton and wool prices. There is a steady demand for staple fibre from both the cotton and the worsted spinning trades.

WOOL

The wool textile industry is in a healthy position, and the majority of the mills are busy. Employment is good generally and some shortage of skilled worsted weavers is reported. The and some shortage of skilled worsted weavers is reported. The woolen section is rather more active, and here much overtime and night shift working are common. The percentage of insured work-people unemployed in the industry as a whole was 7.4 in February, against 7.1 in the previous month and 9.7 a year ago. Meanwhile, the industry is faced with rising costs. The expansion of demand

in all parts of the world, coupled with the impossibility of increasing supplies at short notice, has brought about a substantial rise in raw wool prices. This has created difficulties for spinners, for it is not easy to pass the rise on to the consumer. In the meantime, exports remain above the level of a year ago. Sales of wool tops and of woollen and worsted yarns last month were larger than in February, 1936, but exports of yarns were disappointing. The outlook remains favourable.

AGRICULTURE AND FISHERIES

Very little cultivation could be carried out in February. In only a few districts has spring sowing been attempted. Autumn-sown crops were generally in good and forward condition at the beginning of the month, but on waterlogged lands are now beginning to lose colour. Lambing became general in February, except in the North and amongst hill flocks. Prospects are relatively good, but it has been necessary to resort to more hand feeding than usual. Milk yields have been difficult to maintain, and are slightly below average. Winter keep is likely to be sufficient, but a shortage of straw is reported in some districts. Meanwhile, the fishing industry had a rather less satisfactory month. Landings of demersal fish in Great Britain rose from 1,023,503 cwt. in February, 1936, to 1,052,633 cwt. in February, 1937, but the aggregate value of the catch fell from £787,556 to £776,339. Among pelagic fish February's landings of herrings totalled 22,604 cwt. (valued at £12,816), against 36,021 cwt. (valued at £13,425) in the same month of 1936.

SHIPPING

The demand for tonnage was less active during February, and freight rates consequently had an easier tendency. Thus *The Economist* index (1898-1913 = 100) fell from 135.6 in January to 134.3 in February, the latter figure comparing with 90.6 a year earlier. The quietude was maintained until mid-March, when the expansion of grain shipments gave rise to renewed inquiries for tonnage. The shipping companies are also benefiting from the active world demand for scrap metal, a number of vessels having been chartered for this trade during the past month. In view of the progressive reduction in the tonnage of idle shipping, and the expansion of world trade, the outlook is encouraging.

UNITED KINGDOM—THE ECONOMIST INDICES OF BUSINESS ACTIVITY*

Daily Averages of 1935 = 100

Period	Employment	Consumption of Power		Transport		Postal Receipts	Building Activity	Consumption of		Foreign Trade			Bank Clearings		Complete Index	
		Coal	Electricity	Merchandise on Railways	Commercial Motors in Use			Iron and Steel	Cotton	Imports of Raw Materials	Exports of British Manufactures	Shipping Movements	Metropolitan, Country, Provincial	Town	Monthly	Twelve-Months' Moving Average
1929	98	103	68	127	76	95	60	97	111	98	137	108	91	109	98	...
1930	94	98	68	115	80	96	65	84	82	88	107	88	84	112	95	...
1931	91	92	69	98	83	95	62	73	86	82	80	87	86	96	87	...
1932	90	90	71	86	86	94	57	59	94	84	82	84	86	88	84	...
1933	93	90	78	89	89	96	73	70	101	92	85	96	91	88	89	...
1934	97	97	88	100	95	97	88	82	98	100	92	98	95	96	96	...
1935	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	...
1936	105	104	112	106	105	104	107	125	109	112	102	102	104	103	106	...
1934—February	96	93	84	100	93	98	83	92	105	102	88	99	94	113	95	93
March	97	94	85	99	94	96	84	96	92	92	90	99	95	103	95	94
April	97	94	83	98	95	96	88	94	98	98	94	98	93	84	94	95
May	97	91	90	101	95	95	88	92	103	103	93	96	94	85	95	95
June	98	92	84	102	97	98	90	95	98	101	107	91	98	84	85	94
July	98	92	87	102	97	98	90	95	98	114	89	98	93	89	96	95
August	98	97	88	102	97	96	90	90	98	101	101	98	94	91	96	96
September	98	95	88	100	95	97	91	94	89	98	85	95	95	114	96	96
October	98	97	89	100	95	97	93	89	87	98	97	97	95	100	97	96
November	98	99	94	98	95	97	93	89	87	94	98	100	99	100	97	96
December	98	93	87	99	95	101	92	98	97	94	98	100	99	100	97	96
1935—January	98	96	92	103	98	98	93	98	85	95	95	95	98	110	97	97
February	98	96	92	99	98	99	95	94	92	91	104	97	98	94	97	97
March	98	92	93	98	99	95	96	97	94	85	98	97	96	92	96	97
April	99	95	97	97	99	101	98	92	90	100	81	99	97	97	97	98
May	99	102	99	100	99	98	100	93	98	100	97	100	97	100	99	98
June	100	99	97	99	99	96	98	98	99	100	97	105	100	102	100	99
July	101	94	96	98	100	98	99	93	112	108	96	100	104	99	99	99
August	101	92	99	100	100	99	100	104	100	100	97	100	100	98	99	100
September	101	100	99	98	100	99	100	104	103	103	101	102	102	85	100	100
October	101	105	101	101	101	99	103	102	96	102	102	98	99	96	101	101
November	101	104	102	103	101	100	105	102	107	106	99	101	99	96	102	101
December	101	105	108	102	102	104	108	113	99	117	99	103	103	112	104	102
1936—January	101	107	104	104	103	101	106	117	106	98	92	98	98	91	102	102
February	102	100	108	102	104	101	107	115	100	99	102	100	99	93	102	103
March	103	98	105	105	104	102	107	112	101	100	100	99	100	94	102	104
April	103	103	111	106	104	102	106	116	110	110	101	98	101	97	105	104
May	104	102	107	105	105	101	109	121	119	120	98	102	103	104	106	105
June	105	106	107	104	105	103	109	123	120	121	101	107	105	103	107	106
July	106	104	109	106	105	103	109	139	120	121	101	107	106	106	113	108
August	107	102	112	106	106	106	108	132	107	127	106	100	103	106	114	108
September	106	104	113	107	107	104	107	127	107	127	106	100	106	109	111	108
October	106	103	117	106	108	107	105	125	100	120	101	106	109	122	109	109
November	107	104	109	106	108	108	108	134	109	108	103	103	107	108	109	109
December	106	107	117	113	108	108	108	103	102	125	111	109	108	108	107	109
1937—January	108	97	116	107	109	107	103	125	111	109	108	100	108	108	107	109
February	108	107	116	107	110	110	102	116	109	108	113	107	108	114	109	109

* For method of construction and earlier figures (1924-1936) see Supplement to *The Economist* of July 25, 1936.
† Annual indices represent averages of monthly figures.

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Business Developments Overseas

BRITISH EMPIRE

AUSTRALIA.—A cable from the National Bank of Australasia states that rural production prospects are generally satisfactory. Wheat is selling steadily. Two million bales of wool were sold during the last eight months at the satisfactory average price of 16.3d. per lb., greasy. Butter production, however, remains below last season's level. Meanwhile, industrial output is expanding, while the building and allied trades continue active. The rise in retail turnover is below expectations, but the outlook is considered promising. The favourable trade balance for January was £2,600,000, and the Stock Exchange is animated.

SOUTH AFRICA.—The prosperity of Union commerce and industry is reflected in the national and railway budgets, presented on March 15th, states a cable from the Standard Bank. These disclosed surpluses of £5,000,000 and £1,873,180, respectively. Building plans passed in Johannesburg in February were valued at the record total of £1,218,157, and general activity at other large centres is increasing. Farming conditions and outlook are also favourable. Wholesale and retail turnovers at large centres are well maintained and prospects are good, although a slight recession from the recent high levels is expected at Johannesburg, as railway bookings for the Easter exodus from the Rand are exceptionally heavy.

CANADA.—Business activity remains on the up-grade and prospects appear favourable. Unseasonable weather has recently hampered business in certain directions, but the general level of industrial activity is well above that of a year ago. According to the Canadian Bank of Commerce, a large volume of new construction work is in sight; but at present the building industry is by no means active. The wheat position has improved strikingly during the present season, and Canada is also benefiting in marked degree from the rise in base metal prices. Both internal and external trade are expanding.

NEW ZEALAND.—The progress of recovery is being assisted by large expenditure by the Government, which is also stimulating retail trade. The policy has been facilitated by the rise in the price of New Zealand's staple exports—wool and dairy produce—a factor which has alleviated the exchange position. Taxes have been raised, but there is little financial anxiety in view of the expansion of incomes and the buoyancy of the revenue.

EUROPE

FRANCE.—Business activity in France is gradually expanding. Between August, 1936, and January this year the official index of industrial production rose from 66.7 (1929 = 100) to 72.0. The efforts made by the Government to restore confidence among business men and to set in motion a repatriation of capital have been partially successful, but the situation remains precarious. Prices continue their upward movement. Contrary to the normal seasonal trend, the number of persons in receipt of unemployment benefit declined from 426,000 to 410,000 during February, compared with an increase from 477,000 to 487,000 during the corresponding period last year. Exports rose from Frs. 1,203 millions in January, 1936, to Frs. 1,773 millions this year. Owing to the rise in prices, however, the expansion of imports was much more pronounced; they amounted to Frs. 3,319 millions last January, against Frs. 2,014 millions a year ago.

GERMANY.—The seasonal decline in business activity early this year was followed by an improvement in February. The number unemployed, as officially recorded, declined from 1,853,000 at the end of January to 1,611,000 at the end of February, against 2,515,000 a year ago. Output of coal, pig iron and steel rose between December and January, when production was substantially higher than a year ago. Activity in the metal-using industries remains at a high level. Imports declined from Rm. 367 millions in December to Rm. 336 millions in January, and exports fell from Rm. 457 millions to Rm. 415 millions. The value of both imports and exports, however, remained well above last year's level. The trend of wholesale prices and of the cost of living is steadily upwards.

NORWAY.—Foreign trade continues to expand, the figures for January showing an increase of about 35 million kroner, compared with the same month last year. Prices are steadily rising. Unemployment figures indicate a decrease of about 8 per cent. on the month, industrial production was well maintained, and the favourable development of the freight markets continued, so that practically the whole merchant fleet was employed.

GREECE.—Weather conditions in February continued to be favourable for agriculture. Foreign trade returns for January showed an increase in value both of imports and exports, with a reduction in the adverse balance of trade, as compared with January, 1936. The tobacco and currants markets were active in February and prices firm, particularly for tobacco. Business on the Athens Stock Exchange was lively. The gold and foreign exchange reserve of the bank of issue showed a fresh slight increase. Public revenue and wholesale prices rose further.

HOLLAND.—Holland is recovering fairly rapidly from the depression. The index of retained imports of raw materials, an indication of the trend of industrial activity, rose from 63.6

(1929 = 100) in July, 1936, to 91.4 in December and 92.0 in January, 1937. Voluntary unemployment insurance statistics show a decline of about 30,000 in the number of persons without work between the end of January, 1936 and 1937. Foreign trade is on the up-grade.

POLAND.—Business activity is expanding steadily. The index of production calculated by the Polish Institute for Economic Research rose from 77.7 (1929 = 100) last December to 80.3 in January. A year ago the index stood at 67.5. Nevertheless, the latest unemployment statistics still compare unfavourably with those of a year ago.

UNITED STATES OF AMERICA

Business activity is rapidly recovering from the setback early this year, the current level of activity being about 15-20 per cent. higher than a year ago. Moreover, industrial expansion is proceeding over a wide front, and, as in the United Kingdom, the upward movement of prices is gaining momentum. The metal industries are actively engaged in re-equipping and enlarging the country's industrial capacity. But the building industry, though gaining ground, has still much leeway to make up before approaching the pre-depression level of activity. Consumers' goods trades, especially textile and automobile manufacturers, are producing almost to capacity, and retail trade is brisk. Nevertheless, expansion is hampered in certain industries by the strike epidemic, the end of which is not yet in sight.

LATIN AMERICA

ARGENTINA.—The boom in the Argentine export trade recorded in the second half of 1936 continues. Total exports in January, 1937, reached a record figure of 280,155,155 pesos, against 143,409,420 pesos in the same month of 1936, and, as imports were only slightly higher, the favourable balance in January this year was four times greater at 173,180,739 pesos. Despite the ample supply of exchange, however, there is still no change in the control regulations, nor in the prior permit system which maintains Great Britain as the chief supplier to the Argentine. A feature, however, was the jump in Argentine imports from the United States in January to almost the level of imports from the United Kingdom. The expansion in exports is making for increased activity in both the import and retail trades, and the outlook is encouraging. Although some new crop maize has been lost as a result of hot weather, good general rains have recently fallen, and the crop, which will come on the market at the end of March, promises to be of a satisfactory nature both as regards quantity and quality.

URUGUAY.—The improvement in Uruguay's credit has enabled the Government to convert outstanding 6 and 6½ per cent. internal debt bonds to a flat 5 per cent. basis.

CHILE.—Preliminary results of Chile's General Election on March 7th indicate that the parties of the "Right" have obtained a majority in both Houses of Congress which should ensure a continuation of the policy of the present Government. Chile's trade figures for 1936 showed a continuation of the expansion observable in the past four years, but, as a result of the operation of the "compensation" system, Germany has now displaced the United States as the principal supplying country. The "export" exchange market for sterling and dollars continues to show increased ease, due to greater shipments and higher prices of copper, wool and meat.

BRAZIL.—Following upon a sharp rise in coffee prices in the Brazilian markets in recent months, there was a sudden break in mid-February, it being officially explained that the Government had refrained from supporting price levels obtained through speculative activities, but that it would continue to support the interests of the coffee industry and of legitimate trading. The market is unsettled pending definite official fixation of the new level of coffee prices. Brazil's foreign trade in 1936 was higher than in the few preceding years, and the export surplus was over £9,000,000 (gold), compared with about £5,600,000 in 1935. Higher aggregate exports were recorded in an increasing number of commodities besides coffee, notably in cotton.

CENTRAL AMERICA.—The outlook in Central American countries continues to improve by reason of the good sales of new crop coffee at higher prices.

THE FAR EAST

After a seasonal setback in January, industrial production in Japan is now again on the up-grade. Imports of raw materials, especially cotton, have been swollen this year by excess purchases in anticipation of import restrictions. Hence, the import balance for the first two months of the year amounted to 193 million yen, an increase of 33.5 per cent. over the corresponding period of last year. Meanwhile, prices are showing a strong upward trend, the metal markets having been particularly active. The clarification of the political situation has had a favourable effect on the Stock Exchange. In China, recovery is definitely under way. In Hongkong, the shipbuilding trade is active and a further fillip is expected in consequence of the British Government's re-armament programme. China's overseas trade continues to show an improvement over the previous year's figures.

UNITED KINGDOM

(Population, mid 1935, 46,886,000; Area 95,030 sq. miles; 244,000 sq. kms)

United Kingdom figures; otherwise Great Britain (G.B.)	Unit of Measurement	Monthly Average								1936					1937			
		1929	1930	1931	1932	1933	1934	1935	1936	Jan.	Feb.	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
PRODUCTION																		
1. Industr. Prod. B. of Trade (a)	1930 = 100	108.5	100.0	91.0	90.5	95.5	106.1	113.5	124.5				121.7			132.1		
2. Coal, G. B.	Mill. tons	21.4	20.3	18.3	17.4	17.2	18.4	18.6	19.0	21.6	19.6	17.1	18.8	20.0	19.2	20.6	19.5	19.8
3. Electricity, public supply, G. B.	Thous. tons	858	910	951	1,020	1,130	1,288	1,464	1,685	1,970	1,824	1,332	1,544	1,680	2,010	2,180	2,172	1,944
4. Pig iron	Thous. tons	632	518	314	298	345	497	585	641	596	585	636	651	670	643	671	651	604
5. Steel ingots and castings	Thous. tons	803	610	434	439	585	738	822	975	912	939	873	1,027	1,061	1,001	1,019	999	996
6. Building plans passed (Dwellings)	Thous. £'s	3,688	3,897	3,374	3,907	5,192	5,799	6,536	6,255	6,261	6,391	5,052	5,945	6,035	6,411	5,396	4,460	4,476
7. 146 towns, G.B. (Other)	"	2,403	2,320	1,877	1,614	1,781	2,164	2,990	3,497	3,006	3,712	2,548	3,410	2,981	3,268	3,629	3,987	3,396
8. New Orders, heavy elec. mach.	"																	
9. Home	1929 = 100	100	125	77	112	67	160	148	250	150	162	247	252	268	263	250	264	258
10. Foreign	"	100	67	50	31	44	60	62	96	65	67	88	90	93	90	96	105	118
11. Total	"	100	93	58	59	56	107	104	167	108	113	162	165	174	168	167	175	189
12. Shipbuilding: commenced (f)	Thous. gross tons	137	79	17	6	20	43	57	91	78	78	98	98	91	91	91	91	91
13. " " launched (f)	"	127	123	42	16	11	38	42	71	65	65	71	71	93	93	93	93	93
14. " " on hand, end yr.	"	1,560	909	401	225	332	597	743	964	...	...	...	929	...	...	964	...	...
15. Automobiles: priv. cars (b)	Number	15,196	14,139	12,250	14,770	19,232	21,406	25,962	29,479	31,739	25,769	18,306	27,499	30,870	30,667	34,349	...	...
16. " " Com. vehicles (b)	"	4,705	5,572	5,909	5,123	5,459	7,136	7,681	8,967	10,236	8,963	7,539	9,034	10,335	9,240	10,165	...	...
17. Cotton delivered to mills, G.B.	Mill. lbs. daily av.	25,467	23,622	20,367	12,617	11,653	13,395	14,302	16,452	14,883	14,447	16,631	17,946	18,683	17,240	18,111	16,435	14,447
18. Rayon: Output	Thous. lbs.	4,742	4,064	4,548	6,043	7,007	7,758	10,314	12,110	11,940	11,700	9,860	13,240	13,490	11,760	10,950	11,740	5,505
19. " Quantity excised	"	4,710	3,992	4,591	5,955	7,086	7,715	9,987	11,776	11,254	11,025	9,740	12,895	13,547	11,513	11,188	...	...
20. Beer production	Thous. st. barrels	1,620	1,568	1,365	1,102	1,193	1,293	1,355	1,395	1,115	1,045	1,445	1,498	1,379	1,324	1,580	1,163	...
21. Distilling: Drink	Thous. proof galls.	914	840	786	721	733	719	720	760	574	574	697	697	1,078	1,078	1,078	...	...
22. " Industrial alcohol	"	1,205	1,393	1,438	1,834	2,484	2,816	3,172	3,595	3,435	3,435	3,670	3,670	3,959	3,959	3,959	...	...
23. " Stocks, end year...	Mill. proof galls.	151.6	153.4	148.5	141.5	134.9	135.4	136.1	137.4	137.1	136.9	137.5	137.2	136.9	136.9	137.4	138.2	...
TRADE AND TRANSPORT																		
Domestic Trade																		
24. Rly. traf. Merch. & Pass. G.B.	Thous. tons	9,730	8,890	7,602	6,805	6,875	7,660	7,661	...	7,578	7,817	8,111	8,371	8,900	8,832	8,279	...	...
25. " Coal and coke, G. B.	"	15,933	14,868	13,360	12,861	12,727	13,384	13,447	...	15,273	14,998	13,226	12,965	13,829	14,512	14,883	...	...
26. Automobile: priv. cars in use, G.B.	Thous. cars	893.8	967.7	979.7	1,018.4	1,084.9	1,184.5	1,347.5	1,439.0	1,402.0	1,425.0	1,438.6	1,441.3	1,446.0	1,445.8	1,453.4	1,448.0	1,460.4
27. " Com. vehicles in use, G.B.	"	314.7	333.6	346.0	356.7	370.0	393.5	413.2	439.0	422.0	425.0	438.6	441.3	446.0	445.8	453.4	447.0	451.1
28. Postal traffic receipts, daily	Thous. £'s	133	135	134	133	135	137	140	147	139	135	135	147	151	155	199	148	146
29. Retail trade, Gt. Brit.: Food	Avg. daily sales in 1935 = 100	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
30. " Other merchandise	"	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
31. Advtg. expndt. on brand. gds.	1935 = 100	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Foreign Trade																		
32. Retained imports, value: Food	Thous. £'s	42,444	37,603	33,041	29,810	27,311	27,929	28,616	30,921	30,466	26,452	28,102	31,888	37,288	35,988	36,839	31,080	29,717
33. " Raw materials	"	23,774	17,874	12,571	11,740	12,897	15,153	17,327	17,934	19,929	15,551	16,552	17,869	19,214	20,763	21,940	22,627	17,941
34. " Manufactures	"	47,899	38,745	24,398	23,031	23,475	25,403	27,411	28,410	26,635	27,563	27,478	28,820	32,157	28,872	30,323	29,885	29,737
35. " Total	"	92,388	79,762	58,449	54,221	52,161	56,681	58,473	65,710	65,634	56,666	61,701	68,037	76,069	74,329	77,536	70,505	64,725
36. Volume: Food (a)	Av. of 1930 = 100	98.9	100	108.1	104.1	102.2	102.6	101.5	104.9	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
37. " Raw materials (a)	"	117.7	100	93.7	95.7	104.9	112.6	113.1	128.1	128.2	128.2	128.2	128.2	128.2	128.2	128.2	128.2	128.2
38. " Manufactures (a)	"	89.8	100	101.6	65.2	67.1	77.9	82.0	90.1	83.5	83.5	83.5	83.5	83.5	83.5	83.5	83.5	83.5
39. " Total (a)	"	102.4	100	102.8	90.2	91.7	96.9	97.9	105.3	103.5	103.5	103.5	103.5	103.5	103.5	103.5	103.5	103.5
40. Domestic exports, value: Food	Thous. £'s	4,555	3,444	2,998	2,625	2,314	2,538	2,636	2,966	2,794	2,464	2,776	2,960	3,619	3,823	3,404	2,990	3,120
41. " Raw materials	"	6,575	5,313	3,920	3,634	3,332	4,021	4,400	4,278	4,137	4,086	3,976	4,265	4,768	4,582	4,940	5,091	4,901
42. " Manufactures	"	47,899	36,745	24,398	23,031	23,475	25,403	27,411	28,410	26,635	27,563	27,478	28,820	32,157	28,872	30,323	29,885	29,737
43. " Total	"	60,778	47,563	32,552	30,419	30,659	33,000	35,493	36,727	34,460	35,111	35,258	36,961	41,764	39,441	41,764	39,101	38,572
44. Volume: Food (a)	Av. of 1930 = 100	106.7	100	108.1	104.1	102.2	102.6	101.5	104.9	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
45. " Raw materials (a)	"	119.0	100	93.7	95.7	104.9	112.6	113.1	128.1	128.2	128.2	128.2	128.2	128.2	128.2	128.2	128.2	128.2
46. " Manufactures (a)	"	124.9	100	74.4	76.6	78.5	85.2	84.1	93.1	84.1	84.1	84.1	84.1	84.1	84.1	84.1	84.1	84.1
47. " Total (a)	"	122.0	100	76.5	78.6	78.6	84.1	84.1	93.1	84.1	84.1	84.1	84.1	84.1	84.1	84.1	84.1	84.1
48. Shipping: Tonnage entered	Thous. net tons	5,225	5,310	5,196	4,820	4,638	4,624	4,777	4,735	4,530	4,693	4,648	5,091	5,091	5,091	5,091	4,889	4,821
49. " Tonnage cleared	"	5,723	5,488	5,362	4,920	4,638	4,624	4,777	4,735	4,530	4,693	4,648	5,091	5,091	5,091	5,091	4,889	4,821
50. " Tonnage laid up	"	365	1,593	1,966	1,971	1,240	878	436	212	83.5	80.5	86.6	80.5	94.1	99.8	113.6	120.4	119.3
51. Freight rates, <i>Freight</i> Index	1929 = 100	100	81.7	82.2	79.1	75.1	76.4	76.8	87.3	71.2	73.3	69.1	70.7	75.9	80.5	96.4	85.8	84.6
52. Cable and wireless traffic receipts	Corresponding month 1929 = 100	100	87.3	73.9	72.3	70.5	72.5	73.5	74.4	71.2	73.3	69.1	70.7	75.9	80.5	96.4	85.8	84.6
EMPLOYMENT AND WAGES																		
53. Insured pers. employed G.B.	Thousands	10,220	9,797	9,421	9,348	9,681	10,139	10,377	10,896	10,349	10,475	11,072	11,082	11,103	11,120	11,132	11,106	11,187
54. Insured pers. unemployed	"	1,212	1,915	2,630	2,756	2,496	2,107	1,958	1,684	2,160	1,949	1,548	1,556	1,549	1,553	1,552	1,604	1,552
55. Per cent. unemployed	"	10.5	19.8	21.1	21.9	19.8	16.6	15.3	13.0	16.1	15.3	11.9	11.9	11.9	11.9	11.9	12.3	11.9
56. Regist'd at Exchanges, allages	"	1,276	1,014	2,718	2,813	2,588	2,221	2,106	1,822	2,230	2,094	1,678	1,690	1,677	1,694	1,703	1,766	1,704
57. " London	"	118	177	273	306	272	216	203	179	229	219	161	161	172	178	173	200	194
58. " S. E. England	"	50	75	114	142	142	93	91	79	123	113	52	59	67	79	79	90	89
59. " S.W.	"	69	91	129	157	147	127	114	94	130	120	78	82	86	89	83	106	106
60. " Midlands	"	165	237	381	371	325	245	217	178	236	206	175	168	152	171	170	171	163
61. " N.E. England	"	280	419	569	602	557	478	452	304	444	414	383	347	347	341	342	338	334
62. " N.W.	"	285	522	627	562	517	461	439	374	457	422	347	180	179	179	171	181	179
63. " Northern (c)	"	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
64. " Scotland	"	156	244	358	378	364	331	314	277	333	317	257	263	255	259	265	271	267
65. " Wales	"	116	158	196	228	219	208	206	198	208	214	181	184	185	178	174	174	172
66. " N. Ireland	"	36	60	68	68	68	62	70	67	70	69	65	65	65	65	70	74	76
67. Industr. disputes, No. days lost	"	676	361	527	541	87	78	160	154	114	212	76	166	148	156	168	306	84
68. Wage rates, Min. of Labour (d)	1929 = 100	100	100	97.1	96	95.1	95.1	95.1	95.1	95.1	95.1	95.1	95.1	95.1	95.1	95.1	95.1	95.1
Wholesale: "Economist"																		

Unit of Measurement

1929

1930

1931

1932

1933

1934

1935

1936

Jan.

Feb.

Aug.

Sept.

Oct.

Nov.

Dec.

Jan.

Feb.

Monthly Average

I. BRITISH COUNTRIES

AUSTRALIA (Population 1935: 6,724,000; Area: 7,704,000 sq. kms.)

1. Retained imports.....

2. Domestic exports.....

3. Unemployed Trade Unions.....

4. Wholesale prices.....

5. Cost of living.....

6. Notes in circulation (net issue).....

7. Commercial bank deposits.....

Million £A.

Thousands

Thousands

£A. per 100

£A. per 100

Million £A.

Million £A.

10-687

7-906

47-36

100-0

42-2

293-51

280-6

7-680

7-407

117-87

88-5

94-6

85-3

71-0

58-1

60-3

73-5

81-3

89-8

7-429

7-841

9-209

104-03

78-2

81-6

81-5

85-6

81-8

81-3

87-9

87-2

88-2

89-9

89-4

91-2

11-451

7-405

CANADA (Population 1934: 10,835,000; Area: 9,542,000 sq. kms.)

8. Business activity.....

9. Retained imports.....

10. Domestic exports.....

11. Applicants for work.....

12. Wholesale prices.....

13. Cost of living.....

14. Price of industrial securities.....

15. Notes in circulation.....

16. Commercial bank deposits.....

1929=100

Million Can.\$

Thousands

Thousands

1929=100

Million Can.\$

Million Can.\$

Million Can.\$

100-0

108-25

102-65

14-97

100-0

100-0

359

2,163

84-8

84-04

75-46

31-01

90-9

90-9

64-3

308

2,068

71-0

52-34

54-27

37-27

51-31

63-81

69-86

85-66

75-8

78-3

78-3

79-6

80-9

84-5

81-8

81-3

87-9

97-3

98-5

95-5

95-1

93-7

51-88

83-42

INDIA (Population 1934: 363,644,000; Area: 4,684,000 sq. kms.)

17. Retained imports.....

18. Domestic exports.....

19. Silver: Excess of imp. (+) or exp. (-).....

20. Gold: Excess of imp. (+) or exp. (-).....

21. Wholesale prices.....

22. Cost of living.....

23. Bank notes in circulation.....

Million rupees

Million rupees

Million rupees

Million rupees

Million rupees

Million rupees

Million rupees

208-57

268-78

+6-1

+14-9

100-0

1,794

156-62

210-49

+7-6

+13-2

82-3

91-9

113-47

137-66

-2-0

-4-8

68-1

73-8

1,613

110-66

112-63

-1-0

-5-1

61-7

68-5

1,781

95-63

120-37

-3-0

-7-6

65-1

67-8

1,839

104-87

123-57

130-84

150-36

88-5

90-9

1,718

111-91

131-90

+1-2

+8-1

84-7

88-5

1,899

129-06

151-14

+7-8

+37-5

91-63

139-17

+7-9

+9-0

103-53

161-17

+8-3

+14-8

101-07

168-26

+5-9

+5-9

96-02

173-48

111-73

208-57

IRISH FREE STATE (Population 1935: 3,033,000; Area: 69,000 sq. kms.)

24. Retained imports.....

25. Domestic exports.....

26. Applicants for work.....

27. Cost of living.....

28. Notes in circulation.....

29. Currency Commission: F. Assets.....

Million £A.

Thousands

Thousands

1929=100

Million £A.

Million £A.

5-021

3-852

20-70

100-0

14-2

7-1

4-633

3-647

22-40

97-2

14-3

7-9

4-139

2-962

21-53

90-5

81-3

1,439

3-453

2-098

62-82

85-5

87-7

7-7

2-934

3-231

3-087

3-282

2-872

3-155

2-839

5-207

4-090

3-617

3-355

2-858

1-516

100-18

91-6

NEW ZEALAND (Population 1935: 1,559,000; Area: 268,000 sq. kms.)

30. Retained imports.....

31. Domestic exports.....

32. Unemployed registered (males).....

33. Wholesale prices.....

34. Cost of living.....

35. Notes in circulation (active).....

36. Commercial bank deposits.....

Million £N.Z.

Thousands

Thousands

1929=100

Million £N.Z.

Million £N.Z.

3-998

4-515

2-89

100-0

7-2

54-7

3-634

3-684

5-00

97-4

6-7

52-8

2-156

2-860

41-53

87-2

83-5

71-3

51-3

2-001

2-082

3-367

8-398

3-838

4-689

2-996

3-637

3-559

2-950

3-954

4-378

2-538

3-790

4-282

4-629

7-004

SOUTH AFRICA (Population 1935: 8,600,000; Area: 1,222,000 sq. kms.)

37. Retained imports.....

38. Domestic exports.....

39. Of which gold.....

40. Wholesale prices.....

41. Cost of living.....

42. Notes in circulation.....

43. Commercial bank deposits.....

Million £S.A.

Million £S.A.

Million £S.A.

Million £S.A.

Million £S.A.

Million £S.A.

Million £S.A.

6-587

7-769

3-864

100-0

9-2

61-0

5-095

6-657

3-959

98-5

85-8

8-8

63-8

5-095

5-708

4-042

79-0

80-2

87-7

81-1

85-0

2-606

5-622

4-042

87-7

77-7

54-6

3-961

5-738

4-629

88-8

80-3

88-6

85-5

88-5

6-100

9-295

6-895

85-8

88-5

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(a) Adjusted for seasonal variations. (b) Partly adjusted for seasonal variations. (c) End of November. (d) Yearly total.

(c) Provisional.

RAW MATERIALS AND CRUDE FOODSTUFFS
GROUP I.—MONTHLY TABLE.

Commodity	Unit of Measurement	Monthly Average										1936					1937	
		1929	1930	1931	1932	1933	1934	1935	1936 (a)	Jan.	Feb.	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
COAL																		
1. Production: Belgium	Th. metric tons	2,245	2,295	2,254	1,785	2,108	2,199	2,207	2,323	2,527	2,337	2,286	2,159	2,518	2,447	2,519	2,467	
2. " France	"	4,482	4,490	4,167	3,856	3,907	3,969	3,851	3,769	4,087	3,855	3,754	3,484	4,165	3,436	3,813	3,623	
3. " Germany: Coal	"	13,629	11,892	9,897	8,728	9,141	10,405	11,918	13,198	13,679	12,625	12,985	13,448	14,597	13,879	14,681	14,856	
4. " Poland	"	3,853	3,126	3,189	2,403	2,283	2,436	2,395	2,479	2,556	2,260	2,387	2,692	3,157	3,046	2,984	2,982	
5. " U.K.	"	21,837	20,550	18,582	17,717	17,525	18,708	18,877	19,340	21,905	19,955	17,330	19,106	20,341	19,519	20,939	20,110	
6. " U.S.A.	"	46,026	40,590	35,595	27,183	28,967	31,398	31,576	36,470	40,400	43,396	33,088	37,162	43,125	41,441	44,168	40,921	
7. " All Principal countries	"	107,219	98,082	86,002	78,435	79,688	87,503	89,535	96,620	105,785	105,079	90,383	97,889	109,290	103,650	111,042	108,911	
8. Price: Av. Br. exp. price	sh. per ton	16.08	16.67	16.17	16.25	16.08	16.04	16.28	16.88	18.80	16.50	17.12	17.12	17.17	17.20	17.06	17.30	
OIL																		
9. Production: Dutch East Indies	Th. metric tons	437	461	392	424	461	503	507	516	487	531	533	580	591	599	599	599	
10. " Mexico	"	556	492	411	408	422	475	501	504	491	564	563	483	478	478	478	478	
11. " Persia (Anglo-Ir. Oil)	"	462	503	487	543	544	579	577	604	590	674	591	619	632	632	632	632	
12. " Roumania	"	403	483	563	612	615	706	698	710	668	765	720	716	683	683	683	683	
13. " U.S.A.	"	11,508	10,280	9,714	8,970	10,347	10,376	11,356	12,177	11,258	13,037	12,472	13,134	12,478	13,388	13,388	13,388	
14. " U.S.S.R.	"	1,206	1,552	1,912	1,791	1,786	2,013	1,989	2,216	2,097	2,140	2,112	2,304	2,294	2,294	2,294	2,294	
15. " All Principal countries	"	17,082	16,293	15,766	15,004	16,465	17,366	18,738	20,088	18,754	21,247	20,465	21,218	20,828	20,828	20,828	20,828	
16. Stocks: U.S.A. end year	Thous. barrels	422	402	371	340	354	337	315	288	313	311	302	296	292	289	288	288	
17. Price: U.S.A., Mid-Cont. crude	cents per barrel	123.3	111.1	57.3	81.3	60.1	94.0	94.0	104.0	104.0	104.0	104.0	104.0	104.0	104.0	104.0	116.0	
CRUDE STEEL																		
18. Production: Belgium	Th. metric tons	342	280	259	232	229	246	252	265	274	271	272	275	298	293	296	288	
19. " France	"	808	787	652	470	544	514	523	559	561	538	460	545	627	579	591	603	
20. " Germany, inc. Saar	"	1,354	962	691	481	632	990	1,342	1,596	1,584	1,490	1,725	1,721	1,745	1,507	1,472	1,534	
21. " Japan, ex. castings	"	191	191	157	200	267	325	375	388	405	401	401	422	458	458	458	458	
22. " Luxembourg	"	225	189	170	163	154	161	153	165	154	151	164	164	185	188	176	186	
23. " U.K.	"	816	620	438	445	595	750	833	990	926	954	887	1,043	1,078	1,017	1,036	203	
24. " U.S.A., ex. castings	"	4,599	3,326	2,133	1,128	1,913	2,139	2,830	3,973	3,095	3,012	4,262	4,228	4,618	4,407	4,503	1,012	
25. " U.S.S.R.	"	407	483	451	490	571	800	1,034	1,362	1,261	1,231	1,353	1,367	1,519	1,447	1,406	1,496	
26. " All Principal countries	"	9,714	7,900	5,615	4,113	5,510	6,633	9,977	13,805	8,731	8,519	10,001	10,272	10,982	10,389	10,570	1,496	
27. Price: Pig iron Cleveland No. 3	per ton	3.53	3.35	2.97	2.91	3.13	3.35	3.39	3.70	3.50	3.50	3.75	3.75	3.75	3.81	4.05	4.05	
GOLD																		
28. Production: Union of S. Africa	Thous. fine ozs.	868	893	907	963	918	873	898	945	922	894	967	966	977	944	967	981	
29. " U.S.S.R.	"	90	120	142	166	222	355	486	613	561	538	460	545	627	579	591	603	
30. " Canada	"	161	175	225	264	246	248	274	310	278	266	329	331	334	319	321	320	
31. " U.S.A.	"	171	175	185	185	190	229	264	310	278	266	329	331	334	319	321	320	
32. " World (b)	"	1,632	1,736	1,863	2,028	2,113	2,313	2,582	2,920	2,739	2,666	3,256	3,256	3,256	3,256	3,256	3,256	
33. Price: London, per fine ounce	sh.	84.9	85.0	92.5	118.0	127.8	137.6	142.1	140.3	140.90	140.93	138.35	137.99	141.91	142.27	141.69	142.11	
WHEAT																		
34. World shipments	Mlns. of bushels	923	830	825	801	631	549	515	504	468	427	294	315	305	292	312	336	
35. Stks.: World visible supplies (d)	sh. per cwt.	370.1	411.9	462.7	408.2	459.7	477.2	339.5	275.1	468.9	427.7	294.0	315.8	305.6	292.9	312.5	336.5	
36. Average British import price	sh. per cwt.	10.33	8.22	5.09	6.15	5.52	5.38	6.02	7.53	6.83	6.97	7.47	7.87	8.36	7.89	7.93	9.89	
COTTON																		
37. Mill consumption: U.K.	Thousands	2,800	2,485	1,964	2,388	2,248	2,470	2,507	2,733	2,763	2,997	2,565	2,769	2,900	3,252	3,252	3,252	
38. " Japan	"	2,763	2,997	2,565	2,769	2,900	3,252	3,252	3,252	3,252	3,252	3,252	3,252	3,252	3,252	3,252	3,252	
39. " U.S.A.	"	7,033	6,060	5,246	4,847	6,109	5,870	5,321	6,851	6,851	6,851	6,851	6,851	6,851	6,851	6,851	6,851	
40. " World	"	25,882	25,209	22,488	22,322	24,352	25,112	24,418	25,389	25,389	25,389	25,389	25,389	25,389	25,389	25,389	25,389	
41. Stks.: World Visible Supplies	Thousand bales	2,736	4,317	6,593	7,682	7,510	6,571	3,983	4,297	7,567	7,347	4,186	5,922	7,412	8,103	7,928	7,081	
42. Price: Mid. American	d. per lb.	10.33	7.46	5.08	5.25	5.54	6.67	6.70	6.69	6.18	6.07	6.82	6.94	6.94	6.81	6.94	7.15	
SUGAR																		
43. Stks.: World visible supplies (d)	Thous. tons	4,047	5,522	6,765	7,018	6,441	5,892	4,166	2,983	5,829	5,679	3,652	2,983	3,366	5,502	5,389	7,081	
44. Av. Brit. import price, unrefined	sh. per cwt.	9.68	8.91	8.10	7.70	7.46	6.98	6.38	6.71	7.50	7.58	5.56	5.77	6.48	7.05	5,071	7.26	

GROUP II.—BI-MONTHLY TABLE.

COPPER																
1. Production: Belgian Congo	Th. metric tons	11.3	11.4	10.0	4.5	5.6	10.8	12.1	8.5	14.5	14.0	15.0	18.1	17.0	16.9	15.0
2. (Smelter) Canada	"	6.1	8.5	9.2	8.0	9.9	12.7	14.7	14.2	14.5	14.0	15.0	18.1	17.0	16.9	15.0
3. " Chile	"	25.3	17.3	18.0	8.1	9.9	12.6	21.6	20.4	19.8	19.5	19.2	21.7	27.2	27.4	23.5
4. " N. Rhodesia	"	0.5	0.5	0.8	5.8	5.8	13.1	20.6	21.6	19.8	19.5	19.2	21.7	27.2	27.4	23.5
5. " U.S.A.	"	83.2	60.8	44.8	23.2	18.9	27.3	32.8	31.9	34.3	33.5	34.2	46.4	63.8	63.8	48.5
6. " World	"	157.9	131.5	114.9	77.8	86.6	98.4	115.6	128.5	118.0	118.7	118.7	140.7	154.1	154.3	167.0
7. Consumption: World	"	146.8	120.0	103.5	75.5	89.1	89.1	100.8	135.5	122.0	125.3	141.5	146.9	157.5	154.1	168.0
8. Stocks: U.K.	"	6.6	7.8	21.7	37.3	32.8	56.9	88.7	47.0	85.4	80.4	54.2	51.1	49.7	46.2	47.0
9. (Refined) Stocks: World	"	423.0	547.1	692.7	724.5	694.2	532.6	440.3	320.4	442.7	436.7	367.9	344.7	323.9	320.4	304.9
10. Price: Std. cash, London	£ per ton	423.0	547.1	692.7	724.5	694.2	532.6	440.3	320.4	442.7	436.7	367.9	344.7	323.9	320.4	304.9
LEAD																
11. Production: Australia	Th. metric tons	11.0	14.3	12.5	15.8	17.4	16.9	18.2	16.6	15.4	15.8	16.7	16.6	18.3	17.9	17.6
12. (Smelter) Canada	"	11.5	11.5	10.5	9.6	9.6	11.9	12.4	13.7	12.8	13.0	13.6	14.3	14.0	14.6	15.5
13. " Germany	"	19.2	19.3	17.3	10.9	9.7	10.0	10.4	10.3	12.1	10.4	10.3	10.5	12.4	12.2	15.0
14. " Mexico	"	11.1	10.1	9.1	7.3	7.3	10.4	14.9	17.5	19.2	15.0	12.4	12.2	15.0	14.2	13.3
15. " Spain	"	54.1	46.4	37.4	21.8	20.8	24.2	28.4	32.7	30.9	29.2	28.2	27.0	35.7	36.5	37.4
16. " U.S.A.	"	145.0	137.2	113.3	90.1	110.5	117.7	120.6	119.3	118.7	110.9	111.9	121.9	132.6	132.7	138.0
17. " World	"	2.0	8.5	13.3	13.3	13.3	13.3	13.3	13.3	13.3	13.3	13.3	13.3	13.3	13.3	13.3
18. Stocks: U.K.	"	49.7	93.6	137.5	137.5	137.5	137.5	137.5	137.5	137.5	137.5	137.5	137.5	137.5	137.5	137.5
19. " U.S.A.	"	23.25	18.05	15.02	11.00	11.68	10.83	10.83	15.40	203.4	204.1	198.0	181.9	168.4	160.5	156.4
20. Price: "Soft Foreign," London	£ per ton	23.25	18.05	15.02	11.00	11.68	10.83	10.83	15.40	203.4	204.1	198.0	181.9	168.4	160.5	156.4
SPELTER																
21. Production: Holland	metric tons	2.1	1.9	1.6	1.3	1.5	1.7	1.1	...	18.8	17.4	17.8	17.0	18.2	18.2	20.5
22. (Smelter) Belgium	"	16.5	14.7	11.2	7.0	7.0	10.4	16.3	...	18.8	17.4	17.8	17.0	18.2	18.2	20.5
23. " Canada	"	6.5	9.2	9.2	6.0	6.0	11.3	11.3	...	18.8	17.4	17.8	17.0	18.2	18.2	20.5
24. " Mexico	"	1.3	2.5	2.9	2.2	2.2	2.4	2.7	...	14.7	11.4	14.7	14.8	15.9	12.9	12.5
25. " Germany	"	8.5	8.1	3.8	4.2	6.1	10.4	7.1	...	14.7	11.4	14.7	14.8	15.9	12.9	12.5
26. " Poland	"	14.1	14.6	10.0	6.9	7.7	10.4	7.1	...	11.3	10.5	11.5	11.2	11.3	11.6	12.3
27. " Australia	"	4.7	4.7	7.6	5.5	4.6	4.6	5.7	...	7.4	7.0	7.9	7.9	8.1	7.8	8.2
28. " U.K.	"	37.7	37.7	28.1	2.3	3.5	4.3	5.4	...	11.0	10.0	11.6	11.3	11.4	11.0	10.8
29. " U.S.A.	"	421.5	383.7	333.3	15.7	23.2	27.5	31.8	...	38.0	32.9	39.6	38.4	42.0	41.5	42.7
30. " World	"	4.5	12.0	21.6	13.2	7.0	10.9	8.2	...	122.0	109.2	123.9	120.1	127.9	124.4	128.6
31. Stocks: U.K.	"	70.1	130.2	117.7	11.23	95.7	108.7	76.1	...	8.2	7.8	13.9	14.0	16.0	16.1	17.2
32. " U.S.A.	"	24.88	16.84	14.45	13.58	15.68	13.87	14.08	...	61.8	68.5	71.8	68.5	62.5	52.1	40.5
33. Price: G.O.B., London	£ per ton	24.88	16.84	14.45	13.58	15.68	13.87	14.08	...	14.49	15.08	13.53	13.96	14.55	16.51	17.86
TIN																
34. Production: Bolivia	Tons	3,882	3,179	2,582	1,715	1,227	1,719	2,284	2,006	2,035	1,694	1,917	2,381	1,983	1,788	1,981
35. (exports) Dutch E. Indies	"	2,976	2,909	2,290	1,307	1,201	1,567	2,060	2,628	2,097	2,096	2,935	2,515	2,326	3,080	3,075
36. " China	"	334	356	314	464	592	545	674	748	1,068	734	652	623	797	836	1,017
37. " Belgian Congo	"	81	72	12	57	185	384	540	626	151	351	477	608	747	1,888	1,888
38. " British Malaya	"	5,781	5,331	4,561	2,479	2,075	2,838	3,830	5,681	5,405	4,754	4,721	5,125	7,128	5,361	6,427
39. " Victoria	"	895	724	602	373	314	814	1,014	1,014	580	699	677	767	857	842	818
40. " Siam	"	828	922	1,037	772	860	882	815	1,056	1,532	677	1,107	1,117	1,080	1,095	1,190
41. " World	"	15,582	14,291	12,020	7,930	7,261	9,155	11,710	14,323	13,706	12,154	13,981	13,920	16,306	14,775	19,086
42. " Quota of restrg. countries	% of std. quantity	...	...	67.7	42.8	32.6	45.0	58.8	92.5	90.0	90.0	90.0	105.0	105.0	105.0	100.0
43. Consumption: U.K.	Thous. tons	2,518	1,883	1,745	1,644	1,664	1,756	1,786	1,822	1,797	2,350	1,833	2,047	1,828	2,000	1,805
44. " U.S.A.	"	14,283	6,385	5,297	2,938	4,889	3,833	5,191	6,304	6,559	6,520	6,658	5,804	6,747	5,089	6,813
45. " World	"	32,449	48,293	59,247	55,898	10,604	9,807	11,873	13,093	13,279	12,522	13,685	12,864	13,314	12,105	15,158
46. Stocks: World Visible supply	£	18.2	28.9	43.3	86.2	28.135	17.107	13.841	22.695	16.435	16,772	15,972	17,212	22,157	22,665	24,822
47. " Ratio to annual cons.	%	203.9	141.8	118.6	136.0	194.8	230.4	225.7	204.6	111.1	10.1	10.8	10.4	11.7	11.7	11.7
48. Price: Std. cash, London	£ per ton	203.9	141.8	118.6	136.0	194.8	230.4	225.7	204.6	111.1	10.1	10.8	10.4	11.7	11.7	11.7

II.—Forward Rates (Closing quotations)

London on	Feb. 12, 1937	Feb. 13, 1937	Feb. 15, 1937	Feb. 16, 1937	Feb. 17, 1937	Feb. 18, 1937
	Per £	Per £	Per £	Per £	Per £	Per £
New York, cent.	1 Month (p) 1-1/8	(p) 1-1/8	(p) 1-1/8	(p) 1-1/8	(p) 1-1/8	(p) 1-1/8
	2 " 1-1/8	1-1/8	1-1/8	1-1/8	1-1/8	1-1/8
	3 " 1-1/8	1-1/8	1-1/8	1-1/8	1-1/8	1-1/8
Paris, frs.	1 Month (d) 1-1/2	(d) 1-1/2	(d) 1-1/2	(d) 1-1/2	(d) 1-1/2	(d) 1-1/2
	2 " 1-1/2	1-1/2	1-1/2	1-1/2	1-1/2	1-1/2
	3 " 1-1/2	1-1/2	1-1/2	1-1/2	1-1/2	1-1/2
Amsterdam, cent.	1 Month (p) 1-1/8	(p) 1-1/8	(p) 1-1/8	(p) 1-1/8	(p) 1-1/8	(p) 1-1/8
	2 " 1-1/8	1-1/8	1-1/8	1-1/8	1-1/8	1-1/8
	3 " 1-1/8	1-1/8	1-1/8	1-1/8	1-1/8	1-1/8
Brussels, cent.	1 Month (p) 1-1/8	(p) 1-1/8	(p) 1-1/8	(p) 1-1/8	(p) 1-1/8	(p) 1-1/8
	2 " 1-1/8	1-1/8	1-1/8	1-1/8	1-1/8	1-1/8
	3 " 1-1/8	1-1/8	1-1/8	1-1/8	1-1/8	1-1/8
Geneva, cent.	1 Month (p) 1-1/8	(p) 1-1/8	(p) 1-1/8	(p) 1-1/8	(p) 1-1/8	(p) 1-1/8
	2 " 1-1/8	1-1/8	1-1/8	1-1/8	1-1/8	1-1/8
	3 " 1-1/8	1-1/8	1-1/8	1-1/8	1-1/8	1-1/8

(p) Premium, i.e. "under spot."

(d) Discount, i.e. "over spot."

NEW YORK MONEY AND EXCHANGE RATES

The Irving Trust Company cables the following money and exchange rates in New York:—

	Feb. 19, 1936	Jan. 20, 1937	Jan. 27, 1937	Feb. 3, 1937	Feb. 10, 1937	Feb. 17, 1937
Call money.....	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2
Time money (90 days) mixed coll.	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2
Bank acceptances:—						
Members—eligible, 90 days.....	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2
Non-mem.—eligible, 90 days.....	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2
Commercial accept., 90 days.....	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2

Rates of Exchange, New York on—	Par Level	Feb. 19, 1936	Feb. 3, 1937	Feb. 10, 1937	Feb. 17, 1937
London—					
60 days.....	Dollars for £1	4-8866	4-8812	4-8906	4-8868
Cable.....		4-8866	4-8812	4-8906	4-8868
Cheques.....		4-8866	4-8812	4-8906	4-8868
Paris.....	Cents for 1 franc	6-63	5-6850	4-6612	4-6562
Brussels.....	Cents for 1 franc	23-54	17-045	16-87	16-865
Switzerland.....	Cents for 1 franc	32-67	33-07	22-885	22-815
Italy.....	Cents for 1 lira	8-91	8-03	5-281	5-261
Berlin.....	Cents for 1 mark	40-83	40-69	40-235	40-235
Vienna.....	Cents for 1 schilling	23-82	19-02	18-70	18-70
Madrid.....	Cents for 1 peseta	32-67	13-85		
Amsterdam.....	Cents for 1 guilder	68-06	68-70	54-76	54-65
Copenhagen.....	Cents for 1 kroner	45-37	22-295	21-875	21-855
Stockholm.....	Cents for 1 krona	1-29	23-75	25-285	25-24
Athens.....	Cents for 1 drachma	0-90	0-90	0-90	0-90
Montreal.....	Cents for Can. \$1	169-31	100-5	99-1	99-1
Yokohama.....	Cents for 1 yen	84-40	29-15	28-58	28-57
Shanghai.....	Cents for 1 dollar	30-25	29-90	29-75	29-80
Bombay.....	Cents for 1 rupee	61-80	37-76	37-06	37-02
Calcutta.....	Cents for 1 rupee	33-28	30-25	30-25	30-15
Buenos Aires.....	Cents for 1 peso	11-96	8-41	8-25	8-25
Rio de Janeiro.....	Cents for 1 milreis				

THE BANK OF LONDON AND SOUTH AMERICA, LTD., has received telegraphic advice from the Valencia Branch that the gold surcharge for payment of Spanish customs duties has been fixed for the period February 11th to 20th at 143-63 per cent. The previous rate was fixed from February 1st at 142-29 per cent.

Overseas Bank Rates and Exchange Rates for South Africa, Central and South America and Australasia were given in the issue of February 6th on page 333.

GOLD AND SILVER

The following statistics of imports and exports of gold and silver for the week ended February 18, 1937, are issued by the Statistical Department of H.M. Customs and Excise.

IMPORTS AND EXPORTS OF GOLD

(Into and from United Kingdom)

Imports	Exports
From	To
Bullion*	Bullion*
Coin†	Coin†
British S. Africa.....	Palestine.....
Tanganyika.....	British India.....
Kenya.....	Bahamas.....
Uganda.....	Netherlands.....
Anglo-Egyptian.....	Syria.....
Sudan.....	Switzerland.....
British India.....	Jugoslavia.....
Australia.....	Morocco.....
New Zealand.....	Iraq.....
British Guiana.....	U.S.A.....
Netherlands.....	Other countries.....
Belgium.....	
France.....	
Switzerland.....	
Morocco.....	
Iraq.....	
Venezuela.....	
Other countries.....	
Totals.....	Totals.....

* At current market value. † Coin which is of legal tender in the United Kingdom is entered at face value and shown in italics. Other coin is entered at current market value.

IMPORTS AND EXPORTS OF SILVER

Imports	Exports
From	To
Bullion*	Bullion*
Coin†	Coin†
Australia.....	Aden and Depen- dencies.....
New Zealand.....	British India.....
Netherlands.....	Straits Settlements.....
Belgium.....	Canada.....
France.....	Bahamas.....
Japan.....	Jamaica and Depen- dencies.....
Other countries.....	Germany.....
	Syria.....
	Switzerland.....
	Egypt.....
	Iran.....
	U.S.A.....
	Other countries.....
Totals.....	Totals.....

* At current market value. † Coin which is of legal tender in the United Kingdom is entered at face value and shown in italics. Other coin is entered at current market value.

GOLD MOVEMENTS: BANK OF ENGLAND

1937	ARRIVALS	1937	WITHDRAWALS
Feb. 12.....	Nil	Feb. 12.....	Nil
" 13.....	Nil	" 13.....	Nil
" 15.....	Nil	" 15.....	Nil
" 16.....	Nil	" 16.....	Nil
" 17.....	Nil	" 17.....	Nil
" 18.....	Nil	" 18.....	Nil
Total.....	Nil	Total.....	Nil

Movement, February 12 to February 18, 1937 (inclusive)..... Nil
Movement during year 1936..... £113,809,527 in
Movement during 1937 (January 1 to February 18, inclusive)..... Nil
Movement, April 29, 1925, to February 18, 1937 (inclusive)..... £154,566,724 in
Movement, September 21, 1931 (gold standard suspended) to February 18, 1937 (inclusive)..... £176,972,176 in

GOLD MARKET

Messrs Samuel Montagu and Company write on February 17, 1937:—
The Bank of England gold reserve against notes amounted to £313,660,661 on February 10, 1937, the same as on February 3rd. Bar gold to the value of about £1,670,000 was available in the open market during the week. Although prices showed a premium over dollar parity at the time of fixing, most of the gold offered was secured for the United States of America. The s.s. "Mongolia," which sailed from Bombay on February 13th, carries gold to the value of about £71,000.

SILVER MARKET

The market has maintained a steady tone, and business has been of a fairly general character. Buying for America has again been in evidence, and there has been some speculative buying, demand being offset by further reselling of holdings and sales on China account. The Indian Bazaars have also resold, besides making a few fresh forward purchases. There is at present no indication of any wide variation from the present level. Quotations for gold and silver are shown below:—

1937	Price of Gold per Fine Ounce	Equivalent Value of £ sterling	Price of Bar Silver in London per ounce standard	Price of Silver New York per ounce .999 fine
Feb. 11.....	s. d. 141 11	s. d. 11 11-67	d. 20 1/2	Feb. 10 45
" 12.....	142 2	11 11-42	20 1/2	Feb. 11 45
" 13.....	142 2 1/2	11 11-37	20 1/2	Feb. 12 45
" 15.....	142 1 1/2	11 11-46	20 1/2	Feb. 14 45
" 16.....	142 0 1/2	11 11-54	20 1/2	Feb. 16 45
" 17.....	142 0 1/2	11 11-54	20 1/2	Feb. 17 45
Average.....	142 1	11 11-50	20-094	20-073
Feb. 18.....	142 1	11 11-50	20 1/2	20 1/2

The highest rate of exchange on New York recorded during the period from February 11 to February 17, 1937, was \$4-90, and the lowest 4-89 1/2.

OTHER STATISTICS

WEEKLY TRAFFIC RETURNS

RAILWAYS OF GREAT BRITAIN AND IRELAND

GROSS RECEIPTS, WEEK ENDED FEB. 14, 1937											AGGREGATE GROSS RECEIPTS, COMPARED WITH 1936										
(b) Week ended Feb. 12, 1937.		(c) Week ended Feb. 13, 1937.		Miles Open		1937 (£'000)						1936 (6 weeks) (£'000)									
						Passen- ger, etc.	Merchandise, etc.	Coal and Lignite	Total	Total Receipts							Passen- ger, etc.	Merchandise, etc.	Coal and Lignite	Total	Total Receipts
Great Western.....	1937	3,746	154	192	120	312	466				930	1,116	704	1,820	2,716						
(c) L. & N. Eastern	1936	3,746	146	182	108	290	436				924	1,083	709	1,792	2,716						
L. M. & D. Scottish	1936	6,336	244	320	263	583	827				1,483	1,902	1,571	3,473	4,984						
Southern.....	1937	6,914	380	473	294	767	1,147				2,201	2,810	1,724	4,939	6,659						
	1936	6,919	363	461	278	739	1,102				2,166	2,722	1,771	4,493	5,981						
	1937	2,153	248	57	36	93	341				1,486	328	206	581	2,000						
	1936	2,154	227	58	38	96	323				1,427	343	238	581	2,000						
Total	1937	19,146	1,036	1,042	725	1,767	2,803				6,100	6,155	4,205	10,361	16,377						
	1936	19,177	980	1,021	687	1,708	2,688				5,973	6,044	4,360	10,404	16,377						
(b) Belfast & Co. Down	1937	80	1-7	...	0-3	2-0	10-3				...	...	...	2-7	13-0						
(b) Great Northern	1936	80	1-7	...	0-6	2-3	11-3				...	...	...	52-8	93-6						
(b) Great Southern	1937	543	7-4	...	8-4	15-8	44-9				...	...	...	58-4	103-0						
(b) Great Southern	1937	2,076	543	7-6	...	10-2	17-8				46-6	...	...	250-6	408-1						
	1936	2,124	25-7	...	38-7	64-4	154-5				...	...	...	247-6	408-1						
	1936	2,124	25-7	...	37-6	63-3	158-8				...	...	...	...	...						

COMPARISONS WITH CORRESPONDING PERIODS, 1935 and 1936 (000's omitted)

	Great Western	L.M.S.	L.N.E.R.	Southern
First half-year 1936, compared with first half-year, 1935:				
Gross increase or decrease.....	+ 263	+ 937	+ 534	+ 85
Second half-year 1936, compared with second half-year, 1935:				
Gross increase or decrease.....	+ 491	+ 1,575	+ 751	+ 378
First half-year 1937, compared with first half-year, 1936:				
6 weeks to February 13, 1937.....	+ 34	+ 76	- 38	+ 12
Weekly average first half 1937.....	+ 5 1/2	+ 12 1/2	- 6 1/2	+ 2
Latest week 1937 compared with 1936.....	+ 30	+ 45	+ 22	+ 18

LONDON TRANSPORT

	*Takings (before pooling)	Compared with corresponding period of last year
Week ending February 13, 1937.....	£548,400	+ £32,600
Aggregate 33 weeks to February 13, 1937.....	£18,441,000	+ £523,800

* For an explanation of the manner in which the figures are made up, see *The Economist*, March 17, 1934, page 610.

OVERSEAS RAILWAY RECEIPTS

Name	Weeks	Ending	Present Mileage	Gross Receipts for Week	Gross Aggregate Receipts
				1936	+ or -
				1936	+ or -

INDIAN

	1937	Rs.	Rs.	Rs.	Rs.
Assam Bengal.....	43	1,330	\$5,80,400	+ 70,246	1,42,09,628
Barsi Lt. Ry.....	43	20	\$41,900	+ 13,800	12,42,400
Bengal & N. Western.....	43	20	\$11,26,164	+ 13,388	1,14,24,693
Bombay-Nagpur.....	43	20	\$21,53,000	+ 1,21,158	6,34,71,088
Bombay, Bar. & C.I.....	46	Feb. 10	\$40,89,000	+ 5,16,000	10,01,33,000
Madras & S. Mahr.....	43	Jan. 20	\$23,29,000	+ 4,20,891	5,97,48,908
Rohilkh & Kumaon.....	17	20	\$3,572	+ 18,068	21,12,245
South Indian.....	43	20	\$2,532	+ 14,58,544	- 91,001

CANADIAN

	1937	\$	\$	\$	\$
Canadian National.....	6	Feb. 14	23564	3,403,904	+ 356,626
Canadian Pacific.....	6	Feb. 14	17223	2,287,000	+ 103,000

SOUTH AMERICAN

	1937	\$	\$	\$	\$
Antofagasta (Chili and Bolivia).....	7	Feb. 14	834	\$15,430	+ 1,840
Argentine N.E.	33	13	753	\$107,700	+ 12,600
B.A. and Pacific.....	33	13	2,860	\$1,947,000	+ 218,000
B.A. Central.....	31	Jan. 30		\$120,781	+ 19,254
B.A. Ct. Southern.....	31	Jan. 30		\$165,100	+ 63,400
B.A. Western.....	33	Feb. 13	5,084	\$3,731,000	+ 81,000
Central Argentine.....	33	13	1,930	\$231,452	+ 1,164
Central Uruguay.....	32	13	3,700	\$386,000	+ 106,000
C. Ur. (East Ext.).....	32	6	311	\$3,290	+ 611
C. Ur. (N. Ext.).....	32	6	183	\$1,913	+ 111
C. Ur. (W. Ext.).....	32	6	211	\$1,230	+ 120
Cordoba Central.....	33	13	1,218	\$424,000	+ 11,000
Entre Rios.....	33	13	810	\$26,300	+ 760
G. Westn. of Brazil.....	7	13	1,082	\$191,300	+ 16,000
Leopoldina.....	7	13	1,918	\$11,867	+ 1,573
Leopoldina Termi.....	7	13	1,918	\$8,100	+ 800
Mitrate.....	7	13	1,918	\$513,600	+ 257,000
Paraguay Central.....	7	13	397	\$48,755	+ 4,353
Salvador.....	33	13	274	\$2,840,000	+ 627,000
San Paulo.....	33	13	100	\$43,750	+ 8,750
United of Havana.....	33	13	1,353	\$255,000	+ 8,000

* Converted at average official rate during week ended Feb. 13, 16-12 pesos to the £.
† Free market rate.
‡ Receipts in Argentine pesos.
§ Converted at official rate.
¶ Converted at the "free" rate as a result of a decision of the High Court.

OTHER OVERSEAS

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